S 361-2

UNEMPLOYMENT COMPENSATION

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

NINETY-FIRST CONGRESS

SECOND SESSION

ON

H.R. 14705

TO EXTEND AND IMPROVE THE FEDERAL-STATE UNEMPLOYMENT COMPENSATION PROGRAM

FEBRUARY 5, 17, AND 18, 1970

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THURSDAY, FEBRUARY 5, 1970

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

The committee met, pursuant to notice, at 10:02 a.m., in room 2221, New Senate Office Building, Hon. Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, McCarthy, Hartke, Ribicoff, Byrd, Jr., of Virginia, Williams of Delaware, and Fannin.

The CHAIRMAN. Today the Committee on Finance will hear the Honorable George P. Shultz, Secretary of Labor, present the administration's case for extending the Federal-State unemployment compensation program and for raising employer taxes under this program.

I might observe at this point that in the 89th Congress the House and the Senate both passed a bill which represented the broadest revision of the Federal-State unemployment compensation program since the program was first written into law. Most features of the bill before us today are substantially identical to provisions which had been in the 1966 measure. Unfortunately, other amendments caused a deadlock in conference and prevented it from being enacted before the 89th Congress finally adjourned.

The major provisions of the bill would extend unemployment insurance coverage to an additional 4.5 million jobs, establish a new permanent extended unemployment compensation program, the costs of which would be shared equally by the Federal and State governments, and provide additional financing for the administrative costs of the program through an increase in unemployment taxes.

Beginning on Tuesday, February 17th, the committee will begin the second phase of hearings on this bill during which other persons who wish to testify on the bill will present their views.

Without objection, we will place in the record at this point the text of the bill and other materials concerning the bill. (Testimony begins on page 75.)

(The committee's press release announcing hearings, H.R. 14705, and other related documents follow:)

(Press release—For immediate release)

COMMITTEE ON FINANCE,
U. S. SENATE,
2227 New Senate Office Bldg.

FINANCE COMMITTEE HEARINGS ON UNEMPLOYMENT COMPENSATION

Senator Russell B. Long (D., La.), Chairman of the Senate Committee on Finance, announced today that on Thursday, February 5, 1970, the Committee would receive testimony from the Honorable George P. Shultz, Secretary of the Department of Labor, in a public hearing on H.R. 14705, a bill to extend and improve the Federal-State unemployment compensation program. Following the Secretary's statement, Mr. Murray L. Weidenbaum, Assistant Secretary of the Treasury for Economic Policy, will testify to the tax aspects of the bill. The hearing will be held in the Finance Committee Hearing Room, 2221 New Senate Office Building, beginning at 9:00 a.m.*

He indicated that by hearing Secretary Shultz and Assistant Secretary Weidenbaum at this time, persons and organizations who might want to testify with respect to their suggestions would have an opportunity during the Lincoln Birthday recess to study the statements and prepare their own testimony. The Chairman reported that public witnesses would be heard on the bill beginning Tuesday, February 17, 1970, at 10:00 a.m.

Principal features of H.R. 14705.—The Chairman noted that the principal features of the unemployment compensation bill as passed by the House would:

1. Extend Federal unemployment insurance coverage to an additional 4.5 million jobs (mostly in non-profit organizations, State hospitals and higher educational institutions, and small firms);
2. Establish a new permanent extended unemployment compensation program with costs borne equally by the Federal government and the States; and
3. Increase the net Federal tax from 0.4 percent to 0.5 percent of covered payroll, beginning January 1, 1970; and increase the taxable wage base for the Federal tax from $3,000 to $4,200 beginning in 1972.

Requests to be heard.—Senator Long stated that those organizations and individuals who desire to testify on February 17 should make their request to Tom Vail, Chief Counsel, Committee on Finance, 2227 New Senate Office Building, no later than Friday, February 6, 1970. Persons scheduled to appear on February 17 must submit 25 copies of their statement to the Committee not later than the close of business on Friday, February 13, 1970. Statements should be on double-spaced, letter-size pages (not legal size), and each statement must be preceded by a summary of the principal points presented by the witness. The Chairman emphasized that pursuant to the requirements of the Legislative Reorganization Act of 1946, witnesses will be expected to limit their oral presentation to brief summaries of their argument. He urged those with similar views to coordinate their oral statements in order to prevent duplicative and repetitive testimony. Senator Long said that the Committee would welcome written comments on H.R. 14705; five copies of these comments should be sent to Mr. Vail by the close of business on Friday, February 20, 1970.

*Chairman Russell B. Long subsequently announced a change in the hearing time from 9 a.m. to 10 a.m.

91ST CONGRESS
1ST SESSION

H. R. 14705

IN THE SENATE OF THE UNITED STATES

NOVEMBER 14, 1969

Read twice and referred to the Committee on Finance

AN ACT

To extend and improve the Federal-State unemployment compensation program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Employment Security Amendments of 1969".

TITLE I—UNEMPLOYMENT COMPENSATION AMENDMENTS

PART A—COVERAGE

SEC. 101. DEFINITION OF EMPLOYER.

(a) Section 3306 (a) of the Internal Revenue Code of 1954 is amended to read as follows:

"(a) EMPLOYER.—For purposes of this chapter, the term 'employer' means, with respect to any calendar year, any person who—

"(1) during any calendar quarter in the calendar year or the preceding calendar year paid wages of $800 or more, or

"(2) on each of some 20 days during the calendar year or during the preceding calendar year, each day being in a different calendar week, employed at least one individual in employment for some portion of the day."

(b) (1) Section 6157(a) (1) of such Code (relating to payment of Federal unemployment tax on quarterly or other time period basis) is amended to read as follows:

"(1) if the person—

"(A) during any calendar quarter in the preceding calendar year paid wages of $800 or more, or

"(B) on each of some 20 days during the preceding calendar year, each day being in a different calendar week, employed at least one individual in employment,

compute the tax imposed by section 3301 for each of the first three calendar quarters in the calendar year, and".

(2) Section 6157(b) of such Code is amended by striking out "the number of percentage points (including fractional points) by which the rate of tax specified in section 3301 exceeds 2.7 percent" and inserting in lieu thereof "0.5 percent".

(c) (1) The amendments made by subsections (a) and (b) (1) shall apply with respect to calendar years beginning after December 31, 1971.

(2) The amendment made by subsection (b) (2) shall apply with respect to calendar years beginning after December 31, 1969.

SEC. 102. DEFINITION OF EMPLOYEE.

(a) Section 3306(i) of the Internal Revenue Code of 1954 is amended to read as follows:

"(i) EMPLOYEE.—For purposes of this chapter, the term 'employee' has the meaning assigned to such term by section 3121(d), except that subparagraphs (B) and (C) of paragraph (3) shall not apply."

(b) Section 1563(f)(1) of such Code (relating to surtax exemption in case of certain controlled corporations) is amended by striking out "in section 3306(i)" and inserting in lieu thereof "by paragraphs (1) and (2) of section 3121(d)".

(c) The amendment made by subsection (a) shall

apply with respect to remuneration paid after December 31, 1971, for services performed after such date.

SEC. 103. DEFINITION OF AGRICULTURAL LABOR.

(a) Section 3306(k) of the Internal Revenue Code of 1954 is amended to read as follows:

"(k) AGRICULTURAL LABOR.—For purposes of this chapter, the term 'agricultural labor' has the meaning assigned to such term by subsection (g) of section 3121, except that for purposes of this chapter subparagraph (B) of paragraph (4) of such subsection (g) shall be treated as reading:

"'(B) in the employ of a group of operators of farms (or a cooperative organization of which such operators are members) in the performance of service described in subparagraph (A), but only if such operators produced more than one-half of the commodity with respect to which such service is performed;'".

(b) The amendment made by subsection (a) shall apply with respect to remuneration paid after December 31, 1971, for services performed after such date.

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SEC. 104. STATE LAW COVERAGE OF CERTAIN EMPLOYEES OF NONPROFIT ORGANIZATIONS AND OF STATE HOSPITALS AND INSTITUTIONS OF HIGHER EDUCATION.

(a) Section 3304 (a) of the Internal Revenue Code of 1954 is amended by redesignating paragraph (6) as paragraph (12) and by inserting after paragraph (5) the following new paragraph:

"(6) (A) compensation is payable on the basis of service to which section 3309 (a) (1) applies, in the same amount, on the same terms, and subject to the same conditions as compensation payable on the basis of other service subject to such law; except that, with respect to service for an institution of higher education to which section 3309 (a) (1) applies, the State law may provide the extent to which compensation based on such service shall not be payable for the period from the end of the institution's regular spring semester, quarter, or other term until the beginning of the institution's

next regular fall semester, quarter, or other term, and

"(B) payments (in lieu of contributions) with respect to service to which section 3309 (a) (1) (A) applies may be made into the State unemployment fund on the basis set forth in section 3309 (a) (2) ;".

(b) (1) Chapter 23 of the Internal Revenue Code of 1954 is amended by redesignating section 3309 as section 3311, and by inserting after section 3308 the following new section:

"SEC. 3309. STATE LAW COVERAGE OF CERTAIN SERVICES PERFORMED FOR NONPROFIT ORGANIZATIONS AND FOR STATE HOSPITALS AND INSTITUTIONS OF HIGHER EDUCATION.

"(a) STATE LAW REQUIREMENTS.—For purposes of section 3304 (a) (6)—

"(1) except as otherwise provided in subsections (b) and (c), the services to which this paragraph applies are—

"(A) service excluded from the term 'employment' solely by reason of paragraph (8) of section 3306 (c), and

"(B) service performed in the employ of the State, or any instrumentality of the State or of the State and one or more other States, for a hospital

or institution of higher education located in the State, if such service is excluded from the term 'employment' solely by reason of paragraph (7) of section 3306 (c) ; and

"(2) the State law shall provide that an organization (or group of organizations) which, but for the requirements of this paragraph, would be liable for contributions with respect to service to which paragraph (1) (A) applies may elect, for such minimum period and at such time as may be provided by State law, to pay (in lieu of such contributions) into the State unemployment fund amounts equal to the amounts of compensation attributable under the State law to such service. The State law may provide safeguards to ensure that organizations so electing will make the payments required under such elections.

"(b) SECTION NOT TO APPLY TO CERTAIN SERVICE.—This section shall not apply to service performed—

"(1) in the employ of (A) a church or convention or association of churches, or (B) an organization which is operated primarily for religious purposes and which is operated, supervised, controlled, or principally supported by a church or convention or association of churches;

"(2) by a duly ordained, commissioned, or licensed

minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order;

"(3) in the employ of a school which is not an institution of higher education;

"(4) in the case of an institution of higher education, by an individual employed in an instructional, research, or principal administrative capacity;

"(5) in a facility conducted for the purpose of carrying out a program of—

"(A) rehabilitation for individuals whose earning capacity is impaired by age or physical or mental deficiency or injury, or

"(B) providing remunerative work for individuals who because of their impaired physical or mental capacity cannot be readily absorbed in the competitive labor market,

by an individual receiving such rehabilitation or remunerative work;

"(6) as part of an unemployment work-relief or work-training program assisted or financed in whole or in part by any Federal agency or an agency of a State or political subdivision thereof, by an individual receiving such work relief or work training; and

"(7) for a hospital in a State prison or other State

correctional institution by an inmate of the prison or correctional institution.

"(c) NONPROFIT ORGANIZATIONS MUST EMPLOY 4 OR MORE.—This section shall not apply to service performed during any calendar year in the employ of any organization unless on each of some 20 days during such calendar year or the preceding calendar year, each day being in a different calendar week, the total number of individuals who were employed by such organization in employment (determined without regard to section 3306(c)(8) and by excluding service to which this section does not apply by reason of subsection (b)) for some portion of the day (whether or not at the same moment of time) was 4 or more.

"(d) DEFINITION OF INSTITUTION OF HIGHER EDUCATION.—For purposes of this section, the term 'institution of higher education' means an educational institution in any State which—

"(1) admits as regular students only individuals having a certificate of graduation from a high school, or the recognized equivalent of such a certificate;

"(2) is legally authorized within such State to provide a program of education beyond high school;

"(3) provides an educational program for which it awards a bachelor's or higher degree, or provides a

program which is acceptable for full credit toward such a degree, or offers a program of training to prepare students for gainful employment in a recognized occupation; and

"(4) is a public or other nonprofit institution."

(2) The table of sections for such chapter 23 is amended by redesignating the last item as section 3311 and by inserting after the item for section 3308 the following new item:

"Sec. 3309. State law coverage of certain services performed for nonprofit organizations and for State hospitals and institutions of higher education."

(c) Section 3303 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsections:

"(e) PAYMENTS BY CERTAIN NONPROFIT ORGANIZATIONS.—A State may, without being deemed to violate the standards set forth in subsection (a), permit an organization (or a group of organizations) described in section 501 (c) (3) which is exempt from income tax under section 501 (a) to elect (in lieu of paying contributions) to pay into the State unemployment fund amounts equal to the amounts of compensation attributable under the State law to service performed in the employ of such organization (or group).

"(f) TRANSITION.—To facilitate the orderly transition

to coverage of service to which section 3309 (a) (1) (A) applies, a State law may provide that an organization (or group of organizations) which elects, when such election first becomes available under the State law, to make payments (in lieu of contributions) into the State unemployment fund as provided in section 3309 (a) (2), and which had paid contributions into such fund under the State law with respect to such service performed in its employ before January 1, 1969, is not required to make any such payment (in lieu of contributions) on account of compensation paid after its election as heretofore described which is attributable under the State law to service performed in its employ, until the total of such compensation equals the amount—

"(1) by which the contributions paid by such organization (or group) with respect to a period before the election provided by section 3309 (a) (2), exceed

"(2) the unemployment compensation for the same period which was charged to the experience-rating account of such organization (or group) or paid under the State law on the basis of wages paid by it or service performed in its employ, whichever is appropriate."

(d) The amendments made by subsections (a) and (b) shall apply with respect to certifications of State laws for 1972 and subsequent years, but only with respect to service

performed after December 31, 1971. The amendment made by subsection (c) shall take effect January 1, 1970.

SEC. 105. COVERAGE OF CERTAIN SERVICES PERFORMED OUTSIDE THE UNITED STATES.

(a) That portion of section 3306(c) of the Internal Revenue Code of 1954 which precedes paragraph (1) thereof is amended to read as follows:

"(c) EMPLOYMENT.—For purposes of this chapter, the term 'employment' means any service performed prior to 1955, which was employment for purposes of subchapter C of chapter 9 of the Internal Revenue Code of 1939 under the law applicable to the period in which such service was performed, and (A) any service, of whatever nature, performed after 1954 by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, and (B) any service, of whatever nature, performed after 1971 outside the United States (except in a contiguous country with which the United States has an

agreement relating to unemployment compensation) by a citizen of the United States as an employee of an American employer (as defined in subsection (j) (3)), except—".

(b) Section 3306(j) of the Internal Revenue Code of 1954 is amended by inserting after paragraph (2) the following new paragraph:

"(3) AMERICAN EMPLOYER.—The term 'American employer' means a person who is—

(A) an individual who is a resident of the United States,

(B) a partnership, if two-thirds or more of the partners are residents of the United States,

(C) a trust, if all of the trustees are residents of the United States, or

(D) a corporation organized under the laws of the United States or of any State."

(c) The amendments made by this section shall apply with respect to service performed after December 31, 1971.

SEC. 106. STUDENTS AND THEIR SPOUSES ENGAGED IN CERTAIN PROGRAMS; HOSPITAL PATIENTS.

(a) Paragraph (10) of section 3306(c) of the Internal Revenue Code of 1954 is amended by striking out subparagraph (B) and inserting in lieu thereof the following new subparagraphs:

"(B) service performed in the employ of a school, college, or university, if such service is performed (i) by a student who is enrolled and is regularly attending classes at such school, college, or university, or (ii) by the spouse of such a student, if such spouse is advised, at the time such spouse commences to perform such service, that (I) the employment of such spouse to perform such service is provided under a program to provide financial assistance to such student by such school, college, or university, and (II) such employment will not be covered by any program of unemployment insurance, or

"(C) service performed by an individual under the age of 22 who is enrolled at a nonprofit or public educational institution which normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are carried on as a student in a full-time program, taken for credit at such institution, which combines academic instruction with work experience, if such service is an integral part of such program, and such institution has so certified to the employer, except that this subparagraph shall not apply to service

performed in a program established for or on behalf of an employer or group of employers, or

"(D) service performed in the employ of a hospital, if such service is performed by a patient of such hospital;".

(b) Subsection (a) shall apply with respect to remuneration paid after December 31, 1969.

SEC. 107. EX-SERVICEMEN ACCRUED LEAVE TO BE TREATED IN ACCORDANCE WITH STATE LAWS.

Effective with respect to benefit years which begin more than 30 days after the date of the enactment of this Act, section 8524 of title 5 of the United States Code is repealed.

PART B—PROVISIONS OF STATE LAW

SEC. 121. PROVISIONS REQUIRED TO BE INCLUDED IN STATE LAWS.

(a) Section 3304(a) of the Internal Revenue Code of 1954 is amended by inserting after paragraph (6) (added by section 104(a) of this Act) the following new paragraphs:

"(7) an individual who has received compensation during his benefit year is required to have had work since the beginning of such year in order to qualify for compensation in his next benefit year;

"(8) compensation shall not be denied to an indi-

vidual for any week because he is in training with the approval of the State agency (or because of the application, to any such week in training, of State law provisions relating to availability for work, active search for work, or refusal to accept work);

"(9) (A) compensation shall not be denied or reduced to an individual solely because he files a claim in another State (or a contiguous country with which the United States has an agreement with respect to unemployment compensation) or because he resides in another State (or such a contiguous country) at the time he files a claim for unemployment compensation;

"(B) the State shall participate in any arrangements for the payment of compensation on the basis of combining an individual's wages and employment covered under the State law with his wages and employment covered under the unemployment compensation law of other States which are approved by the Secretary of Labor in consultation with the State unemployment compensation agencies as reasonably calculated to assure the prompt and full payment of compensation in such situations. Any such arrangement shall include provisions for (i) applying the base period of a single State law to a claim involving the combining of an individual's wages and employment covered under two or more State

laws, and (ii) avoiding duplicate use of wages and employment by reason of such combining;

"(10) compensation shall not be denied to any individual by reason of cancellation of wage credits or total reduction of his benefit rights for any cause other than discharge for misconduct connected with his work, fraud in connection with a claim for compensation, or receipt of disqualifying income;".

(b) The amendments made by subsection (a) shall take effect January 1, 1972, and shall apply to the taxable year 1972 and taxable years thereafter.

SEC. 122. ADDITIONAL CREDIT BASED ON REDUCED RATE FOR NEW EMPLOYERS.

(a) Section 3303 (a) of the Internal Revenue Code of 1954 is amended by striking out "on a 3-year basis," in the sentence following paragraph (3) and inserting in lieu thereof "on a 3-year basis (i)" and by striking out the period at the end of such sentence and inserting in lieu thereof ", or (ii) a reduced rate (not less than 1 percent) may be permitted by the State law on a reasonable basis other than as permitted by paragraph (1), (2), or (3)."

(b) The amendments made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1971.

SEC. 123. CREDITS ALLOWABLE TO CERTAIN EMPLOYERS.

Section 3305 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(j) DENIAL OF CREDITS IN CERTAIN CASES.—Any person required, pursuant to the permission granted by this section, to make contributions to an unemployment fund under a State unemployment compensation law approved by the Secretary of Labor under section 3304 shall not be entitled to the credits permitted, with respect to the unemployment compensation law of a State, by subsections (a) and (b) of section 3302 against the tax imposed by section 3301 for any taxable year after December 31, 1971, if, on October 31 of such taxable year, the Secretary of Labor certifies to the Secretary his finding, after reasonable notice and opportunity for hearing to the State agency, that the unemployment compensation law of such State is inconsistent with any one or more of the conditions on the basis of which such permission is granted or that, in the application of the State law with respect to the 12-month period ending on such October 31, there has been a substantial failure to comply with any one or more of such conditions. For purposes of section 3310, a finding of the Secretary of Labor under this subsection shall be treated as a finding under section 3304(c)."

PART C—JUDICIAL REVIEW

SEC. 131. (a) Title III of the Social Security Act is amended by adding at the end thereof the following new section:

"JUDICIAL REVIEW

"SEC. 304. (a) Whenever the Secretary of Labor—

"(1) finds that a State law does not include any provision specified in section 303 (a), or

"(2) makes a finding with respect to a State under subsection (b) or (c) of section 303,

such State may, within 60 days after the Governor of the State has been notified of such action, file with the United States court of appeals for the circuit in which such State is located or with the United States Court of Appeals for the District of Columbia, a petition for review of such action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary of Labor. The Secretary of Labor thereupon shall file in the court the record of the proceedings on which he based his action as provided in section 2112 of title 28, United States Code.

"(b) The findings of fact by the Secretary of Labor, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Secretary of Labor to take further evidence and the

Secretary of Labor may thereupon make new or modified findings of fact and may modify his previous action, and shall certify to the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

"(c) The court shall have jurisdiction to affirm the action of the Secretary of Labor or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28 of the United States Code.

"(d) (1) The Secretary of Labor shall not withhold any certification for payment to any State under section 302 until the expiration of 60 days after the Governor of the State has been notified of the action referred to in paragraph (1) or (2) of subsection (a) or until the State has filed a petition for review of such action, whichever is earlier.

"(2) The commencement of judicial proceedings under this section shall stay the Secretary's action for a period of 30 days, and the court may thereafter grant interim relief if warranted, including a further stay of the Secretary's action and including such other relief as may be necessary to preserve status or rights.

"(e) Any judicial proceedings under this section shall be entitled to, and, upon request of the Secretary or the

State, shall receive a preference and shall be heard and determined as expeditiously as possible."

(b) (1) Chapter 23 of the Internal Revenue Code of 1954 is amended by inserting after section 3309 (added by section 104 (b) (1) of this Act) the following new section:

"SEC. 3310. JUDICIAL REVIEW.

"(a) IN GENERAL.—Whenever under section 3303 (b) or section 3304 (c) the Secretary of Labor makes a finding pursuant to which he is required to withhold a certification with respect to a State under such section, such State may, within 60 days after the Governor of the State has been notified of such action, file with the United States court of appeals for the circuit in which such State is located or with the United States Court of Appeals for the District of Columbia, a petition for review of such action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary of Labor. The Secretary of Labor thereupon shall file in the court the record of the proceedings on which he based his action as provided in section 2112 of title 28 of the United States Code.

"(b) FINDINGS OF FACT.—The findings of fact by the Secretary of Labor, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Secretary of Labor to take further evidence, and the Secretary of Labor may thereupon make

new or modified findings of fact and may modify his previous action, and shall certify to the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

"(c) JURISDICTION OF COURT; REVIEW.—The court shall have jurisdiction to affirm the action of the Secretary of Labor or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28 of the United States Code.

"(d) STAY OF SECRETARY OF LABOR'S ACTION.—

"(1) The Secretary of Labor shall not withhold any certification under section 3303 (b) or section 3304 (c) until the expiration of 60 days after the Governor of the State has been notified of the action referred to in subsection (a) or until the State has filed a petition for review of such action, whichever is earlier.

"(2) The commencement of judicial proceedings under this section shall stay the Secretary's action for a period of 30 days, and the court may thereafter grant interim relief if warranted, including a further stay of the Secretary's action and including such other relief as may be necessary to preserve status or rights.

"(c) PREFERENCE.—Any judicial proceedings under this section shall be entitled to, and, upon request of the Secretary or the State, shall receive a preference and shall be heard and determined as expeditiously as possible."

(2) Section 3304(c) of the Internal Revenue Code of 1954 is amended to read as follows:

"(c) CERTIFICATION.—On December 31 of each taxable year the Secretary of Labor shall certify to the Secretary each State whose law he has previously approved, except that he shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Secretary of Labor finds has amended its law so that it no longer contains the provisions specified in subsection (a) or has with respect to the taxable year failed to comply substantially with any such provision in such subsection. No finding of a failure to comply substantially with any provision in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law (1) until all administrative review provided for under the laws of the State has been exhausted, or (2) with respect to which the time for judicial review provided by the laws of the State has not expired, or (3) with respect to which any judicial review is pending."

(3) The table of sections for such chapter 23 is amended

by adding after the item relating to section 3309 (added by section 104 (b) (2) of this Act) the following:

"Sec. 3310. Judicial review."

PART D—ADMINISTRATION

SEC. 141. RESEARCH PROGRAM, TRAINING GRANTS AND FEDERAL ADVISORY COUNCIL.

Title IX of the Social Security Act is amended by adding at the end thereof the following new sections:

"UNEMPLOYMENT COMPENSATION RESEARCH PROGRAM

"SEC. 906. (a) The Secretary of Labor shall—

"(1) establish a continuing and comprehensive program of research to evaluate the unemployment compensation system. Such research shall include, but not be limited to, a program of factual studies covering the role of unemployment compensation under varying patterns of unemployment including those in seasonal industries, the relationship between the unemployment compensation and other social insurance programs, the effect of State eligibility and disqualification provisions, the personal characteristics, family situations, employment background and experience of claimants, with the results of such studies to be made public; and

"(2) establish a program of research to develop information (which shall be made public) as to the effect and impact of extending coverage to excluded groups

with first attention to domestic workers in private households.

"(b) To assist in the establishment and provide for the continuation of the comprehensive research program relating to the unemployment compensation system, there are hereby authorized to be appropriated for the fiscal year ending June 30, 1970, and for each fiscal year thereafter, such sums, not to exceed $8,000,000, as may be necessary to carry out the purposes of this section. From the sums authorized to be appropriated by this subsection the Secretary may provide for the conduct of such research through grants or contracts.

"PERSONNEL TRAINING

"SEC. 907. (a) In order to assist in increasing the effectiveness and efficiency of administration of the unemployment compensation program by increasing the number of adequately trained personnel, the Secretary of Labor shall—

"(1) provide directly, through State agencies, or through contracts with institutions of higher education or other qualified agencies, organizations, or institutions, training programs and courses for persons occupying or preparing to occupy positions in the administration of the unemployment compensation program, including claims determinations and adjudication, with such sti-

ponds and allowances as may be permitted under regulations of the Secretary;

"(2) develop training materials for and provide technical assistance to the State agencies in the operation of their training programs;

"(3) under such regulations as he may prescribe, award fellowships and traineeships to persons in the Federal-State employment security agencies, in order to prepare them or improve their qualifications for service in the administration of the unemployment compensation program.

"(b) The Secretary may, to the extent that he finds such action to be necessary, prescribe requirements to assure that any person receiving a fellowship, traineeship, stipend or allowance shall repay the costs thereof to the extent that such person fails to serve in the Federal-State employment security program for the period prescribed by the Secretary. The Secretary may relieve any individual of his obligation to so repay, in whole or in part, whenever and to the extent that such repayment would, in his judgment, be inequitable or would be contrary to the purposes of any of the programs established by this section.

"(c) The Secretary, with the concurrence of the State, may detail Federal employees to State unemployment compensation administration and the Secretary may concur in

the detailing of State employees to the United States Department of Labor for temporary periods for training or for purposes of unemployment compensation administration, and the provisions of section 507 of the Elementary and Secondary Education Act of 1965 (79 Stat. 27) or any more general program of interchange enacted by a law amending, supplementing, or replacing section 507 shall apply to any such assignment.

"(d) There are hereby authorized to be appropriated for the fiscal year ending June 30, 1970, and for each fiscal year thereafter such sums, not to exceed $5,000,000, as may be necessary to carry out the purposes of this section.

"FEDERAL ADVISORY COUNCIL

"SEC. 908. (a) The Secretary of Labor shall establish a Federal Advisory Council, of not to exceed 16 members including the chairman, for the purpose of reviewing the Federal-State program of unemployment compensation and making recommendations to him for improvement of the system.

"(b) The Council shall be appointed by the Secretary without regard to the civil service laws and shall consist of men and women who shall be representatives of employers and employees in equal numbers, and the public.

"(c) The Secretary may make available to the Council an Executive Secretary and secretarial, clerical, and other

assistance, and such pertinent data prepared by the Department of Labor, as it may require to carry out its functions.

"(d) Members of the Council shall, while serving on business of the Council, be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time; and while so serving away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by 5 U.S.C. 5703(b) for persons in government service employed intermittently.

"(e) The Secretary shall encourage the organization of similar State advisory councils.

"(f) There are hereby authorized to be appropriated for the fiscal year ending June 30, 1970, and for each fiscal year thereafter such sums, not to exceed $100,000, as may be necessary to carry out the purposes of this section."

SEC. 142. CHANGE IN CERTIFICATION DATE.

(a) Section 3302(a)(1) of the Internal Revenue Code of 1954 is amended by—

(1) striking out "for the taxable year" after "certified"; and

(2) inserting before the period at the end thereof the following: "for the 12-month period ending on October 31 of such year (10-month period in the case of October 31, 1972)".

(b) Section 3302 (b) of such Code is amended by—

(1) striking out "for the taxable year" after "certified";

(2) striking out "(or with respect to any provisions thereof so certified)," and inserting in lieu thereof the following: "for the 12-month period ending on October 31 of such year (10-month period in the case of October 31, 1972), or with respect to any provisions thereof so certified,"; and

(3) striking out "the taxable year" the last place it appears and inserting in lieu thereof "such 12 or 10-month period, as the case may be,".

(c) Section 3303 (b) (1) of such Code is amended to read as follows:

"(1) On October 31 of each calendar year, the Secretary of Labor shall certify to the Secretary the law of each State (certified by the Secretary of Labor as provided in section 3304 for the 12-month period ending on such October 31 (10-month period in the case of October 31, 1972)), with respect to which he finds that reduced rates of contributions were allowable with respect to such 12- or 10-month period, as the case may be, only in accordance with the provisions of subsection (a)."

(d) Section 3303 (b) (2) of such Code is amended by—

(1) striking out "taxable year" where it first appears and inserting in lieu thereof "12-month period ending on October 31 (10-month period in the case of October 31, 1972)";

(2) striking out "on December 31 of such taxable year" following the words "the Secretary of Labor shall" and inserting in lieu thereof "on such October 31"; and

(3) striking out "taxable year" after "contributions were allowable with respect to such" and inserting in lieu thereof "12- or 10-month period, as the case may be,".

(e) Section 3303 (b) (3) of such Code is amended by—

(1) striking out "taxable year" where it first appears and inserting in lieu thereof "12-month period ending on October 31 (10-month period in the case of October 31, 1972)";

(2) striking out "taxable year," where it next appears and inserting in lieu thereof "12 or 10-month period, as the case may be,".

(f) Section 3304 (c) of such Code, as amended by section 131 (b) (2) of this Act, is further amended to read as follows:

"(c) CERTIFICATION.—On October 31 of each taxable year the Secretary of Labor shall certify to the Secretary each State whose law he has previously approved, except that he shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Secretary of Labor finds has amended its law so that it no longer contains the provisions specified in subsection (a) or has with respect to the 12-month period ending on such October 31 failed to comply substantially with any such provision in such subsection. No finding of a failure to comply substantially with any provision in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law (1) until all administrative review provided for under the laws of the State has been exhausted, or (2) with respect to which the time for judicial review provided by the laws of the State has not expired, or (3) with respect to which any judicial review is pending. On October 31 of any taxable year after 1971, the Secretary shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Secretary of Labor finds has failed to amend its law so that it contains the provisions specified in paragraphs (6), (7), (8), (9), (10), and (11) of subsection (a), or has with respect to the 12-month period (10-month period in the case of October 31, 1972)

ending on such October 31, failed to comply substantially with any such provision."

(g) Section 3304(d) of such Code is amended by striking out "If, at any time during the taxable year," and inserting in lieu thereof "If at any time".

(h) Section 3304 of such Code is amended by adding at the end thereof the following new subsection:

"(e) CHANGE OF LAW DURING 12-MONTH PERIOD.—Whenever—

"(1) any provision of this section, section 3302, or section 3303 refers to a 12-month period ending on October 31 of a year, and

"(2) the law applicable to one portion of such period differs from the law applicable to another portion of such period,

then such provision shall be applied by taking into account for each such portion the law applicable to such portion."

(i) The amendments made by this section shall apply with respect to the taxable year 1972 and taxable years thereafter.

TITLE II—FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION PROGRAM

SHORT TITLE

SEC. 201. This title may be cited as the "Federal-State Extended Unemployment Compensation Act of 1969".

PAYMENT OF EXTENDED COMPENSATION

State Law Requirements

SEC. 202. (a) (1) For purposes of section 3304 (a) (11) of the Internal Revenue Code of 1954, a State law shall provide that payment of extended compensation shall be made, for any week of unemployment which begins in the individual's eligibility period, to individuals who have exhausted all rights to regular compensation under the State law and who have no rights to regular compensation with respect to such week under such law or any other State unemployment compensation law or to compensation under any other Federal law and are not receiving compensation with respect to such week under the unemployment compensation law of the Virgin Islands or Canada. For purposes of the preceding sentence, an individual shall have exhausted his rights to regular compensation under a State law (A) when no payments of regular compensation can be made under such law because such individual has received all regular compensation available to him based on employment or wages during his base period, or (B) when his rights to such compensation have terminated by reason of the expiration of the benefit year with respect to which such rights existed.

(2) Except where inconsistent with the provisions of this title, the terms and conditions of the State law which

apply to claims for regular compensation and to the payment thereof shall apply to claims for extended compensation and to the payment thereof.

Individuals' Compensation Accounts

(b) (1) The State law shall provide that the State will establish, for each eligible individual who files an application therefor, an extended compensation account with respect to such individual's benefit year. The amount established in such account shall be not less than whichever of the following is the least:

(A) 50 per centum of the total amount of regular compensation (including dependents' allowances) payable to him during such benefit year under such law,

(B) thirteen times his average weekly benefit amount, or

(C) thirty-nine times his average weekly benefit amount, reduced by the regular compensation paid (or deemed paid) to him during such benefit year under such law;

except that the amount so determined shall (if the State law so provides) be reduced by the aggregate amount of additional compensation paid (or deemed paid) to him under such law for prior weeks of unemployment in such benefit year which did not begin in an extended benefit period.

(2) For purposes of paragraph (1), an individual's

weekly benefit amount for a week is the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for such week for total unemployment.

EXTENDED BENEFIT PERIOD

Beginning and Ending

SEC. 203. (a) For purposes of this title, in the case of any State, an extended benefit period—

(1) shall begin with the third week after whichever of the following weeks first occurs:

(A) a week for which there is a national "on" indicator, or

(B) a week for which there is a State "on" indicator; and

(2) shall end with the third week after the first week for which there is both a national "off" indicator and a State "off" indicator.

Special Rules

(b) (1) In the case of any State—

(A) no extended benefit period shall last for a period of less than thirteen consecutive weeks, and

(B) no extended benefit period may begin by reason of a State "on" indicator before the fourteenth week after the close of a prior extended benefit period with respect to such State.

(2) When a determination has been made that an extended benefit period is beginning or ending with respect to a State (or all the States), the Secretary shall cause notice of such determination to be published in the Federal Register.

Eligibility Period

(c) For purposes of this title, an individual's eligibility period under the State law shall consist of the weeks in his benefit year which begin in an extended benefit period and, if his benefit year ends within such extended benefit period, any weeks thereafter which begin in such extended benefit period.

National "On" and "Off" Indicators

(d) For purposes of this section—

(1) There is a national "on" indicator for a week if for each of the three most recent calendar months ending before such week, the rate of insured unemployment (seasonally adjusted) for all States equaled or exceeded 4.5 per centum (determined by reference to the average monthly covered employment for the first four of the most recent six calendar quarters ending before the month in question).

(2) There is a national "off" indicator for a week if for each of the three most recent calendar months ending before such week, the rate of insured unemployment (seasonally adjusted) for all States was less than 4.5

per centum (determined by reference to the average monthly covered employment for the first four of the most recent six calendar quarters ending before the month in question).

State "On" and "Off" Indicators

(e) For purposes of this section—

(1) There is a State "on" indicator for a week if the rate of insured unemployment under the State law for the period consisting of such week and the immediately preceding twelve weeks—

(A) equaled or exceeded 120 per centum of the average of such rates for the corresponding thirteen-week period ending in each of the preceding two calendar years, and

(B) equaled or exceeded 4 per centum.

(2) There is a State "off" indicator for a week if, for the period consisting of such week and the immediately preceding twelve weeks, either subparagraph (A) or subparagraph (B) of paragraph (1) was not satisfied.

For purposes of this subsection, the rate of insured unemployment for any 13-week period shall be determined by reference to the average monthly covered employment under the State law for the first four of the most recent six calendar quarters ending before the close of such period.

Rate of Insured Unemployment; Covered Employment

(f) (1) For purposes of subsections (d) and (e), the term "rate of insured unemployment" means the percentage arrived at by dividing—

(A) the average weekly number of individuals filing claims for weeks of unemployment with respect to the specified period, as determined on the basis of the reports made by all State agencies (or, in the case of subsection (e), by the State agency) to the Secretary, by

(B) the average monthly covered employment for the specified period.

(2) Determinations under subsection (d) shall be made by the Secretary in accordance with regulations prescribed by him.

(3) Determinations under subsection (e) shall be made by the State agency in accordance with regulations prescribed by the Secretary.

PAYMENTS TO STATES

Amount Payable

SEC. 204. (a) (1) There shall be paid to each State an amount equal to one-half of the sum of—

(A) the sharable extended compensation, and

(B) the sharable regular compensation,

paid to individuals under the State law.

(2) No payment shall be made to any State under

this subsection in respect of compensation for which the State is entitled to reimbursement under the provisions of any Federal law other than this Act.

Sharable Extended Compensation

(b) For purposes of subsection (a) (1) (A), extended compensation paid to an individual for weeks of unemployment in such individual's eligibility period is sharable extended compensation to the extent that the aggregate extended compensation paid to such individual with respect to any benefit year does not exceed the smallest of the amounts referred to in subparagraphs (A), (B), and (C) of section 202 (b) (1).

Sharable Regular Compensation

(c) For purposes of subsection (a) (1) (B), regular compensation paid to an individual for a week of unemployment is sharable regular compensation—

(1) if such week is in such individual's eligibility period (determined under section 203 (c)), and

(2) to the extent that the sum of such compensation, plus the regular compensation paid (or deemed paid) to him with respect to prior weeks of unemployment in the benefit year, exceeds twenty-six times (and does not exceed thirty-nine times) the average weekly benefit amount (including allowances for dependents) for weeks

of total unemployment payable to such individual under the State law in such benefit year.

Payment on Calendar Month Basis

(d) There shall be paid to each State 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 title 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

(e) The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, by transfers from the extended unemployment compensation account to the account of such State in the Unemployment Trust Fund.

DEFINITIONS

SEC. 205. For purposes of this title—

(1) The term "compensation" means cash benefits

payable to individuals with respect to their unemployment.

(2) The term "regular compensation" means compensation payable to an individual under any State unemployment compensation law (including compensation payable pursuant to 5 U.S.C. chapter 85), other than extended compensation and additional compensation.

(3) The term "extended compensation" means compensation (including additional compensation and compensation payable pursuant to 5 U.S.C. chapter 85) payable for weeks of unemployment beginning in an extended benefit period to an individual under those provisions of the State law which satisfy the requirements of this title with respect to the payment of extended compensation.

(4) The term "additional compensation" means compensation payable to exhaustees by reason of conditions of high unemployment or by reason of other special factors.

(5) The term "benefit year" means the benefit year as defined in the applicable State law.

(6) The term "base period" means the base period as determined under applicable State law for the benefit year.

(7) The term "Secretary" means the Secretary of Labor of the United States.

(8) The term "State" includes the District of Columbia and the Commonwealth of Puerto Rico.

(9) The term "State agency" means the agency of the State which administers its State law.

(10) The term "State law" means the unemployment compensation law of the State, approved by the Secretary under section 3304 of the Internal Revenue Code of 1954.

(11) The term "week" means a week as defined in the applicable State law.

APPROVAL OF STATE LAWS

SEC. 206. Section 3304(a) of the Internal Revenue Code of 1954 is amended by inserting after paragraph (10) (added by section 121(a) of this Act) the following new paragraph:

"(11) extended compensation shall be payable as provided by the Federal-State Extended Unemployment Compensation Act of 1969;".

EFFECTIVE DATES

SEC. 207. (a) Except as provided in subsection (b)—

(1) in applying section 203, no extended benefit period may begin with a week beginning before January 1, 1972; and

(2) section 204 shall apply only with respect to weeks of unemployment beginning after December 31, 1971.

(b) (1) In the case of a State law approved under section 3304(a)(11) of the Internal Revenue Code of 1954, such State law may also provide that an extended benefit period may begin with a week established pursuant to such law which begins earlier than January 1, 1972, but not earlier than 60 days after the date of the enactment of this Act.

(2) For purposes of paragraph (1) with respect to weeks beginning before January 1, 1972, the extended benefit period for the State shall be determined under section 203(a) solely by reference to the State "on" indicator and the State "off" indicator.

(3) In the case of a State law containing a provision described in paragraph (1), section 204 shall also apply with respect to weeks of unemployment in extended benefit periods determined pursuant to paragraph (1).

(c) Section 3304(a)(11) of the Internal Revenue Code of 1954 (as added by section 206) shall not be a requirement for State laws with respect to any week of unemployment beginning before January 1, 1972.

TITLE III—FINANCING PROVISIONS

SEC. 301. RATE OF TAX.

Effective with respect to remuneration paid after December 31, 1969, section 3301 of the Internal Revenue Code of 1954 is amended to read as follows:

"SEC. 3301. RATE OF TAX.

"There is hereby imposed on every employer (as defined in section 3306(a)) for the calendar year 1970 and each calendar year thereafter an excise tax, with respect to having individuals in his employ, equal to 3.2 percent of the total wages (as defined in section 3306(b)) paid by him during the calendar year with respect to employment (as defined in section 3306(c))."

SEC. 302. INCREASE IN WAGE BASE.

Effective with respect to remuneration paid after December 31, 1971, section 3306(b)(1) of the Internal Revenue Code of 1954 is amended by striking out "$3,000" each place it appears and inserting in lieu thereof "$4,200".

SEC. 303. CHANGES IN EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT.

(a) Section 901(c) of the Social Security Act is amended, effective with respect to fiscal years after June 30, 1970, by—

(1) changing paragraph (1) to read as follows:

"(1) There are hereby authorized to be made

available for expenditure out of the employment security administration account for the fiscal year ending June 30, 1971, and for each fiscal year thereafter—

"(A) such amounts (not in excess of the applicable limit provided by paragraph (3) and, with respect to clause (ii), not in excess of the limit provided by paragraph (4)) as the Congress may deem appropriate for the purpose of—

"(i) assisting the States in the administration of their unemployment compensation laws as provided in title III (including administration pursuant to agreements under any Federal unemployment compensation law),

"(ii) the establishment and maintenance of systems of public employment offices in accordance with the Act of June 6, 1933, as amended (29 U.S.C., secs. 49–49n), and

"(iii) carrying into effect section 2012 of title 38 of the United States Code;

"(B) such amounts (not in excess of the limit provided by paragraph (4) with respect to clause (iii)) as the Congress may deem appropriate for the necessary expenses of the Department of Labor for the performance of its functions under—

"(i) this title and titles III and XII of this Act,

"(ii) the Federal Unemployment Tax Act,

"(iii) the provisions of the Act of June 6, 1933, as amended,

"(iv) subchapter II of chapter 41 (except section 2012 of title 38 of the United States Code), and

"(v) any Federal unemployment compensation law.

The term 'necessary expenses' as used in this subparagraph (B) shall include the expense of reimbursing a State for salaries and other expenses of employees of such State temporarily assigned or detailed to duty with the Department of Labor and of paying such employees for travel expenses, transportation of household goods, and per diem in lieu of subsistence while away from their regular duty stations in the State, at rates authorized by law for civilian employees of the Federal Government."

(2) deleting the sentence commencing with the words "In determining" in paragraph (2);

(3) amending paragraph (3) to read as follows:

"(3) (A) For purposes of paragraph (1) (A), the limitation on the amount authorized to be made available for any fiscal year after June 30, 1970, is, except as pro-

vided in subparagraph (B) and in the second sentence of section 901 (f) (3) (A), an amount equal to 95 percent of the amount estimated and set forth in the budget of the United States Government for such fiscal year as the amount by which the net receipts during such year under the Federal Unemployment Tax Act will exceed the amount transferred under section 905 (b) during such year to the extended unemployment compensation account.

"(B) The limitation established by subparagraph (A) is increased by any unexpended amount retained in the employment security administration account in accordance with section 901 (f) (2) (B).

"(C) Each estimate of net receipts under this paragraph shall be based upon a tax rate of 0.5 percent."

(4) adding a new paragraph (4) as follows:

"(4) For purposes of paragraph (1) (A) (ii) and (1) (B) (iii) the amount authorized to be made available out of the employment security administration account for any fiscal year after June 30, 1972, shall reflect the proportion of the total cost of administering the system of public employment offices in accordance with the Act of June 6, 1933, as amended, and of the necessary expenses of the Department of Labor for the performance of its functions under the provisions of

such Act, as the President determines is an appropriate charge to the employment security administration account, and reflects in his annual budget for such year. The President's determination, after consultation with the Secretary, shall take into account such factors as the relationship between employment subject to State laws and the total labor force in the United States, the number of claimants and the number of job applicants, and such other factors as he finds relevant."

(b) Section 901 (d) of the Social Security Act is amended by—

(1) deleting the reference to "section 3302 (c) (2) or (3)" in subparagraph (A) (i) and inserting in place thereof "section 3302 (c) (3)";

(2) deleting the final sentence in paragraph (1);

(3) deleting paragraph (2) and redesignating paragraph (3) as paragraph (2).

(c) Section 901 (e) (2) of the Social Security Act is amended effective July 1, 1972, by deleting "is $250,000,000" and inserting in lieu thereof "equals 40 percent of the amount of the total appropriation by the Congress out of the employment security administration account for the preceding fiscal year".

(d) Effective with respect to fiscal years after June 30, 1972, section 901 (f) of the Social Security Act is amended—

(1) by inserting "and section 901(f)(3)(C)" after "section 902(b)" in paragraph (2)(A); and

(2) by revising paragraph (3) to read as follows:

"(3)(A) The excess determined as provided in paragraph (2) as of the close of any fiscal year after June 30, 1972, shall be retained (as of the beginning of the succeeding fiscal year) in the employment security administration account until the amount in such account is equal to 40 percent of the amount of the total appropriation by the Congress out of the employment security administration account for the fiscal year for which the excess is determined. Three-eighths of the amount in the employment security administration account as of the beginning of any fiscal year after June 30, 1972, or $150 million, whichever is the lesser, is authorized to be made available for such fiscal year pursuant to subsection (c)(1) for additional costs of administration due to an increase in the rate of insured unemployment for a calendar quarter of at least 15 percent over the rate of insured unemployment for the corresponding calendar quarter in the immediately preceding fiscal year.

"(B) If the entire amount of the excess determined as provided in paragraph (2) as of the close of any fiscal year after June 30, 1972, is not retained in the employment security administration account, there shall be

transferred (as of the beginning of the succeeding fiscal year) to the extended unemployment compensation account the balance of such excess or so much thereof as is required to increase the amount in the extended unemployment compensation account to the limit provided in section 905(b)(2).

"(C) If as of the close of any fiscal year after June 30, 1972, the amount in the extended unemployment compensation account exceeds the limit provided in section 905(b)(2), such excess shall be transferred to the employment security administration account as of the close of such fiscal year."

SEC. 304. TRANSFERS TO FEDERAL UNEMPLOYMENT ACCOUNT AND REPORT TO CONGRESS.

(a) So much of section 902 of the Social Security Act as precedes subsection (b) is amended to read as follows:

"TRANSFERS TO FEDERAL UNEMPLOYMENT ACCOUNT AND REPORT TO CONGRESS

"TRANSFERS TO FEDERAL UNEMPLOYMENT ACCOUNT

"(a) Whenever the Secretary of the Treasury determines pursuant to section 901(f) that there is an excess in the employment security administration account as of the close of any fiscal year and the entire amount of such excess is not retained in the employment security administration account or transferred to the extended unemployment com-

pensation account as provided in section 901 (f) (3), there shall be transferred (as of the beginning of the succeeding fiscal year) to the Federal unemployment account the balance of such excess or so much thereof as is required to increase the amount in the Federal unemployment account to whichever of the following is the greater:

"(1) $550 million, or

"(2) the amount (determined by the Secretary of Labor and certified by him to the Secretary of the Treasury) equal to one-eighth of 1 percent of the total wages subject (determined without any limitation on amount) to contributions under all State unemployment compensation laws for the calendar year ending during the fiscal year for which the excess is determined."

(b) Such section 902 is further amended by adding at the end thereof the following:

"REPORT TO THE CONGRESS

"(c) Whenever the Secretary of Labor has reason to believe that in the next fiscal year the employment security administration account will reach the limit provided for such account in section 901 (f) (3) (A), and the Federal unemployment account will reach the limit provided for such account in section 902 (a), and the extended unemployment compensation account will reach the limit provided for such account in section 905 (b) (2), he shall, after consultation

with the Secretary of the Treasury, so report to the Congress with a recommendation for appropriate action by the Congress."

(c) Section 1203 of the Social Security Act is amended by striking out "section 901 (f) (3)" and inserting in lieu thereof "sections 901 (f) (3) and 902 (a)".

SEC. 305. EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT.

(a) Title IX of the Social Security Act is amended by striking out section 905 and inserting in lieu thereof the following new section:

"EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT

"ESTABLISHMENT OF ACCOUNT

"SEC. 905. (a) There is hereby established in the Unemployment Trust Fund an extended unemployment compensation account. For the purposes provided for in section 904 (e), such account shall be maintained as a separate book account.

"TRANSFERS TO ACCOUNT

"(b) (1) Except as provided by paragraph (3), the Secretary of the Treasury shall transfer (as of the close of April 1970, and each month thereafter), from the employment security administration account to the extended unemployment compensation account established by subsection (a), an amount determined by him to be equal, in the case

of any month before April 1972, to one-fifth, and in the case of any month after March 1972, to one-tenth, of the amount by which—

"(A) transfers to the employment security administration account pursuant to section 901 (b) (2) during such month, exceed

"(B) payments during such month from the employment security administration account pursuant to section 901 (b) (3) and (d).

If for any such month the payments referred to in subparagraph (B) exceed the transfers referred to in subparagraph (A), proper adjustments shall be made in the amounts subsequently transferred.

"(2) Whenever the Secretary of the Treasury determines pursuant to section 901 (f) that there is an excess in the employment security administration account as of the close of any fiscal year beginning after June 30, 1972, there shall be transferred (as of the beginning of the succeeding fiscal year) to the extended unemployment compensation account the total amount of such excess or so much thereof as is required to increase the amount in the extended unemployment compensation account to whichever of the following is the greater:

"(A) $750,000,000, or

"(B) the amount (determined by the Secretary of

Labor and certified by him to the Secretary of the Treasury) equal to one-eighth of 1 percent of the total wages subject (determined without any limitation on amount) to contributions under all State unemployment compensation laws for the calendar year ending during the fiscal year for which the excess is determined.

"(3) The Secretary of the Treasury shall make no transfer pursuant to paragraph (1) as of the close of any month if he determines that the amount in the extended unemployment compensation account is equal to (or in excess of) the limitation provided in paragraph (2).

"TRANSFERS TO STATE ACCOUNTS

"(c) Amounts in the extended unemployment compensation account shall be available for transfer to the accounts of the States in the Unemployment Trust Fund as provided in section 204(e) of the Federal-State Extended Unemployment Compensation Act of 1969.

"ADVANCES TO EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT AND REPAYMENT

"(d) There are hereby authorized to be appropriated, without fiscal year limitation, to the extended unemployment compensation account, as repayable advances (without interest), such sums as may be necessary to carry out the purposes of the Federal-State Extended Unemployment Compensation Act of 1969. Amounts appropriated as repay-

able advances shall be repaid, without interest, by transfers from the extended unemployment compensation account to the general fund of the Treasury, at such times as the amount in the extended unemployment compensation account is determined by the Secretary of the Treasury, in consultation with the Secretary of Labor, to be adequate for such purpose. Any amount transferred as a repayment under this subsection shall be credited against, and shall operate to reduce, any balance of advances repayable under this subsection."

Passed the House of Representatives November 13, 1969.

Attest: W. PAT JENNINGS,
Clerk.

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Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
FUTA Coverage Extensions	Extension to:	Extension to:	Extension to:
Definition of Employer	Small Firms (quarterly payroll of $100) (Sec. 101)	Small Firms (quarterly payroll of $800 or 1 in 20 weeks) (Sec.101)	No extension. FUTA definition (4 in 20 weeks) retained.
Definition of Employee	Some workers now excluded by FUTA definition of "employee." FICA definition, with minor exceptions, would be used. (Sec. 102)	Same (Sec. 102)	Same (Sec. 101)
Farm Coverage	Farms with 4 or more workers in 20 weeks (Sec. 103)(a)(1))	No comparable provision	No comparable provision
Definition of Agricultural Labor	Workers employed by firms processing agricultural products now excluded by FUTA definition of agricultural labor. FICA definition, with minor exceptions, would be used. (Sec. 103(a)(2))	Same (Sec. 103)	Same (Sec. 102)
Certain Services Performed Outside the United States	No comparable provision	Service by a U.S. citizen performed outside the U.S. after 1971 for an American employer, as defined. (Sec. 105)	No comparable provision
Required State Law Coverage	States required to cover as a condition for tax credit:	States required to cover as a condition for tax credit:	States required to cover as a condition for tax credit:
Nonprofit Organizations	Nonprofit organizations with 4 or more workers in 20 weeks (Sec. 104)	Same (Sec. 104)	Same (Sec. 103)
	Exceptions:	Exceptions:	Exceptions:
	1. Churches and religious organizations	1. Same	1. Same

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Required State Law Coverage	States required to cover (cont.):	States required to cover (cont.):	States required to cover (cont.):
	Exceptions (cont.):	Exceptions (cont.):	Exceptions (cont.):
	2. Clergymen and members of religious orders	2. Same	2. Same
	3. Elementary and secondary schools	3. Same	3. Same
	4. No comparable provision	4. Individuals employed in an instructional, research or principal administrative capacity in institutions of higher education (about 400,000)	4. Same as H.R. 14705
	5. Physically and mentally handicapped persons employed in rehabilitation facilities	5. Same	5. Same
	6. Individuals receiving government assisted work relief or work training	6. Same	6. Same
	7. No comparable provision	7. Inmate of State prison or correctional institution performing services for hospitals in such prison or institution (Sec. 104)	7. No comparable provision
	8. No comparable provision	8. No comparable provision	8. Physicians, dentists, osteopaths, chiropractors, naturopaths or Christian Science practitioners in hospitals or hospital-connected organizations
	No comparable provision	State option on extent to which benefits payable in summer to individuals on basis of service with institutions of higher education (Sec. 104)	No comparable provision

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Required State Law Coverage	States required to cover (cont.):	States required to cover (cont.):	States required to cover (cont.):
	Financing:	Financing:	Financing:
	1. State must give nonprofit organizations option to pay contributions or to reimburse fund for benefits attributable to employment with organization (effective 1/1/72) (Sec. 104)	1. Same (Sec. 104)	1. Same, except effective 1/1/69 (Sec. 103)
	2. States may give reimbursement option 1/1/70 (Sec. 104)	2. Same (Sec. 104)	2. Same, except effective 1/1/68 (Sec. 103)
	3. Transition credits may be allowed by States to already covered organizations, for contributions paid with respect to a period, not to exceed 5 years prior to election of reimbursement method. Limited to contributions with respect to service prior to January 1, 1969 (Sec. 104)	3. Same, except no time limit prior to election of reimbursement method. (Sec.104)	3. No comparable provision

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Required State Law Coverage (cont.)	States required to cover (cont.):	States required to cover (cont.):	States required to cover (cont.):
State Hospitals and Institutions of Higher Education	Employment in State hospitals and institutions of higher education to the same extent and with the same exceptions as would apply to nonprofit hospitals and institutions of higher education (Sec. 104)	Same (Sec. 104)	Same (Sec. 103)
FUTA Coverage Exclusions	Excluded:	Excluded:	Excluded:
Hospital Patients	Employment in a hospital by a patient of the hospital (Sec. 103(b))	Same (Sec. 106)	No comparable provision
Students in Work Study Programs	No comparable provision	Service performed by a student in a full time work study program. (Sec. 106)	Same as H.R. 14705 (Sec. 104)
Spouses of Students	No comparable provision	Service performed by the spouse of a student enrolled in a school, college or university in the employ of the school, college or university if employment of spouse is provided under a program of financial assistance to the student. (Sec. 106)	Same as H.R. 14705 (Sec. 105)

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Requirements to be Met by State Laws as a Condition for any Tax Credit	State laws must, as a condition for tax credit, meet following requirements:	State laws must, as a condition for tax credit, meet following requirements:	State laws must, as a condition for tax credit, meet following requirements:
	Nonpayment of benefits in a new benefit year without some work since beginning of previous benefit year. (Sec. 121(a))	Same (Sec. 121(a))	Same (Sec. 121(a))
	No denial of benefits to an individual taking approved training. (Sec. 121(a))	Same (Sec. 121(a))	Same (Sec.121(a))
	No denial or reduction of benefits to an individual solely because he files a claim in another State or Canda. (Sec. 121(a))	Same, except that "Canada" changed to "contiguous country with which the U.S. has an agreement with respect to unemployment compensation." (Sec. 121(a))	Same except that Canada not included.
	Participation in arrangements for combining wages and employment in two or more States which apply a single State base period to claims of multi-State workers. (Sec. 121(a)).	Same (Sec. 121(a))	Same, except for minor difference in language. (Sec. 121(a))
	No denial of benefits by reason of cancellation of wage credits or total reduction of benefit rights except for misconduct connected with work, fraud connected with claim, or receipt of other income. (Sec. 121(a))	Same (Sec. 121(a))	Same (Sec. 121(a))

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Requirements to be Met by State Laws as a Condition for any Tax Credit	State laws must, as a condition for tax credit, meet following requirements (cont.):	State laws must, as a condition for tax credit, meet following requirements (cont.):	State laws must, as a condition for tax credit, meet following requirements (cont.):
	No payment of compensation by reason of expiration of specified period of time to individuals disqualified under labor dispute provisions in a State law. (Sec. 121(a))	No comparable provision	No comparable provision
	No payment of compensation to individuals unless individuals have at least 15 weeks of base period employment or the equivalent. (Sec. 121(a))	No comparable provision	No comparable provision (cf. Benefit Requirements below)
Additional Credit Based on Reduced Rate for New Employers (Experience Rating)	State law would be permitted to allow a reduced rate of not less than 1 percent to new employers on a basis other than that of experience with respect to unemployment. (Sec. 122)	Same (Sec. 122)	Same (Sec. 122)
Credits Allowable to Certain Employers	Credits against Federal unemployment tax denied to employers with respect to whom Federal permission was granted for States to require contributions if State fails substantially to comply with conditions on the basis of which the permission was granted. (Sec. 123)	Same (Sec. 123)	Same (Sec. 123)

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Judicial Review	Provisions for judicial review of the Secretary of Labor's decisions on State conformity or compliance relating to grants under Title III of the Social Security Act and to tax credit under the Federal Unemployment Tax Act. (Sec. 131(a))	Same, except commencement of judicial proceedings stays action of Secretary for 30 days. (Sec. 131(a))	Same as H.R. 12625 except for substantial evidence rule. (Sec. 131(a))
	Secretary's findings of fact to be conclusive if supported by substantial evidence (Sec. 131(a))	Secretary's findings of fact to be conclusive if supported by substantial evidence. (Sec. 131(a))	Secretary's findings of fact to be conclusive unless contrary to the weight of the evidence. (Sec. 131(a))
Knowland Amendment, (FUTA) (Sec. 3304(c), with respect to Secretary's findings under Sec. 3304(a)(5))	Secretary's findings not to be based on an application of State law with respect to which the time for review provided under the law of the State has not expired or further administrative or judicial review is pending. (Sec. 131(b))	Secretary's findings not to be based on an application of State law (1) if all administrative review provided by State law has not been exhausted, (2) if time limit for petition to State courts for judicial review has not expired, or (3) if judicial review by State court is pending. (Sec. 131(b))	No comparable provision

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Research Program	Secretary directed to establish a broad research program, including inquiry into such matters as coverage and eligibility. Appropriation authorization for such sums as may be necessary to carry out this section. (Sec. 141)	Same, except that appropriation authorization limited to $8,000,000 for any fiscal year. (Sec. 141)	Same as H.R. 12625 (Sec. 142)
Training for UI Personnel	Secretary directed to set up program for training present and prospective unemployment insurance staff. Appropriation authorization for such sums as may be necessary to carry out this section. (Sec. 141)	Same, except that appropriation authorization limited to $5,000,000 for any fiscal year. (Sec. 141)	Same, except that appropriation authorization for fiscal years after 1967 for such sums as may be necessary to carry out this section but limited to $1,000,000 for fiscal year 1967 (Sec. 142)
Federal Advisory Council	Secretary directed to establish a Federal Advisory Council for unemployment compensation; composed of men and women representing employers and employees equally, and the public. Executive Secretary and staff to be furnished. Secretary shall encourage organization of State advisory councils. Appropriation authorization for such sums as may be necessary to carry out this section. (Sec. 141)	Same, except that (1) membership limited to 16 members, and (2) appropriation authorization limited to $100,000 for any fiscal year. (Sec. 141)	No comparable provision.

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Change in Certification Date	Certification date changed from December 31 to October 31. (Sec. 142)	Same (Sec. 142)	Same (Sec. 144)
Benefit Requirements	No comparable provision	No comparable provision	Benefit Requirements (Sec. 151): Qualifying requirement no greater than 20 weeks of base period employment or equivalent. Individual weekly benefit amount requirement of 50 percent of individual's average weekly wage. Maximum weekly benefit amount required to be 50 percent of Statewide average wage of covered workers. Duration requirement of at least 26 weeks' duration (26 x WBA) for workers with 39 weeks of base period employment or equivalent. Alternatives to above requirements: State's benefit formula would have to provide 65 percent of all covered workers with a weekly benefit of 50 percent of each individual's average weekly wage and 80 percent with total potential benefits of 26 x the weekly benefit amount. Sanction (Sec. 152): Limitation of tax credit to lesser of State's 4-year average benefit cost rate or 2.7 percent.

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Extended Unemployment Compensation Program	Federal program of Federal extended benefits, payable only during periods of high unemployment, 100 percent federally financed from FUTA, paid by States as agents of the Secretary through agreements (as with TEUC in 1961). (Title II adding new Title XX to the Social Security Act.)	Program of Federal and State extended benefits payable only during periods of high unemployment. States required to enact program meeting Federal requirements by January 1, 1972 as a condition for continued receipt by State's employers of tax credits against FUTA tax. Financed 50 percent from FUTA and 50 percent by State. (Title II - "Federal-State Extended Unemployment Compensation Act of 1969")	Program of Federal and State extended benefits payable only during periods of high unemployment. States required to enact program meeting Federal requirements as a condition for continued receipt by State's employers of tax credits against FUTA tax. Financed 100 percent from FUTA. (Title II - "Federal-State Extended Unemployment Compensation Act of 1966")
	Program triggered on basis of national experience only. (Sec. 2205(a))	Program triggered nationally by national experience and in individual States by State experience. (Sec. 203(a))	Program triggered nationally by national experience and in individual States by State experience. (Sec. 203(c))
	Trigger Points:	Trigger Points:	Trigger Points:
	National on - Insured unemployment rate of 4.5 percent seasonally adjusted for each of 3 consecutive months. (Sec. 2005(d)(1))	Same (Sec. 203(d))	National on- Insured unemployment rate of 5 percent seasonally adjusted for each of 3 consecutive months and exhaustion rate of 1 percent for that 3-month period. (Sec. 203(d))
	National off - Insured unemployment rate for most recent month (1 month) is below 4.5 percent and exhaustion rate during most recent 3-month period is below 1 percent. (Sec. 2005(d)(2))	National off - Insured unemployment rate for each of 3 consecutive months is below 4.5 percent. (Sec. 203(d))	National off - Insured unemployment rate for most recent month is below 5 percent or most recent 3-month exhaustion rate is below 1 percent. (Sec. 203(d))

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Extended Unemployment Compensation Program (cont.)	Trigger Points (cont.):	Trigger Points (cont.):	Trigger Points (cont.):
	No comparable provision	State on -Insured unemployment rate for 13-consecutive-week period is 120 percent of rate for same period in each of the two preceding years, and at least 4 percent. (Sec.203(e))	State on - Insured unemployment rate for 13 consecutive weeks is 120 percent of rate for same period in each of the two preceding years, and at least 3 percent. (Sec. 203(e))
	No comparable provision	State off - Insured unemployment rate for 13-consecutive-week period is less than 120 percent of rate for same period in two preceding years or below 4 percent. (Sec. 203(e))	State off - Insured unemployment rate for 13 consecutive weeks less than 120 percent for same period of two preceding years or below 3 percent. (Sec. 203(e))
	Rate of Insured Unemployment:	Rate of Insured Unemployment:	Rate of Insured Unemployment:
	Average weekly number of individuals filing claims for period divided by average monthly covered employment for period. (Sec. 2005(e))	Same (Sec. 203(e))	Same (Sec. 203(f))
	No comparable provision	No comparable provision	Qualification to definition of rate-Miller Amendment (Sec. 203(f)): In computing rate, there shall be taken into account all factors required to present a true and accurate picture of unemployment, including (a) Registrations and calls at employment offices (b) Efforts to secure training (c) Willingness of individuals to accept jobs and (d) Interest in part-time employment only.

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Extended Unemployment Compensation Program (cont.)	No comparable provision	No comparable provision	Extended Benefits for Individuals Over Sixty (Javits Amendment - Sec. 206): Between 60 and 65, individuals in defined depressed areas, or with skills rendered obsolete because of automation, technological change or other reasons beyond their control, who exhaust extended unemployment compensation are to receive up to 52 weeks of additional extended unemployment compensation.
	Extended Benefit Amounts:	Extended Benefit Amounts:	Extended Benefit Amounts:
	Weekly Amount -State WBA (including allowances for dependents), (Sec. 2004(a))	Same (Sec. 202(a))	Same (Sec. 202(b)(2))
	Total Amount (Duration) Lesser of (1) 50 percent of State total amount (2) 13 times WBA (3) 39 times WBA reduced by regular compensation paid (Sec. 2004(b))	Total Amount (Duration) Same (Sec. 202(b))	Same (Sec. 202(b)(1))
	No comparable provision	At State option, total payable may be reduced by additional compensation paid outside an extended benefit period. (Sec. 202(b))	No comparable provision

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Extended Unemployment Compensation Program (cont.)	Extended Benefit Amounts: (cont.)	Extended Benefit Amounts: (cont.)	Extended Benefit Amounts: (cont.)
	State regular benefits in excess of 26 times WBA reimbursed (Sec. 2006)	Same (Sec. 204(c))	Same (Sec. 204(b)(2))
	Effective date - Provides for payment of extended benefits for weeks in extended benefit period beginning with the 61st day after this bill is enacted. (Sec. 2002)	Effective dates - Permits payment in a State between 61st day after enactment of this bill and January 1, 1972 only on basis of a State trigger and only if State adopts program, but State law must provide for compensation for weeks after December 31, 1971 in accordance with program. (Sec. 207)	Effective date - January 1, 1969

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Financing	Taxable Wage Base:	Taxable Wage Base:	Taxable Wage Base:
	Taxable wage base to be raised to $4800 for 1972 and 1973, and raised to $6000 for years after 1973. Whenever, after December 31, 1974, the Secretary determines that the taxable wage base is no longer reasonably related to wage levels, he shall recommend an appropriate change to Congress. (Sec. 301)	Taxable wage base raised to $4200 for 1972 and thereafter. (Sec. 302)	Taxable wage base raised to $3900 for 1968-1971 and $4800 for 1972 and thereafter. (Sec. 301(a))
	Tax Rate:	Tax Rate:	Tax Rate:
	No increase in tax rate; FUTA net tax remains 0.4 percent.	Tax rate increased from 3.1 percent to 3.2 percent effective January 1, 1970; FUTA net tax becomes 0.5 percent. (Sec. 301)	Tax rate increased from 3.1 percent to 3.3 percent effective January 1, 1967; FUTA tax becomes 0.6 percent (Sec. 301(b))
Financing	Accounts:	Accounts:	Accounts:
	Extended unemployment compensation account established. (Sec. 305)	Same. (Sec. 305)	Same.(Sec. 207(a))
	FUTA revenue allocated monthly beginning July 1, 1972, between employment security administration account (5/6 of net receipts) and extended unemployment account. (1/6 of net receipts) (Sec. 305)	FUTA revenue allocated monthly beginning April 1970 between employment security administration account (4/5 of net receipts for 1970 and 1971; and 9/10 of net receipts for 1972 and thereafter) and extended unemployment compensation account (1/5 of net receipts for 1970 and 1971; and 1/10 of net receipts for 1972 and thereafter). (Sec. 305)	FUTA revenue allocated between employment security administration account and extended unemployment compensation account with the latter receiving 1/6 of net FUTA tax of 0.6 percent for 1968, 1/4 of net FUTA tax for 1969 through 1972, and 1/3 for years after 1972. (Sec. 207(b)).

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Financing (cont.)	Limitations on accounts: Employment security administration account:	Limitations on accounts: Employment security administration account:	Limitations on accounts: Employment security administration account:
	Current ceiling of $250,000,000 (as amended by P.L. 91-53) changed to 40 percent of total appropriation for preceding fiscal year. (Sec. 303)	Same (Sec. 303)	No comparable provision.
	Extended unemployment compensation account:	Extended unemployment compensation account:	Extended unemployment compensation account:
	Ceiling established as greater of $1,400,000,000 or 0.25 percent of total covered wages. (Sec. 305)	Ceiling established as greater of $750,000,000 or 0.125 percent of total covered wages. (Sec. 305)	Ceiling established as greater of $1,000,000,000 or 0.8 percent of total covered wages (Sec.207(b))
	Federal unemployment account:	Federal unemployment account:	Federal unemployment account:
	Current ceiling of the greater of $550,000,000 or 0.4 percent of taxable covered wages changed to the greater of $550,000,000 or 0.125 percent of total covered wages (Sec.304)	Same (Sec. 304)	No comparable provision.

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Financing (cont.)	Order of crediting and transfers:	Order of crediting and transfers:	Order of crediting and transfers:
	1. Total Federal tax collections credited monthly to employment security administration account. Effective July 1, 1972, 5/6 retained. (Sec. 303)	1. Total Federal tax collections credited monthly to employment security administration account. April 1970 through March 1972, 4/5 retained. After March 1972, 9/10 retained. (Sec. 303)	1. Total Federal tax collections credited monthly to employment security administration account. For calendar year 1968, 5/6 retained. For calendar years 1969 through 1972, 3/4 retained. For calendar years after 1972, 2/3 retained. (Sec. 207)
	2. July 1972 and thereafter 1/6 of collections transferred monthly to extended unemployment compensation account. (Sec. 305)	2. April 1970 through March 1972, 1/5 of collections transferred monthly to extended unemployment compensation account (unless ceiling reached). After March 1972, 1/10 of collections transferred to extended unemployment compensation account (unless ceiling reached). (Sec. 305)	2. For calendar year 1968, 1/6, for calendar years 1969 through 1972, 1/4, and for calendar years after 1972, 1/3 of collections transferred to extended unemployment compensation account (unless ceiling reached). (Sec. 207)

Comparison of the Provisions of H.R. 12625, "Employment Security Amendments of 1969" with the Provisions of H.R. 14705 and the Provisions of Senate Version of H.R. 15119, "Unemployment Insurance Amendments of 1966"

Item	H.R. 12625	H.R. 14705	H.R. 15119, Senate Version
Financing (cont.)	Order of crediting and transfers (cont.)	Order of crediting and transfers (cont.)	Order of crediting and transfers (cont.)
	3. Fiscal years after 1972--excess funds in employment security administration account beyond its ceiling transferred (annually) to extended unemployment compensation account (until ceiling reached) (Sec. 303)	3. Same. (Sec. 303)	3. Fiscal years after 1967--excess funds in employment security administration account beyond its ceiling transferred (annually) to extended unemployment compensation account (until ceiling reached) (Sec. 207)
	4. If extended unemployment compensation account at ceiling, excess funds in employment security administration account beyond its ceiling transferred to Federal unemployment account (until ceiling reached). (Sec. 304)	4. Same. (Sec. 304)	4. Same. (Sec. 207)
	5. (a) If all three accounts at ceiling, excess funds in employment security administration account beyond its ceiling distributed to State accounts in trust fund. (Sec. 304)	5. (a) Same. (Sec. 304)	5. (a) Same. (Sec. 207)
	(b) Secretary to notify Congress when all three accounts approach ceilings, and make recommendations. (Sec. 304)	(b) Same. (Sec. 304)	(b) No comparable provision.
	Employment Service Financing:	Employment Service Financing:	Employment Service Financing:
	Employment service costs financed from the employment security administration account limited to proportion deemed by President as an appropriate charge to that account effective for fiscal years after 1972. (Sec. 303(a))	Same. (Sec. 303(a))	No comparable provision.

The CHAIRMAN. Mr. Shultz, we will now call upon you to present your presentation.

STATEMENT OF HON. GEORGE P. SHULTZ, SECRETARY OF LABOR; ACCOMPANIED BY ARNOLD WEBER, ASSISTANT SECRETARY FOR MANPOWER; AND ROBERT C. GOODWIN, ASSOCIATE MANPOWER ADMINISTRATOR, DEPARTMENT OF LABOR

Secretary SHULTZ. Mr. Chairman, members of the committee——

The CHAIRMAN. If you want, Mr. Shultz, you can summarize the statement.

Secretary SHULTZ. If I could, Mr. Chairman, I would like to go through this brief statement and file for the record a more lengthy statement that I have prepared.

I welcome your calling attention to the earlier experience of the Congress with this subject some years ago. I believe it is fair to say, as you suggested, that we have tried to draw on that experience in presenting material here before you.

I am very pleased to appear before this committee to support legislation to improve the Federal-State unemployment insurance program. Unemployment insurance is a major factor in stabilizing our economy and an important aspect of manpower policy. The committee has before it a bill, H.R. 14705, which represents the response of the House to President Nixon's call for strengthening and extending the program's benefits and making its financing more equitable. The administration's proposals to implement the President's recommendations were submitted to the Congress on July 8, 1969, and were introduced in the House as H.R. 12625. While both proposals cover the same broad program areas, there are differences in their specifics. I would like to summarize briefly the improvements contained in this bill and the administration's recommendations.

I believe that H.R. 14705 would improve and strengthen the unemployment insurance program. I believe, however, that the administration's original bill would be better. At a minimum, there are three major modifications which I think should be incorporated by this committee. First, extend protection to hired workers on large farms; second, extend protection to collect professors and to other instructional, research, and principal administrative personnel of nonprofit and State institutions of higher education; and third, make the financing more equitable by providing a higher wage base and no permanent tax rate increase.

Coverage. H.R. 14705 would reduce significantly the number of workers left outside the system, although I hope this committee will take steps to reduce further the number of excluded workers by bringing in the workers on large farms and the professional employees of nonprofit and State institutions of higher education as proposed by the administration.

The Federal Unemployment Tax Act would be amended to include employers with either one or more workers in 20 weeks, or a quarterly payroll of $800, and services of American citizens for an American employer outside the United States, and to revise the definitions of "employee" and "agricultural labor" so that fewer jobs would be excluded.

In addition, States would be required, as a condition for employers to receive tax credit, to protect employment by nonprofit organizations, with certain exclusions, and employment by State hospitals and institutions of higher education, with certain exclusions. The nonprofit employers could choose whether to pay contributions to the State on the normal basis, or to reimburse the State for benefits attributable to them. I do have a technical amendment to offer to insure that nonprofit organizations are not required to pay any amount to the State in addition to such contributions or reimbursement.

The coverage changes proposed by the administration would extend unemployment insurance protection to about 800,000 more jobs, primarily due to the administration's proposal for covering farmworkers and the differences in the exclusions with respect to nonprofit employment.

I turn first to the coverage of agricultural workers.

H.R. 14705 does not include any coverage of farmers who hire farm labor. This omission is a serious defect, and I urge this committee to add to H.R. 14705 a provision to cover hired workers on large farms—that is, agricultural businesses. The President recommended coverage of the 5 percent of employing farms which have four workers in 20 weeks and provide about 30 percent of farm jobs. The Ways and Means Committee seriously considered, although it rejected, a proposal to cover farms which have eight workers in 26 weeks—which would apply to about 2 percent of the employing farms and about 21 percent of the farm jobs. This proposal would limit coverage to agricultural businesses and protect a meaningful proportion of the agricultural work force. Therefore, it would be acceptable.

The increasing dependence of the farm economy on hired farm labor emphasizes the need to afford workers in agricultural businesses the same protection against unemployment as is available to nonfarm workers in nonfarm industries. The extension of coverage to farm employers by individual States raises the same issues of interstate competition that originally blocked State coverage for industrial workers. Just as it was in 1935 with respect to industrial workers, an amendment to the Federal law is the only way to achieve protection for farmworkers.

This is what lead Governor Reagan to say, with respect to unemployment insurance coverage for farmworkers in California, that no State is an island; its farm produce must compete with produce from other States, so that, and here I quote from Governor Reagan:

> I believe that California does, and I believe that California should, lead in the matter of assuring fair treatment for our farm workers. But these benefits increase payroll costs. We cannot serve our California farm workers well by being so far in front as to jeopardize the farms which provide these jobs . . .

In this connection—

Said Governor Reagan—

> I call on Congress to establish legislation in the field of unemployment insurance for year-round farm employment in all states and believe this should be accomplished without federalizing the system. I recognize the very difficult problems of financing and administering unemployment insurance for casual farm employment, but let us not let this delay any longer unemployment insurance coverage for full-time farm employees in all states.

Whether coverage is extended to farms with four workers in 20 weeks or eight workers in 26 weeks, the farmers who would be covered are now covered by and reporting for social security. Many of them are also covered by the Fair Labor Standards Act and keep records for the purposes of that act. The same records would be used for unemployment insurance purposes and the additional reports required would involve a minimum of effort and difficulty.

The administrative questions and operating problems raised by covering large agricultural employers are not unique, and will not be new to unemployment insurance administrators. While much farmwork is seasonal, 40 percent of the farm wage work in 1968 was done by workers who did farm wage work for 250 days or more in the year.

Seasonal workers who would be covered and would have enough farm earnings to qualify should be treated the same as seasonal workers in canning and freezing, and other presently covered seasonal industries.

The cost of farm coverage is difficult to determine in advance. There are five studies, and experience with mandatory coverage in Hawaii and Canada, and with selective coverage in California and North Dakota. These indicators reflect a wide range of benefit cost rates. Even the highest rate, however, does not exceed the benefit cost rate of some industries presently covered. I might note that North Dakota, about which there has been considerable discussion, has an elective coverage provision which leads to adverse experience and in any case, only one of the 121 farm employers who elected coverage in North Dakota would be covered under the four workers in 20 weeks test and none would be covered with the eight workers in 26 weeks test. So that the applicability of the costs involved, I think, is questionable.

In weighing the cost of covering agricultural businesses, consideration should be given to the fact that unemployment insurance will help stabilize the agricultural labor force, thereby reducing the costs to employers of recruitment and turnover. It will also provide income maintenance for farmworkers which will reduce welfare costs. I think as we have explored the problems of agricultural labor, the fact that the farmer competes for labor with industry, and sometimes under very disadvantageous conditions has to be borne in mind; in some sense one has to say that the worker chooses between an industry covered by unemployment insurance and one that is not, and in that sense, it is to the disadvantage of agriculture not to have some coverage.

I turn now to exemption of certain occupational groups in institutions of higher education.

H.R. 14705 would require, as a condition of State law approval for tax credit under the FUTA, that the State cover services of individuals employed by State and nonprofit institutions of higher education, but would exempt from the requirement services by an individual "employed in an instructional, research, or principal administrative capacity." I go on here with some feeling since I have been a professor and a dean and felt that I should stop being a dean because of the old saying that old deans never die, they just lose their faculties, and I have to help protect them.

This exclusion represents an undesirable principle, that the system should exclude a category of workers within a covered establishment because their risk of unemployment is presumed to be relatively low. Professional people employed in principal administrative, executive, and research activities in private industry and in the Federal Government are covered. In May–July 1969, the proposition of claimants from professional, technical and managerial occupations was higher than in the recession year of 1961. Unemployment among the excluded groups in universities may be low, but it does occur, and those who experience it should not be discriminated against.

Since the institutions must be allowed the option of reimbursing the State for benefit costs, costs will be limited to situations in which compensated unemployment actually occurs.

Difficult and time-consuming administrative problems are created by the exclusion, which involves distinguishing between those who are covered and those who are not. What determines, for example, whether an individual is employed in a "principal" administrative capacity? Moreover, since State coverage of everyone except those excluded by Federal law is a requirement for employer tax credit, differences between State and the Federal interpretations of the exclusion could lead to Federal-State conflicts. The inequities and administrative problems could easily be avoided by deleting the occupational exclusion, without adding substantially to institution costs.

I turn now to a set of provisions relating to conditions for paying or denying benefits.

H.R. 14705 would add new conditions to the existing Federal Unemployment Tax Act requirements that a State law must meet if the law is to be approved for tax offset purposes. The new conditions deal with some of the criticisms of the conditions under which benefits are paid or denied.

The bill would: prohibit the so-called double dip or payment of benefits in a second benefit year to an individual who had not worked since the beginning of a prior benefit year in which he received benefits; prohibit denial of benefits to a claimant taking training with the approval of the State agency; prohibit denial or reduction of benefits because the claim is filed in another State or in a contiguous country with which United States has an agreement on unemployment insurance (meaning Canada); require participation in wage combining arrangements using all wages in a single base period; and place limits on the cancellation or total reduction of benefit rights.

The bill does not, however, include two conditions in H.R. 12625 under which benefits would have had to be denied. The first, which at this time would affect only two States, have precluded a State from putting a specific time limit on the labor dispute disqualification after which benefits would become payable without any change in the circumstances. The other would have required that a State pay compensation only to an individual who in his base period had at least 15 weeks of employment or the equivalent specified when the State law qualifying requirement measures attachment in terms of wages rather than weeks

worked. I want to make it clear that the administration still supports very strongly these two provisions.

I turn to judicial review.

Under H.R. 14705 and under the administration proposal, a State is explicitly permitted to apeal to Federal courts a finding of the Secretary which is adverse to the State. Such a finding may be made under the administrative grant provisions of section 303 of the Social Security Act, or under the conditions for tax credit, additional and normal, in sections 3303 and 3304 of the Federal Unemployment normal, in sections 3303 and 3304 of the Federal Unemployment Tax Act.

Federal-State extended benefit program.

High national unemployment is attributable to national factors, and the administration proposed a national remedy—a Federal program of extended unemployment compensation in times of high national unemployment. That program would be 100 percent federally financed—but operated by States as agents of the Federal Government and utilizing provisions of State law. The program could be operative at any time after 60 days beyond the enactment of the act.

H.R. 14705, on the other hand, would establish a Federal-State program of extended benefits. The program would be triggered into operation in all States by a national insured unemployment rate of 4.5 percent for 3 consecutive months. It would be triggered into operation in an individual State by a State-insured unemployment rate for any consecutive 13-week period which was 20 percent higher than the average for the same period in the 2 prior years, and at least 4 percent. It would have to be in effect in every State by January 1, 1972, and could be put into effect earlier on an individual State basis. In other words, it is optional with each State whether extended benefits may be payable before January 1, 1972.

Each State would pay half the cost of extended benefits in that State, and the Federal Government would pay the other half. Both proposals provide for a 50 percent extension of benefit duration for workers who exhaust their regular benefits.

The House action is acceptable to the administration. It should be noted, however, that the House-passed program does not have to be in effect in all States until January 1, 1972, in order to give State legislatures time to act. This committee may wish to consider filling this gap by a temporary national program.

I turn now to taxable wage base questions.

Additional FUTA revenue is needed, as this committee well knows, to finance administrative costs. It is also needed for the extended benefit program. The fairest way to raise that additional revenue, on a permanent or long-range basis, is to raise the taxable wage base.

Clearly, the $3,000 taxable wage base now in the Federal Unemployment Tax Act is an anachronism which cannot be justified on any basis. It was imposed in 1939 to conform the tax base to that used in the old age insurance program, for the convenience of employers in their recordkeeping and reporting. In 1940, 93 percent of all wages in cov-

ered employment were still taxable. By 1969, only 46 percent of wages in covered employment are taxable under the Federal act.

The administration's bill would have increased the taxable wage base to $4,800 and then to $6,000, and would not have increased the Federal unemployment tax rates.

H.R. 14705 would raise the Federal unemployment tax rate from 3.1 to 3.2 percent, effective January 1, 1970, and the taxable wage base from $3,000 to $4,200, effective aJnuary 1, 1972. For 1970 and 1971, all of the added 0.1 percent net tax would be set aside for the extended benefit account. Thereafter, that account would receive 0.05 percent of taxable wages.

The increase in the taxable wage base to $4,200, proposed by H.R. 14705, is better than the present taxable base, but it is inadequate. It will affect about 53 percent of total wages in covered employment when it becomes effective in 1972 but only 48 percent by 1975.

By contrast, an increase in the wage base to $6,000 in two stages ($4,800 for 1972–74, and $6,000 thereafter) would result in taxing 59 percent of total wages in 1972 and 63 percent in 1975.

The $3,000 wage base is grossly inequitable, for both the Federal tax for administration and the State tax for benefits.

On a national basis, employers in the States with the lowest wages, and generally in the light industries that are highly competitive, already pay net Federal taxes representing a greater proportion of their payrolls than do employers in the higher wage States and the heavy industries. But in times of high national unemployment, it is the high wage durable goods industries, and the industrial States that have the higher rates of unemployment as well as high benefit amounts. Thus, the industries and States which account for a larger share of extended benefit costs already pay a relatively lower effective Federal tax rate. These individual and interstate differences would be increased by a tax rate increase, but would be decreased—although not eliminated—by an increase in the taxable wage base.

On a State basis, the present $3,000 wage base subverts the very purpose of experiencing rating. Experience rating is intended to distribute the program's cost among employers by varying their contribution rates in relation to the amount of unemployment experienced by their workers. For both practical and political reasons there is an upper limit to State maximum rates, so that any employer's costs above the maximum rate are shifted to other employers. Hence, the State minimum rate must be increased if adequate State revenue is to be collected. As a result, the tax schedule is compressed to a point where the wide differences in employers' experience with unemployment cannot be accurately reflected by differences in their assigned tax rates.

With a low base, different employers are taxed on a widely differing percentage of their total payrolls. Some employers pay on 90 percent or more of their payroll, others on only 20 percent or less. Consequently, the State's maximum rate awarded for the worst experience can, and frequently does, turn out to be a lower rate on total payrolls for some employers than the minimum rate is for other employers. In

one State, for example, the minimum rate of 1 percent of $3,000 represents an effective rate of 0.9 percent for an employer paying on 90 percent of his total payroll, while the maximum rate of 4 percent represents an effective rate of 0.6 percent for an employer paying on 15 percent of his total payroll. Such accidential and unfair variations in tax assessment would be reduced by a substantial increase in the taxable wage base.

The Federal funds needed for both extended benefits and administration should be obtained by increasing the wage base to $4,800 in 1972 and to $6,000 beginning in 1975. The advance funding of the extended benefit program, which the House considered desirable, could be achieved by a temporary tax rate increase applicable to wages in 1970 and 1971. When the first step increase in the wage base becomes effective, the tax rate should revert to its present 3.1-percent level.

If the base is raised sufficiently to produce the needed revenue, not only will the Federal tax burden be more equitably distributed, but the resulting increase in the State tax base will increase both the equity of present State taxes, and the ability of the States to finance any future high unemployment costs that may occur.

I recommended, therefore, that the bill be amended to make the 0.1 percent rate increase apply only to wages paid in 1970 and 1971, and to increase the taxable wage base to $4,800 for 1972, 1973, and 1974, and to $6,000 thereafter.

MISCELLANEOUS PROVISIONS

Under both bills, States would be permitted to allow new and newly covered employers a reduced rate, not less than 1 percent, on a basis other than experience.

Both would establish a Federal research program on unemployment insurance, a Federal program for training Federal and State personnel administering unemployment insurance, and a Federal Advisory Council on Unemployment Insurance.

H.R. 14705 would provide that accrued leave of ex-servicemen would be treated like accrued leave of other unemployed workers in the State. This would permit earlier payment to ex-servicemen in about half the States. While this provision was not in H.R. 12625, we believe such a provision would be desirable.

CONCLUSION

I hope that this committee will recommend, and the Congress will enact soon, a bill which will strengthen the unemployment insurance program and thus make it better able to fulfill its proper role in the Nation's economy.

I am submitting for the record a more detailed discussion of the legislation.

Thank you, Mr. Chairman.

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

(A supplemental statement of Secretary Shultz follows:)

ATTACHMENT TO STATEMENT OF SECRETARY OF LABOR, GEORGE P. SHULTZ

This statement is submitted to your Committee as an expansion of my oral testimony in support of legislation to improve the Federal-State unemployment insurance system. Unemployment insurance is of such importance to our economy that we must assure that it is kept up to date.

Unemployment insurance represents the individual wage earner's first defense against income loss during unemployment. For the economy as a whole it is a major stabilizing force. In the recession year of 1961, 3.4 billion in regular benefits was paid to 7.1 million workers. The contribution to the economy of this unemployment insurance undoubtdely had a moderating influence on the course of the recession. Even in as prosperous a period as 1969 about 4.1 million unemployed individuals received at least one benefit payment. We expect that sometime in 1970, the program's cumulative benefit expenditures will reach the $50 million mark.

Unemployment insurance payments represent earned rights under a system designed to strengthen a worker's attachment to the labor force, and to encourage and assist him back to work as promptly as possible, and at the same time to maintain his dignity.

The program is one of shared responsibility between the Federal Government and the States. The Federal Government establishes the overall framework and broad guidelines, while the States translate those guides into specific programs which they administer.

The system has worked well, but its benefits can be strengthened and extended, and the method of financing made more equitable. In his message of last July the President noted the major weaknesses, and called on both the Congress and the State legislatures to take remedial action.

Your Committee has before it a bill, H.R. 14705 representing the action taken by the House of Representatives on the Administration's recommendations for changes in Federal unemployment insurance statutes contained in H.R. 12625.

The booklet of charts and tables which you have each been given contains a detailed comparison of H.R. 14705 and the recommendations in H.R. 12625. We believe that H.R. 12625 is a more desirable approach to the program's weaknesses. In general, however, with several exceptions which are hereinafter discussed, H.R. 14705 deals with the problem areas in a way which is acceptable.

I do not want to minimize the importance of any aspect of the legislation. However, I shall focus on the pressing need for—

(1) narrowing the gaps in coverage,

(2) providing an extended benefits program for periods of high unemployment,

(3) dealing with some of the criticisms of the conditions for paying or denying benefits,

(4) providing for judicial review of a Secretary's findings adverse to a State.

Coverage

The effectiveness of any social insurance program ultimately is determined by its coverage of those subject to the risk insured against.

The authors of the Social Security Act in 1935 believed that universal coverage of wage and salary workers under unemployment insurance would be desirable. They did not provide it for practical reasons. Their expectation was that after the initial difficulties of getting the system into operation had been dealt with, ways could and would be developed to extend the system to those left out. But progress has been slow.

On an average day, about 16.7 million jobs are excluded from unemployment insurance—almost as many as were covered in 1938. H.R. 14705 would extend coverage to 4.5 million of these jobs; a little over 1.8 million of them would be made subject to the FUTA, the others would be given protection by the device, developed by Congress in 1966, of making State protection of the workers a condition for State approval under the FUTA. H.R. 12625 would have extended coverage to about 800,000 more jobs.

Experience over the program's thirty years of benefit payments indicates that if coverage is to be extended significantly, Federal action will be necessary. For example, although 24 States cover at least some employers with one worker, all but 7 of the 24 did so by 1945.

The coverage extensions proposed by H.R. 14705 are very desirable, and we support every one of them without exception. We believe, however that they do not go far enough, and that additional jobs should be covered.

H.R. 14705 proposes to extend FUTA coverage by including employers who have one worker in 20 weeks or a payroll of $800 in any quarter, by including services of American citizens for an American employer outside the United States, and by amending the definitions of "employee" and "agricultural labor" so that fewer jobs would be excluded.

H.R. 14705 provides also that, for a State law to be approved under the FUTA, the State must cover employment by nonprofit organizations, with certain exclusions, and employment by State hospitals and State institutions of higher education, with certain exceptions. The State must permit each such nonprofit employer to choose between paying the State tax and reimbursing the State for benefits attributable to employment with him. This approach to coverage of nonprofit organizations, rather than covering them under the FUTA, was chosen to minimize the costs which such organizations would pay, and to eliminate any requirement that they contribute towards administration of the program. The exclusions in H.R. 14705 are broader than we recommend.

We strongly urge that the Senate retain all the coverage additions in H.R. 14705, and that it extend protection also to employees of large agricultural employers, and to those employees of institutions of higher education who would be excluded under H.R. 14705's exclusion of persons employed in an "institutional, research and principal administrative capacity." Acceptance of our recommendations would raise the total of newly covered jobs to a total of 5.3 million.

Agricultural coverage.—The bill's omission of coverage for employees of large agricultural enterprises is, in my opinion, its most serious deficiency. Agricultural employment is highly concentrated in a small number of large commercial farming businesses. According to the 1964 Census of Agriculture, 1,585,022 farm operators hired workers and paid them a total of $2,799,000,000. However, just 3 percent of these farm operators (45,163) paid 54 percent of the total wages, and provided about ⅓ of all farm jobs. Three-tenths of one percent of the farm operators (5,464) paid 27.5 percent of the total wages and had about ⅙ of the farm jobs. These very large operators paid an average of $140,773 per employer. Over the past decade, the total number of operating farms has declined 28 percent, while the average farm size has increased 31 percent.

The President's unemployment insurance message recommended covering employees of large agricultural operations. He suggested that a large agricultural employer was one with at least four workers in 20 calendar weeks. The requirement of 4 workers in 20 weeks represents the size point at which nonagricultural employers have been divided into covered and noncovered. Only about 5 percent (65,000) of the farm employers who paid some wages in 1968 would have been covered. About 425,000 agricultural jobs—33 percent of the total agricultural jobs—would be covered under the FUTA by this definition. Of these, 25,000 are now covered under State laws. These are not family farms, but agricultural businesses. They would be reporting to Social Security and most of them would be subject to the minimum wage law. They would have the records and be able to make the reports required by unemployment insurance.

The House Committee seriously considered a proposal which would even more clearly have limited coverage to large farms. Under the proposal, farm employers would have been covered only if they had at least 8 hired workers in 26 weeks. This proposal would cover only the very largest farms—about 2 percent of farm employers (23,000), but it would add 276,000 jobs, or about 21 percent of all farm jobs.

We are advocating unemployment insurance protection for workers in agricultural businesses. The size point selected to distinguish those farm enterprises to be covered should assure protection for a meaningful proportion of agricultural work force. We believe that the requirement of 8 workers in 26 weeks would meet this criterion.

When there is unemployment there are costs that must be borne by the individual and by society. The question is, how do we choose to pay those costs—by individual misery, private or public charity, or by social insurance. For almost 80 percent of our wage workers, we have chosen to meet the costs through a system of social insurance to maintain their income during unemployment as a matter of right. We believe this is the best way to meet the costs of unemployment. We believe that the hired workers on large farms should, as a matter of justice, be afforded the same protection.

The agricultural businesses are often competing for markets with similar businesses in other States. Therefore, Federal coverage which applies the unemployment insurance tax to the large farms in every State is needed for agricultural

coverage just as it was for industrial coverage. The California Agricultural Producers Labor Committee, in a statement to the Ways and Means Committee on H.R. 12625, recognized that "One argument in favor of extending farm coverage on a national basis is that California's cotton, meat, poultry, cheese, wine, citrus, tomatoes, vegetables and melons must be marketed in competition with the same products from other states; that national coverage will eliminate an element of unfair competition between the states in the marketing of these products."

Existing provisions of Social Security and minimum wage laws have demonstrated that farm businesses have the necessary records, and can file the reports involved in unemployment insurance coverage.

In all other respects also, coverage of farm businesses in entirely feasible.

Much farm employment is seasonal, and many of those with short seasonal employment are not regular members of the labor force. However, in 1968, 324,000 workers averaged 312 days of farm wage work, and another 256,000 workers averaged 200 days of farm wage work. Of the total number of man-days of farm wage work in 1968, 43 percent was done by workers who worked 250 days or more a year in farm wage work.

Many of the seasonal agricultural workers work for employers who would not be covered by the proposed definition. Many of the remaining seasonal workers who work for covered agricultural employers and who do farm wage work only would not be eligible for benefits due to the shortness of their employment.

With respect to those seasonal workers who would have the earnings needed to qualify them for benefits, there is no reason to treat them differently from workers in construction, canning and freezing, and other seasonal activities which are now covered. A few States have used seasonal restrictions on benefits, but most have found that such provisions are not necessary if they have a reasonable qualifying earnings requirement, and adequate administration.

A substantial proportion of the farm work force is said to be made up of interstate migrants with a series of employers in 2 or more States, thus posing major problems of benefit eligibility.

Social Security figures indicate that only about 5 percent of the farm workers have more than two farm employers in a year. Only 9.6 percent of all workers who did some farm wage work in 1968 left their home county. Since some of them moved only from one county to another within their home State, interstate migrants would represent less than 9.6 percent of the total.

Workers with wages in more than one State are no new problem. Since 1945, the great majority of States have been voluntarily cooperating in an interstate arrangement for combining wage credits in several States, if needed to make a worker eligible for benefits. Participation by all States in interstate wage combining arrangements would be required by other provisions of H.R. 14705.

I'd like to emphasize that unemployment benefits are not payable for any week in which the individual claiming benefits is not ready, willing and able to work—as indicated by his actions as well as his statement. Determinations of availability are now made with respect to workers who do farm and nonfarm work, workers in canneries and in construction, as well as workers in factories. There is no reason to believe that the workers employed on large farms will present special difficulties in this or any other respect.

The administrative problems involved in covering agricultural businesses and protecting farm workers are not unique. They are now being dealt with by the employment security program with respect to present coverage and can be handled for farm employment.

Insofar as the cost of farm coverage is concerned, it is, of course, difficult to determine in advance as evidenced by the initial cost estimates of the overall unemployment insurance system. We have never approached the 3 percent of total wages cost rate that was estimated in 1935. For fiscal year 1969, benefits were only 0.61 percent of total wages; the highest rate since World War II was in 1958, when benefits were 2.05 percent of total wages.

Studies of the feasibility and possible costs of farm coverage following a plan developed by the Department of Labor were completed in Arizona, Connecticut, Nebraska, and New York in 1959 and 1960.

California also made a study in 1965–66, but used a different plan because of the availability of detailed wage records. All California farm employers and crew leaders who pay as much as $100 in wages in a quarter are subject to the California temporary disability insurance law which requires precisely the same kind of wage records as the unemployment insurance program.

These five studies produced estimates of costs as a percent of taxable wages ranging from 1.5 percent in Connecticut and 1.6 percent in Nebraska to 3.3 percent in New York, 3.8 percent in Arizona, and 9.5 percent in California.

Each study contained special factors which must be considered in evaluating the results. In Connecticut, for example, a substantial proportion of the workers in the study were students who would not have been eligible for benefits. In California, anyone who earns $720 in a year meets the qualifying earnings test. A requirement of $100 wages in each of 3 quarters, or $1000 in any one quarter, would have reduced California's cost rate to 6.7 percent; undoubtedly a requirement calling for more substantial labor force attachment, such as 15 weeks of work or 30 times the weekly benefit amount, would have reduced the cost rate even more. It is worth noting that the benefit cost rates for a group of 765 California farm employers who elected coverage for over 17,000 employees was 5.3 percent for 1967 and 4.5 percent for 1968.

But why should farm worker coverage be judged by a test not used for other groups? The California cost rate for a group of five presently covered industries closely related to farming—packing, processing, sorting, grading, assembling, preserving and canning of fruits and vegetables, and canning and preserving of seafoods—was 10.8 percent in 1967; rates for the individual industry classifications went as high as 15 percent. Contract construction, overall, had a rate of 8.3 percent, with the subcategories of general building and highway construction both at 10 percent.

In addition to the studies, there is experience with mandatory coverage in Hawaii and Canada and with elective coverage in California and North Dakota.

The Canadian unemployment insurance law is sufficiently like unemployment insurance laws in this country for its experience to be relevant. Canada has no size-of-firm limit on farm coverage, but does exclude certain temporary workers. For the period from July 1, 1967 through August 31, 1969, the ratio of agricultural benefits to agricultural contributions in Canada is 1.2; for the same period, there is a 4.4 ratio for forestry and fishing, and a 2.0 ratio for construction.

Hawaii's benefit cost rate for 35 agricultural employers with 9,815 workers, covered under a separate self-financed program, was 1.1 percent in 1968.

I have already mentioned that California reported in 1968 cost rate of 4.5 percent for its large farm employers covered by election. North Dakota's experience with elective coverage of small farms—121 employers with total employment averaging only 148 workers—has shown a cost rate of about 12.2 percent of taxable wages. The four largest North Dakota covered farmers, those whose 1968 payrolls were as large as $10,000, had a combined cost rate of 3.6 percent.

Finally, in weighing the cost of unemployment insurance coverage of employees of agricultural businesses, consideration would be given to the benefits of such coverage, aside from the equity and dignity to the workers involved. Unemployment insurance will help to stabilize the agricultural labor force and to reduce the costs to employers of recruitment and turnover. Agricultural employers will find themselves in a better competitive position vis-a-vis nonagricultural employers in attracting workers. Coverage by Federal law will bring coverage by State laws in a way which will end the interstate cost disadvantage to farmer employers who elect coverage, and the cost disadvantages that would result if an individual State required farm coverage.

Coverage of institutions of higher education

We urge also that this Committee delete the provision in H.R. 14705 which exempts individuals employed in an instructional, research or principal administrative capacity from the requirement of coverage for employees of State and nonprofit institutions of higher education.

In terms of simple equity, this occupational exclusion is undesirable because it would deny to those in the excluded categories the unemployment insurance protection enjoyed by their counterparts in private industry.

The provision would leave some unemployed workers without needed protection because others in their broad general category don't need it. To the exent that unemployment is low among workers in the excluded categories, omission of the exclusion need not add significantly to the costs of the organizations. Each such organization will be given the right to choose either to pay contributions under the normal contribution procedure or to reimburse the State for benefits attributable to service in its employ. Under the reimbursable approach, there will be unemployment insurance costs only if a former employee becomes unemployed, files a claim for unemployment insurance, is found to meet all the conditions of eligibility, and does, in fact, receive compensation.

Individuals in the excepted categories do experience unemployment. A significant reduction in employment opportunities relative to job seekers was noted at the mid-winter meetings of such associations as the American Historical Associa-

tion, the Modern Language Association, and the American Economics Association. Even with continued increases in overall employment in teaching, there can be reductions in certain teaching fields. Employment in research is frequently dependent upon continuation of contracts with industry or with the Federal Government. The university's position as an intermediary deprives terminated research staff of benefits they would have had if their services had been performed directly for commerce, industry or the Federal Government.

No new problems are presented by the fact that teachers in many cases work only nine or ten months a year, and may have vacations of several weeks during the year. A teacher employed and compensated on a 12-month basis would normally not be considered "unemployed" for any month for which he received full wages from his employer, whether or not he conducted classes that month. Neither he nor a teacher paid on a nine or ten month basis would be considered unemployed during Christmas or similar vacation periods.

With respect to the summer period, the bill now contains a provision allowing State laws to provide the extent to which benefits based on service with an institution of higher education shall not be payable during the summer vacation.

The argument that the incidence of unemployment is low, whether true or not, has not been regarded as a valid argument for denying protection to those of the group who do experience unemployment. Company executives, scientists, research directors and other professional and principal administrators in private industry and in the Federal Government are currently covered by unemployment insurance. In each of the three months of May, June and July 1969, more than 6 percent of all unemployment insurance claimants, and at least 8.8 percent of the men, were in professional, technical and managerial occupations—a higher proportion than during the 1961 recession, when about 4 percent of all claimants and 5 percent of the men, were in these occupations.

We believe that the faculty and other personnel of universities should have status and protection under the law as favorable as that given to their counterparts—and sometimes former colleagues—working in private industry.

In addition to its inequitable treatment of individuals in the excluded categories, the exclusion would, to the extent States adopted it, increase the program's administrative burdens and costs. It is not simple to determine whether a particular individual is employed in one of the excluded categories. Moreover, to meet the FUTA requirement for nonprofit coverage, the State law must protect everyone except those excluded by Federal law. Differences between a State and the Federal Government in the interpretation of the exclusions could lead to conflicts over the State law approval needed if employers in the State are to receive tax credit.

The individual inequities, administrative difficulties and Federal-State conflicts could be avoided by deleting the occupational exclusion, without adding substantially to university costs.

Extended benefits

As Congress has recognized in the past, the normal duration provisions of State laws are not adequate to protect the unemployed during recession periods. It takes a worker longer to find a new job when the number of workers looking for jobs increases and the number of jobs declines. Additional unemployment benefits at such times are particularly useful for the economy and necessary for the unemployed worker. To realize the full advantages of extended benefits requires optimum timing which can be achieved only by advance enactment of a program with an automatic triggering device.

H.R. 14705 provides a Federal-State program, which would be triggered into operation in all States by high national unemployment, and in any individual State by high unemployment in that State. Each State would pay half the cost of any extended benefits paid in that State, and the Federal Government would pay the other half.

Extended benefits to an individual would be 50 percent of his total regular compensation, but not more than 13 times his weekly benefit amount.

Nationally, the program would be triggered into operation by an insured unemployment rate of 4.5 percent or more for each of three consecutive calendar months; it would be turned off when the insured unemployment rate is below 4.5 percent for each of 3 consecutive months. In any State, the program would be triggered on by insured unemployment, for any 13 consecutive week period, at a rate 20 percent above the average for the same period in the two prior years provided that rate was at least 4 percent, and would be triggered off whenever either of these conditions was not met.

Under the bill, a State must provide for such a program by January 1, 1972, if employers in the State are to continue to receive tax credit. A State may provide an earlier effective date for a State triggered program, and the Federal Government would contribute to any payments under the earlier effective date.

The program of extended benefits in H.R. 14705 differs from the Administration's proposal, which called for a completely Federally financed program to be triggered into operation by the national rate of insured unemployment. The Federal-State approach adopted by the House is acceptable to the Administration.

H.R. 14705, however, does not assure the existence of an extended benefit program until January 1, 1972, because of the need to give State legislatures time to act. Under the Administration's proposal, which requires no State legislation, extended benefits could have been triggered into operation throughout the country at any time after 60 days following Congresisonal enactment.

This Committee may want to give some attention to providing an interim Federal program to fill the gap in time between enactment of the unemployment insurance amendments and January 1, 1972.

Both H.R. 14705 and the Administration proposal set up an extended unemployment compensation account to finance the Federal costs of extended benefits, and authorize repayable, noninterest-bearing advances to the account whenever necessary.

Financing

The financing area is one of the program areas most in need of improvement. The net Federal revenue is inadequate to cover administrative costs, not to mention extended benefits. Even more serious is the gross inequity of the tax incidence on employers, as a result of the $3,000 limit on taxable wages. Overall, the Federal unemployment tax is paid on about 46 percent of total wages in covered employment. Since some States have already moved to a higher wage base, the State tax is paid on a higher percentage--about 50 percent. Some employers pay the tax on 90 percent or more of their payroll, others on 10 percent or less.

To raise the added revenue and make the tax more equitable at the same time, the Administration recommended increasing only the wage base, first to $4,800 and then to $6,000. Because of the interrelation between the Federal wage base and that in the States, the first increase would be effective 1972. Provision was included for advances if extended benefits were to be triggered in before that time.

H.R. 14705 would increase the tax base only to $4,200, effective in 1972. Combined with this base increase would be a tax rate increase of 0.1 percent, to a net Federal tax of 0.5 percent, effective for calendar years after 1969. For calendar years 1970 and 1971, the entire additional 0.1 percent tax would be credited to the extended unemployment compensation account.

Clearly, the $3,000 wage base is an anachronism which cannot be justified on any basis. The $4,200 base provided by H.R. 14705 is not, however, adequate for more than a very shortrange improvement. It would become effective in 1972, at which time it would result in taxing 53.4 percent of total payrolls. By 1975, the proportion taxable would have decreased to 48 percent.

The limited tax base means that the nominally uniform Federal unemployment tax is actually paid at a higher rate, in terms of total payroll, by low wage employers than by those with higher wages. Collectively, employers in the low wage States—generally those with the least heavy industry—pay a higher effective tax rate than employers in the higher wage industrialized States. These individual and interstate differences would be increased by a tax rate increase, while they would be decreased, but not eliminated, by increasing the taxable wage base.

As a temporary expedient, to provide an immediate buildup of funds for extended benefits, an increase of 0.1 percent in the Federal tax for 1970 and 1971 only would not represent a serious adidtional inequity.

On a permanent basis, however, the needed Federal funds should be obtained by increasing the wage base to $4,800 in 1972 and to $6,000 beginning in 1975. When the first step increase in the wage base becomes effective, the tax rate should revert to its present 3.1 percent level.

The higher base would close a loophole in financing at the State level as well. State taxes to finance benefits are, except in Puerto Rico, levied at varying rates intended to reflect experience with the risk of unemployment. Generally, the employers considered responsible for the most unemployment—those charged with the most benefits—are assigned the highest rates and those charged with the least unemployment, the lowest rates. Differences in percentages of total pay-

roll which are taxable result in employers' tax rates which do not actually reflect experience. For example, when the employer with the best experience and the lowest rate is paying one percent on 91 percent of his payroll, his tax represents about 0.9 percent of his total wages. The employer with the worst experience and the highest rate, paying 4 percent on 15 percent of his payroll, is actually paying only 0.6 percent of his payroll. In one State, 8 percent of the employers whose contributions were less than the benefit charged to them were paying on 20 percent or less of their payroll.

A higher base would make the variable rates under experience rating come closer to reflecting the differences in experience they are intended to represent

To the extent that a State does not now need additional revenue, the tax schedules can be adjusted so that the revenue produced by taxes on the higher base is the same as present revenue. Some employers will pay more and some less than they do now. But because of the broader tax base, the State will be better able to meet higher future cost.

Other improvements

The Administration recommended adding 7 new conditions to the existing Federal Unemployment Tax Act requirements that a State law must meet if the law is to be approved for tax offset purposes. These conditions dealt with some of the criticisms of the conditions under which benefits are paid or denied. H.R. 14705 includes 5 ofthe new requirements, which would: prohibit the so-called "double dip" or payment of benefits in a second benefit year to an individual who had not worked since the beginning of a prior benefit year in which he received benefits; prohibit denial of benefits to a claimant taking training with the approval of the agency; place limits on the cancellation or total redutcion of benefit rights; prohibit benefit denial or deduction because the individual files a claim in or resides in another State or contiguous country with which the United Sttaes has an agreement on unemployment insurance—meaning Canada; and require participation in wage combining arrangements using all wages in a single base period.

With slight modifications, these 5 conditions were in the bill passed by both houses in the 1966 legislation. You will recall, I am sure, that it was this Committee which in 1966 adopted a requirement for wage combining using a single State base period. Although the language has been somewhat revised, the concept has not changed.

H.R. 14705 omits the requirements which would have provided: that compensation may not be paid by reason of the expiration of a specified period of time to an individual who has been disqualified under the State's labor dispute disqualification; and that compensation may be paid only to those who had at least 15 weeks of employment, or the equivalent, in the State base period.

Judicial review

Both H.R. 12625 and H.R. 14705 include judicial review provisions. If a finding of the Secretary under section 303 of the Social Security Act (relating to grants to States for administration) or under sections 3303 or 3304 of the Federal Unemployment Tax Act (relating to additional tax credit and normal tax credit, respectively) is adverse to a State, the State may under such provisions seek judicial review of the finding. This opportunity has long been desired by the State agencies and I commend the provisions in H.R. 14705 to this Committee.

Terminal leave for ex-servicemen

H.R. 14705 improves on our original recommendations by including an amendment to the program of unemployment compensation for ex-servicemen. This amendment would delete an existing provision which requires that almost half the States give less favorable treatment to ex-servicemen who receive payment for accrued leave at the time of separation than they give to unemployed Federal civilian employees or to those covered by their own law. Generally, Congress has provided that the unemployment insurance rights of Federal civilians and of ex-servicemen be determined under the same rules applied to other workers. With respect to ex-servicemen, however, Federal law prohibits payment for a period covered by terminal leave payments. About half the States would regard terminal leave payments from industrial employers as attributable to prior service, and therefore would pay benefits for such periods to their own insured workers, and to Federal civilian employees claiming benefits under their laws. H.R. 14705 would remove the express prohibition applicable to ex-servicemen, so that they would be given equal treatment with other claimants.

Summary

The bill before this Committee, H.R. 14705, is in general, an adequate bill, although not as good as the one recommended last July. Overall, the changes H.R. 14705 would make in the unemployment insurance program are directed at program weaknesses. It does, however, have certain deficiencies.

The major defect of the bill, and I regard it a serious one, is its failure to grasp the opportunity of removing one discrimination against those who work in the big business sector of agriculture. I urge—and I hope—that this Committee will recommend, and the Congress will accept, an amendment to H.R. 14705 extending the Federal Unemployment Tax Act to large agricultural employers. The employers for whom I advocate coverage have more in common with presently covered employers in industry than they do with the small family farm they are moving to replace. Their workers, to a great and continually increasing extent, use complicated machinery. Social Security and minimum wage laws have been successfully made applicable to the workers on large farms. We see no reason why the workers on large business farms should not be brought also within the protection of unemployment insurance.

The bill's exclusion of certain employees of covered employers on the basis of their occupation is unfair, and is an undesirable precedent.

Finally, it would provide the added funds needed by the program through a combination of a tax rate increase and an inadequate increase in the taxable wage base. Since this approach perpetuates the existing inequities in the program's financing, I hope that this Committee will modify the bill's tax provisions. A substantially higher wage base, and only a temporary rate increase, would mean a better bill.

The proposed Federal legislation will extend coverage, provide longer benefit duration in recession, and strengthen financing. The remaining major program area—benefit adequacy—is a responsibility of the individual States. Unfortunately, in 3/5 of the States a worker earning the average wage in his State is prevented by State maximums from receiving a benefit of half his usual weekly wage. Most of those whose weekly benefits are limited by the maximum are men with firm past and present labor force attachment.

The Department is actively engaged in promoting State action. Last summer, I called the attention of all State Governors to the President's message and the need for State as well as Federal legislative action. Since then, we have held two series of meetings with representatives of State employment security agencies to discuss program improvements. Just this week, I again wrote to all Governors, stressing the importance of prompt action to assure adequate benefits as described in the President's message.

In general, the responses from the Governors to my first letter were encouraging in their support for a strong unemployment insurance system. Although the odd-numbered years tend to be the major years for State legislation, several Governors have already called for benefit improvement at this year's legislative sessions.

I am confident that as a result of Congressional action on H.R. 14705, and State action in the benefit area, the unemployment insurance system will soon be improved and amended to fulfill its proper role in the Nation's economy.

I have available drafts of amendments to carry out my recommended changes in H.R. 14705.

The CHAIRMAN. There are a number of things that concern me. Now, in the first instance all of this will require tax increases and that is going to raise the cost of doing business. I would assume that that will be passed on to the public. Is that correct? So that this higher tax will reflect itself as it is passed along to the public in terms of higher prices.

Secretary SHULTZ. Many of the provisions in here would not particularly raise costs. The ones that would have some impact, of course, are the extended benefit provisions which would result in the payment of more money through the unemployment insurance system, should there be a period of unemployment that would trigger in those benefits.

The other type of provision which would have some impact on costs, of course, would be the extension of benefits to noncovered industries.

The extent of impact on costs would be a reflection of the unemployment experience of those firms. But this seems to us a matter of equity principally.

The CHAIRMAN. Well, now, I am not quarreling with the judgment, but I think we ought to recognize that to be the case.

In other words, if something should be done, and if it is meritorious and deserving, I think we ought to go ahead and do it even though we do have to raise taxes for it. We voted just yesterday to raise taxes to pay for the airway system.

Now, an increase, I am told, from a $3,000- to a $6,000-base means that we would be almost doubling the amount of Federal tax. Is that correct?

Secretary SHULTZ. No, sir. That is not correct. The problem with the tax base is not particularly a problem of how much money you raise. It is a problem of the manner in which the money is raised, whether you raise the money by applying a relatively high rate to a low tax base, or by having a higher base which you tax at a lower rate.

Now, you can raise the same amount of money either way. The issue, therefore, is not the question of how much money is raised but rather the manner of raising it.

Our argument is advanced on the grounds of equity as among employers so that we are taxing in effect the same proportion or a more equivalent proportion of the payroll of all employers. It is not primarily a matter of raising the amount of money collected.

The CHAIRMAN. Well, the thought that of course occurs to me is that if I am paying the insurance or if I have employees making $500 a month, that is $6,000 a year, and if I am paying the insurance on $3,000 now and you raise the base up to $6,000, but do not change the rate, you are taxing twice as much money, so that would be twice as much tax.

Secretary SHULTZ. Unless, of course, you lowered the rate.

The CHAIRMAN. Well, I am told the Federal tax would be twice as much, although the State tax might be less because the experience rating might be reduced.

Secretary SHULTZ. The bulk of the tax collected is collected for the purpose of paying benefits and you have experience rating in the States. They change their rates up and down and have differential rates as among employers, depending upon experience there. And, as I tried to explain, If you have a low tax base, you have very little margin for the operation of experience rating, with the result that relatively stable low wage employers are in effect paying for the unemployment of relatively unstable high wage employers. And we think that is not equitable among employers.

The CHAIRMAN. Well, that seems fair to me. I think we ought to raise the base.

The question is how much should we raise it.

Secretary SHULTZ. Right.

The CHAIRMAN. But insofar as we are making employers pay more taxes, that is increasing their costs and I would anticipate that that will be passed along in higher prices. Now, wouldn't that be correct, that generally speaking most of it will be passed along in higher prices?

Secretary SHULTZ. As a general matter if you study the incidence of any given tax, who it falls on, of course, it could fall on the consumer in the form of higher prices, it could fall on the wage earner or it could fall on the person providing the capital. Just where it falls as among those possibilities is something that one would have to work out as a matter of theory of tax incidence, but I thing it is fair to say that if you have a payroll tax that goes across all industry in the same way, it would tend to be reflected in higher costs generally and higher prices generally.

The CHAIRMAN. Yes.

Now, you may not be thoroughly familiar with this matter I want to ask about, but there is undoubtedly someone in your Department that knows about it. Are you familiar with the cost questions that I directed to you about the work incentive program in my letter of June 5?

Secretary SHULTZ. Well, I believe Assistant Secretary Weber here is more familiar with that than I am. If you have questions on that, he would——

The CHAIRMAN. Perhaps he could help you with it.

We undertook to put into effect a work incentive program and it was suggested that the Department of Labor would be the best agency to administer it. It was argued that the Department of Labor should administer it rather than the Department of Health, Education, and Welfare. Now, our decision to have this program administered by the Department of Labor was based on the theory that the Department of Labor might be in position to do the best job with regard to this matter.

Now, at that particular time we had a group come before us headed by a Dr. George A. Wiley. His organization is established for the purpose of demanding ever and ever greater welfare payments and preventing anybody from ever going to work for any of that money. They pulled a sit-in strike on this committee and raised all the confusion that they could here in Washington, but we finally acted on our bill and we voted a provision where those who are able to do something would be expected to do some work and we would pay about 80 percent of the cost of it with Federal money to help put some of those people to work.

They complained about the ghettos. I have seen those ghettos and most of those people living there are living on Federal welfare payments and State welfare payments. You look out there and the place is filthy.

They complain about the rats. One reason they have rats and vermin is because they throw all their trash out in the streets. We could take those people in their own neighborhood, get them out to sweep the sidewalks and clean the place up and pay them to do it. That is the kind of thing we envision. With them just living off the Government, you would think they could have the cleanest streets and houses anywhere in America. They have nothing else to do, except perhaps have more children they won't support. Someone should put those people to work and get some benefit from them and they could help themselves and everybody else at the same time.

Now, I was just amazed to see that this Department, the Department of Labor, made a grant of $435,000 to George Wiley and his group, and

they proceeded to take this money and show all these people how to avoid working. For example, here is a quotation, National Welfare Rights Organization, one of their meetings held April 25 and 26 at Hawthorne School in Washington. The Washington Post, April 27, reported, "At one conference session yesterday, for example, participants got a 2-hour course on how they could avoid job training or work under the city's new work incentive program if they wished to stay home with their children."

Stephen Wexler, a lawyer on the National Welfare Rights Organization staff, told them how they could exhaust appeal after appeal to stay out of the work programs designed to train and place welfare claimants in jobs. "You can stay out of the program until hell freezes over if you know how to do it," he said.

Now, I would like to know why the Department of Labor gave these people $435,000 to go out and destroy the very program that was supposed to put those very people to work.

Secretary SHULTZ. Let me make a number of comments on that, if I may, Mr. Chairman.

In direct response to your last question, why did the Department of Labor let that contract, that is a question you will have to put to our predecessors. It was let in the later days of the Johnson administration. It was not let under the Nixon administration.

The CHAIRMAN. Well, it is not right. I don't care who did it.

Secretary SHULTZ. Now, the purpose of the contract.

The CHAIRMAN. The reason I wrote you about it was that we think that type thing should be terminated and that this work incentive program should be made to work if it can be made to work.

Secretary SHULTZ. We are endeavoring to make the whole WIN program work and to make the contract that you refer to operate for its stated purposes which are to acquaint people with the welfare program and the WIN aspects of it. I should note that Mr. Wiley, to whom you refer, is involved in a number of organizations and most of the quotations that are attributed to him come under one of his other hats.

The CHAIRMAN. Well, now, you said——

Secretary SHULTZ. We are, however, trying very hard to make the WIN program operate successfully; we have taken quite a number of steps over the past 6 to 8 months and the enrollments have been rising, and rising fairly rapidly, in the WIN program. But beyond that we have been trying to learn from it. As you know, the President has sent to the Congress a very important and revolutionary approach to this whole problem of welfare and work, and in this new approach is, I think, a much improved way of determining who is required to register for work, and to make it so that a person is always better off by working than not working, and, beyond that, to provide an explicit, definite work requirement for those who must register.

So I am agreeing with you about the importance of work in this program and just saying that the Nixon administration has been working very hard itself to make that aspect of the whole problem a very meaningful reality, both in terms of our administrative efforts with the WIN program and in terms of the proposals—and I think they are very important proposals—now before the Congress.

The CHAIRMAN. Yes. But now please keep in mind, Mr. Secretary, that was my objective and that was this committee's objective when we put this work incentive program in the law.

We wanted to fix it up so that everybody would be better off by working to try to improve himself than he would by not working.

Secretary SHULTZ. We agree with that objective and we think the committee's earlier work is very constructive. We are trying to build further on it.

The CHAIRMAN. You said—and that is correct—that this contract was not signed by you, that this thing was signed by your predecessor.

Now, I do not deny that. That is correct. Do you have the power to cancel this contract?

Secretary SHULTZ. We feel that we are an administration that believes in law and order, as a law-abiding administration. The Federal Government has a contract in this case. We should be a law-abiding Government and we should carry out that contract from our standpoint. We are trying to administer the contract in a fair way and so long as the conditions of the contract are fulfilled by the contracting organization, then we feel it is up to us to carry that forward.

The CHAIRMAN. Well, here is what I said in my letter to you. I said:

> The grants I have referred to in my judgement reflects a failure of your Department to comprehend the forces to discredit—

And that is what George Wiley was down here for from the day we held our hearings and looking toward putting some of these people to work—

> to discredit the efforts of the Congress to help welfare recipients help themselves out of a quagmire of dependency in which they are caught. It is an unconscionable and passive act of maladministration.

In other words, there is an expenditure of $435,000 for the purpose of wasting money, of seeing that the other money we are spending does not achieve its objective. So if you are going to get to spend that money, you might as well just throw it all away. That money is actually being spent to subvert a program and prevent it from working.

Now, I went on to say:

> If your Department continues to make unauthorized payments to an organization whose stated purpose is to subvert the very program for which the payments are made, then I believe we should seriously reconsider whether your Department is qualified and motivated to administer the work incentive program in accordance with the law.

Now, on other occasions where you thought that the previous administration had done something wrong, you were not hesitant to stop it or criticize it and it would seem to me that in this case what is being done here is clearly never intended by the law and the whole purpose of it is to subvert what we are trying to do in putting people to work. You ought to terminate that contract.

Secretary SHULTZ. Mr. Chairman, I wonder if I could ask——

The CHAIRMAN. George Wiley showed you his appreciation, I might say, for your continuing that contract and the President calling that meeting talking about what can be done for the poor and the President went in there and made a nice speech. I was not there, but I saw it on the TV, the next thing I knew Wiley had his mob shouting and the whole thing was an outrage. The President was trying to get people together talking about what can be done to help the poor.

Secretary SHULTZ. I have no brief to hold for that behavior, Mr. Chairman.

The CHAIRMAN. Are you familiar with how George Wiley and his crowd conducted themselves at the President's conference down there? About the same way they conducted themselves in this very hearing room when we were writing the WIN program.

Secretary SHULTZ. I have encountered the confrontation efforts on the university campus and elsewhere and I am not a believer in that. I think it would be helpful if Assistant Secretary Weber detailed for the committee the steps that we took to see that we had proper administration of this contract that we inherited and our efforts in that regard. It has not been left alone.

Mr. WEBER. First of all, thank you, Mr. Chairman. I think it should be made clear that there is a corporate distinction between the National Welfare Rights Organization and the contracting agency in this case which is something called the National Self-Help Corporation. It is true that Wiley is involved in both, but the Self-Help Corporation is a different corporate entity and it does have specifically differentiated objectives as defined in the contract and we have tried to hold them to it.

First, I have met with Wiley myself on two occasions and indicated to him that the contract specified that he was not to use this as a vehicle for the opposition to or subversion of the WIN program, but rather to explain its benefits and the procedures to welfare recipients and to provide a grievance procedure for those welfare recipients who had certain questions concerning the administration of the program in specfic instances.

Second, we have assigned a project officer virtually full time to monitor that project. He reviews all publications before they come out and at his request statements which we think are counter to the purposes of the contract and the general objectives of the WIN program are removed.

Third, we have held them on a very close leash with respect to the expansion of the program. The original contract provided for the immediate expansion to eight regional offices. We said no, one. And that office was Kansas City. And we are going to look very carefully at how this program operates.

Subsequent to that, based on the monitoring reports from our regional manpower administraor, we permitted them to go ahead in Los Angeles, New York, and Boston. Complaints have arisen concerning the conduct of some of the national officials. We have immediately brought it to the attention of the national officials and indicated that we would not tolerate a continuation. Further, we insisted that the national officials notify their field representatives in writing that the duties and activities performed under this contract should be separate and distinct from the activities of the National Welfare Rights Organization.

Now, in fact that contract was negotiated or signed on December 24, 1968, Christmas Eve, I guess you could say. It provided for $434,000. Because of our close control, because of our insistence of economy in administration, the expenditures the last time I noted over the year were something like $134,000. Expenditures through October were $135,494; by December 31, they had reached $198,491. So there is a considerable fall short.

As the Secretary indicated, this contract was there. I cannot say in good faith whether we would have negotiated it or not. As you know, there was a considerable amount of hostility associated with the program, on the part of some groups within the organized welfare community, and apparently they thought it was a good idea to negotiate this.

What I can say is that we are trying to monitor it very effectively. We probably could cancel at the convenience of the Government but the more appropriate thing is to cancel for default. At this point we perceive no substantial evidence that the objectives of the contract have been subverted.

Now, there is this problem, to be sure, with respect to Wiley in conjunction with his activities under NWRO in Nashville. I merely reaffirm that we indicated to him that the contract says you support through this vehicle the WIN program and explain to people the rights and benefits and that is what we expect and insofar as our monitoring of the evidence indicates, they generally adhere to that objective.

The CHAIRMAN. The best I can understand this thing, up there in New York where Mr. Wiley is operating, we had a program that said in appropriate cases these welfare clients would be referred to the work program.

Mr. WEBER. Yes, sir.

The CHAIRMAN. And so if they wanted to get the welfare money, they had to do some work that was available. And what Mr. Wiley and his group have succeeded in doing is arriving at the conclusion that there is no such thing as an appropriate case. That is about the size of it, is it not? So we had hoped that—we had some estimates of how many people we would hope to have in the program by now and the result has been exteremly disappointing and it would seem to us that—for example, Congress provided the necessary appropriation for this work incentive program. Now, how many people have received on-the-job training under that appropriation? $13 million was appropriated and only $800,000 was used.

Secretary SHULTZ. Mr. Chairman, we have taken many steps to energize the WIN program in the 1 year we have been in office and those steps are beginning to pay off now, including the payoff in New York. The State-by-State experience is very uneven. New York's was quite unsatisfactory. We worked explicitly on that and again I think it would be helpful if Mr. Weber could describe to you the steps that we have taken and the indication of the results as we now have them.

Mr. WEBER. First, Mr. Chairman, let me refer to that OJT-expenditure notion. The on-the-job training expenditure, of course, is only one of a general sequence of services involving 10 different components. Of course, what the WIN system contemplates is a sequence of services and OJT comes at the end of the line in most instances. So people will go in and they will get orientation and they will get counseling, training, and other needed services, or immediate job placement, and many of them have been placed immediately. They will get institutional training. So, although we certainly hope to build up the OJT component, you have to keep in mind, it seems to me, the fact that most of the people who have been brought on board have been

brought on board in the last 10 or 11 minutes and that they are still in preliminary service areas.

Now, with respect to New York, I personally made a visit to New York City 2 weeks ago and discussed the whole WIN problem with Mitchell Ginsburg, Director of the Human Resources Administration. There were several problems in New York. I think it is fair to say that one of the major problems associated with the lagging enrollments in WIN in New York City was associated with the process of assessment and referral by the welfare people to the employment service. In fact, many of the welfare workers who work for the Department of Social Services in New York felt that the program was punitive. We do not feel it is punitive. We feel it is remedial and has a great potential. They were originally given a quota of something like 8,400 slots over a year which they did not fill. We told them we were unhappy with this. We said you have to work more closely with the employment service, and we told our employment service people they had to do a better job of delivering the manpower services. I am pleased to report that over the last 2 months the rate of accessions, which was virtually negative, has now reached 1,500 a month and we are telling them they have got to get on the stick.

Now, consistent with that, as the Secretary indicated, we have looked at the progress with respect to the WIN program in major parts of the country and we have identified 30 problem areas. It is not just New York City. In some instances it is Columbus, Ohio; in some instances, Chicago. What we have here is a very complex and often tedious and frustrating problem of developing training capacity and developing bureaucratic relationships between welfare workers and the employment service which historically has not been good. Well, under the leadership of Secretary Shultz and Secretary Finch we convened joint HEW–DOL teams and we visited these 30 cities and indicated to them what we thought the problems were and what we hope they will do, not a year from now but 30 or 60 days from now. We told them that if they are not performing, we are going to take away their allocation and give it to other areas that are performing, such as Utah, California, and Kansas City. I am very pleased to report that since we initiated this process, approximately 2 months ago, ongoing employment in the WIN program rose from something like 66,000 to over 80,000. So to be sure, there are problems. This is a new program. In fact, it did not get started until a year ago, but we are sensitive to its importance. We have put some of our best resources in the Department on it and the evidence of progress at this point is visible and we hope to sustain it.

Senator RIBICOFF. Will the Senator yield?

I think the Chairman has raised a very important point. The administration will be coming here about the change in the welfare program involving what the Chairman is talking about at the present time.

Will you please tell the committee the difference between a successful program in any city you want as against the difficulties you are having in New York City. I would like to see how they balance out and what the relative problems and approaches are.

Mr. WEBER. Well, you have to look at the specific problems. A major problem, for example, has been the availability of child care facilities.

Many of these welfare recipients, of course, are women. I think the appropriate figure is that 90 percent of the provision for child care has been in private homes rather than child care institutions. This reflects the fact that Federal funds cannot be used to build child care facilities. In many cities such as Chicago the safety requirements and code requirements with respect to child care facilities, following on tragic circumstances associated with school fires, are so stringent that many people will not come into that industry and provide the facilities for reasons of cost. So child care is a real problem.

The second problems are the welfare people bringing in the welfare recipients——

Senator RIBICOFF. I want you to take any city where it is working and tell us why it is working.

Mr. WEBER. Well, it is working because, one——

Senator RIBICOFF. Give us the name of the city and why it is working in that city.

Mr. WEBER. Well, Utah is working well and I assume it is Salt Lake City, although I would not want to specify that particularly. They have met virtually 100 percent of their enrollments.

Senator RIBICOFF. Now, what are they doing with these welfare recipients from the work programs. What type of work are those welfare recipients performing in Salt Lake City?

Mr. WEBER. I cannot tell you specifically in Salt Lake City. I can tell you generally.

Senator RIBICOFF. In any city. In other words, if we are trying to work this out, the generalities do not mean very much. I think it becomes a question of giving us a specific example.

Mr. WEBER. Well, the average wage that women who have finished the WIN program receive in employment is $2.02 an hour at the last report. Males receive approximately $2.50 an hour. The distribution of persons who have gone through the WIN program, as to occupations and industries, pretty well follows the distribution that you find for the female component of the labor force and the male component of the labor force.

Senator RIBICOFF. I am sorry. You still have not answered. If you do not have it, will you please supply to the committee any successful program that you have got anywhere in the United States, I do not care where.

Mr. WEBER. I will be glad to.

Senator RIBICOFF. We need the specifics, why it is working, the type of training, the type of work being performed, the wages. Now, take a similar program that you have tried in another city that is not working and why. Now, New York is really one of the filthiest cities in America. It is a great tragedy when you go to New York to see how dirty it is and as the Chairman indicates, it does not take much training to use a broom and a pail to clean it up. Now, is it because the sanitation union will not let you or what is the problem? I think if the committee is going to go into this, Mr. Chairman, we ought to have some specifics to know what the problem really is instead of generalities.

The CHAIRMAN. We are willing to pay, as I recall it, we are willing to pay 80 percent of the cost for putting these people to work and if it takes it to make it work I think we should be willing to pay 100 percent. I know I would.

Secretary SHULTZ. We would like to supply in addition, Senator, the specific material you have asked for points of critique about the WIN program which are changed in the family assistance program which we think will make the work aspects of it operate better. We have tried to learn from that, to see what it takes to make the administrative interface more workable, to make the flow of incentives have a greater pull, and to make the work requirements more effective. I would be glad to expand on those matters here, although we are not as well armed with explicit detailed examples as we could have been, because we did not come here expecting to testify on this subject. You are sort of catching us off hand.

The CHAIRMAN. Right. Well, Mr. Secretary, we will be discussing this matter with you when we have the social security and welfare bill here. That is still over in the House but they are going to send it over to us.

Secretary SHULTZ. Yes, sir.

The CHAIRMAN. And I think the chairman of that committee, and the majority of that Ways and Means Committee over there, feel about the same way we do. I mean in some cases the objective is the same, put these people to work, and so far as I am concerned, I would be glad to vote to dispense with any Civil Service requirements so that if you have somebody in charge of the program and it does not work, he can be fired. If a man is in business and the business loses money he has to go out of business. But whoever can make the program work should be promoted and pushed on ahead. If need be I would be willing to vote for an appropriation to build a monument to him if he finds some way to put people to work to their own advantage and the advantage of society in return for some of these billions of dollars that we are spending on this welfare program.

Secretary SHULTZ. You are very tempting, Mr. Chairman, but I will refrain from expressing an administration view on that.

The CHAIRMAN. Thanks very much.

Senator Anderson?

Senator ANDERSON. No.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. Mr. Secretary, you mentioned that this $435,000 contract that was negotiated and signed, I think you said December 24, 1968, what was the name of the organization with which that was signed?

Secretary SHULTZ. That was ——

Mr. WEBER. National Self-Help Corporation.

Senator WILLIAMS. And you indicated that you felt that you were obligated to carry out this contract even though you may or may not have agreed with it. Now, would you have negotiated it in the beginning knowing what you know?

Secretary SHULTZ. I think it is very hard to go back and second guess on these things. I think our feeling was, we have that contract and let use see if we can make it work and learn about this whole problem of exposing people to this program and getting them interested and aware of it.

Senator WILLIAMS. In view of Mr. Wiley's rather rash statements, are you satisfied with the manner in which it is functioning?

Secretary SHULTZ. We are not satisfied with Mr. Wiley's rash statements and their reflection on the WIN program but we do try to look explicitly at this particular corporation and what it does.

Senator WILLIAMS. Well, I can see where if you inherited it you perhaps felt you had no other choice, but what disturbs me is perhaps whether you could cancel it or not—there has been some suggestion that you negotiated another contract with him since you have been in office.

Secretary SHULTZ. I do not believe so.

Mr. WEBER. No.

Secretary SHULTZ. I think we do have to ——

Senator WILLIAMS. Does HEW cooperate with you on these same programs?

Secretary SHULTZ. On the contract with Mr. Wiley?

Senator WILLIAMS. Yes.

Secretary SHULTZ. I do not believe ——

Mr. WEBER. This apparently, Senator, was a contract negotiated by the Department with that National Self-Help Corporation to provide technical assistance in the conduct of the WIN program.

Senator WILLIAMS. The reason I mention that, on April 24, 1969, HEW negotiated a contract with the same organization, the National Self-Help Corp. I am wondering what kind of a liaison we have between the departments if you are carrying out one that you think is an ill-advised contract with a group that is not functioning properly, and another agency is letting another contract with the same people. Do we have an overlapping here or should we consolidate this, take it out of Labor and put it in HEW or take it out of HEW and put it in Labor? If one is going to give grants and the other is going to make contracts with the same organization, I do not see how we can pass the blame back to the other administration because this contract was negotiated April 24, 1969, to operate 15 months, and it was negotiated with the same organization, the National Self-Help Corp., which as the chairman has pointed out, is trying to educate their membership how to avoid complying with the law.

Mr. WEBER. I knew that HEW was negotiating with the National Welfare Rights Organization. I am not aware that they entered into a contract, Senator. I am aware that we have very close liaison with HEW and I would presume that they were fully informed concerning the nature of the Nashville contract and what we were doing to impose, what we thought were effective controls.

Senator WILLIAMS. Well, the reason I mention that, I heard very early last year that there were negotiations going on and discussed it with the departments, had correspondence with both your department and HEW, expressing concern and later I was advised that, notwithstanding that, they had negotiated the contract and I ask, Mr. Chairman, that we put the letter in the record confirming that they did negotiate a contract with HEW on April 24, 1969.

The CHAIRMAN. No objection. As a matter of fact I think the record should also show the exchange I had with the Secretary and a copy of the contract they signed. I do not believe there is any doubt the contract could be terminated if they were inclined to do it.

(The contract and correspondence related thereto, follows. Testimony continues on page 131.)

U.S. DEPARTMENT OF LABOR

CONTRACT NO. G9-0006-00—NEGOTIATED PURSUANT TO: 41 USC 252(c)(10)

Contract type.—Cost no fee.

Issuing agency.—Manpower Administration, BWTP, U.S. Department of Labor, Washington, D.C. 20210.

Contractor.—National Self-Help Corporation, 1762 Corcoran Street, N.W., Washington, D.C. 20009.

Contract for.—W.I.N. Staff Assistance—Citizen Participation Project.

Amount.—$434,930.

Mail Invoices to: Mr. James Bailey, Project Officer, Div., of WIN Programs, BWTP, 1726 M St., N.W., Washington, D.C.

Type of business.—Corporation, incorporated in the District of Columbia.

The United States of America (hereinafter called the Government), represented by the Contracting Officer executing this contract, and the individual, agency, partnership, joint venture, or corporation named above (hereinafter called the Contractor), may agree to perform this contract in strict accordance with the Special and the Contract Provisions identified below. The Contractor shall accomplish the effort required under this contract, entered into pursuant to Title IV, Part C of the Social Security Act, as amended, within the period Date of execution through the Completion Date of Twelve (12) months thereafter.

Name of contractor.—National Self-Help Corporation by George A. Wiley, vice President, December 24, 1968.

United States of America.—Manpower Administration, U.S. Department of Labor, By Mark Battle, BWTP Administrator, Contracting Officer, December 24, 1968.

This contract consists of a Cover-Signature Sheet, this page, and the Special and General Provisions which are attached hereto and or referred to herein. Should there be any inconsistency between the Special and General Provisions and any other provisions which are made a part of this contract by reference or otherwise, the Special and General Provisions shall control. Should there be any inconsistency between the Special Provisions and the General Provisions, the Special Provisions shall govern.

Contractor represents: (a) That it ☐ has, ☒has not, employed or retained any company or person (other than a full-time bona fide employee working solely for the Contractor) to solicit or secure this contract, and (b) that it ☐ has, ☒ has not, paid or agreed to pay any company or person (other than a full-time bona fide employee working solely for the Contractor) any fee, commission, percentage or brokerage fee, contingent upon or resulting from the award of this contract; and agrees to furnish information relating to (a) and (b), above, as requested by the Contracting Officer. (For interpretation, including the term "bona fide employee," see Code of Federal Regulations Title 41, Chapter 1, Subpart 1-1.5).

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SPECIAL PROVISION NO. 1—STATEMENT OF WORK AND ESTIMATED COSTS

(1) The Contractor's proposal, entitled "Citizen Participation Project," and the estimated costs and budget attached thereto, is hereby incorporated in and made a part of this contract.

(2) The Contractor shall furnish the necessary qualified personnel, services and materials to accomplish the work set forth in the attached proposal, and the Contractor agrees to use its best efforts to perform all obligations specified thereunder within and below the maximum estimated costs stated, and further agrees that all expenditures under this contract shall be subject to audit pursuant to Clause No. 11 of the General Provisions.

SPECIAL PROVISION NO. 2—PAYMENT

The Contractor shall submit to the Contracting Officer, or the designated Project Officer, a Manpower Administration Form 3100–1 entitled "Cost Contractor's Invoice," in triplicate not less frequently than once a month for payment of costs incurred during the reporting period. Accompanying the MA–3100–1 shall be a Form MA–3100–2, Cost Contractor's Detailed Statement of Costs, with all columns filled in where applicable. If this contract is a Cost-Plus-Fixed-Fee contract, a Standard Form 1034 entitled "Public Voucher for Purchases or Services Other than Personal" shall be used for the fixed fee amount requested only. All forms are to be submitted in triplicate and signed by an authorized individual of the corporation.

As promptly as practicable after receipt of each of the Contractor's invoices named above, the Government shall, subject to the Project Officer's certification of satisfactory performance for payment purposes, make payment thereon.

SPECIAL PROVISION NO. 3—ADVANCE PAYMENTS

If funds for the operation of this project are advanced by the Government to the Contractor, the following provisions shall be applicable to this Contract:

(*a*) The Contractor may request an advance payment equal to the estimated cost to the Government of this project for the first 2 months of its operation, but in no event may such an advance exceed ⅓ of the total estimated Government cost for the project. This request shall be accompanied by a showing of the necessity for an advance and a detailed statement of estimated costs for the period to be covered by the advance and an invoice. Thereafter, the Contractor shall submit to the Contracting Officer in accordance with the latter's invoice instructions for each month during the performance of the Contract (1) a cumulative statement of all costs of the project for the period from the commencement of the project through the end of the report period for which the statement is being submitted, (2) a statement of all costs for the current report period, (3) a statement of estimated costs to be incurred during the ensuing 2 months, and (4) an invoice. As promptly as practicable after receipt of each invoice and monthly statement, the Government shall, subject to the provisions hereof, make payment thereon. The amount which may be payable to the Contractor is the Government's portion of the actual and the estimated costs, referred to above, less the amount of all sums previously paid under this agreement by way of reimbursement and less the amount of any advances previously paid prior to the end of the reporting period.

(*b*) Before an advance is made hereunder, the Contractor shall transmit to the Contracting Officer in the form prescribed by the Government, an Agreement in triplicate with a bank establishing a Special Bank Account. This agreement shall clearly set forth the special character of the account and the responsibilities of the bank thereunder. Wherever possible, such bank shall be a member bank of the Federal Reserve System, or an "insured" bank within the meaning of the Act creating the Federal Deposit Insurance Corporation (Act of August 23, 1935, 49 Stat. 684, 12 USC 264).

(*c*) All funds under this Contract, including all advance and supplemental payments, shall be made by check payable to the Contractor and be marked for deposit only in said Special Bank Account. No part of the funds in the Special Bank Account shall be mingled with other funds of the Contractor prior to withdrawal thereof from the Special Bank Account as hereinafter provided. Unless

otherwise determined by the Contracting Officer, a counter-signature on behalf of the Government will not be required on such checks.

(*d*) The funds in the Special Bank Account may be withdrawn by the Contractor solely for the purpose of this Contract.

(*e*) The Government shall have a lien upon any balance in the Special Bank Account paramount to all other liens, which lien shall secure the repayment of any advance payments made hereunder.

(*f*) Whenever requested in writing by the Contracting Officer, the Contractor shall repay to the Government any part or all of the unliquidated balance of advance payments. In the event the Contractor fails to repay such part of the unliquidated balance of advance payments when so requested by the Contracting Officer, all or any part thereof may be withdrawn from the Special Bank Account by checks payable to the Treasurer of the United States, signed solely by the Secretary and applied in reduction of advance payments then outstanding hereunder.

(*g*) Before any advance payments will be made by the Government to the Contractor under this contract, the Contractor will:

(i) assure that each person who handles contract funds is covered by the terms of a fidelity bond providing for indemnification of losses occasioned by reason of fraud or dishonesty on the part of each such person, acting either alone or in collusion with others, in such amount of $25,000 or as may be determined by the Contracting Officer. In the event the Contractor and the Contracting Officer cannot agree on the persons to be bonded, the decision of the Contracting Officer will govern.

(ii) Obtain a corporate surety for each bond referred to above, which surety appears on the list contained in Treasury Department Circular 570.

The Treasury Department Circular 570 may be obtained from the U.S. Treasury Department, Bureau of Accounts, Division of Deposits and Investments, Surety Bonds Branch, Washington, D.C. 20226.

(iii) Furnish to the Contracting Officer a copy of each bond provided in accordance with (i) above, together with any riders which may have been obtained in order to meet the requirement of this clause.

(*h*) Subadvances. Subject to the prior written approval of the Contracting Officer, funds from the Special Bank Account may be used by the Contractor to make advance payments or down payments to subcontractors or suppliers in advance of performance by the subcontractor or supplier. Such advances shall not exceed the subcontractor's estimated requirement for a period of thirty (30) days or exceed 25% of the supplier's total estimated cost. The subcontractors or suppliers to whom such advances are made shall furnish adequate security therefor in the form of a fidelity bond in the amount of $25,000.00, and they will establish a special bank account for the advance with a Government lien, paramount to all other liens, on all property under such subcontract, and imposing upon the subcontractor and the depository bank substantially the same duties and giving the Government substantially the same rights as are provided herein (and in the agreement for special bank account supplementary hereto) between the Government, the Contractor and the bank.

SPECIAL PROVISION NO. 4—FISCAL RESPONSIBILITY AND ACCOUNTING

The Contractor shall have submitted either of the following prior to execution of this Contract:

(*a*) A statement from the appropriate public financial officer of the community or of the public agency which will maintain the accounts of the Contractor, stating that such officer accepts the responsibility for providing financial services adequate to insure the establishment and maintenance of the accounting system of the Contractor and Subcontractor, with internal controls adequate to insure the establishment and maintenance of the accounting system of the Contractor and Subcontractor, with internal controls adequate to safeguard the assets of the Contractor, check the accuracy and reliability of accounting data, promote operational efficiency and encourage adherence to prescribed management policies, or

(*b*) An opinion from a Certified Public Accountant; or a duly licensed public accountant stating that the contractor has established the accounting system described in (*a*) above.

SPECIAL PROVISION NO. 5—DISCIPLINARY AND GRIEVANCE PROCEDURES

(1) The Contractor shall furnish to the Contracting Officer for approval, not later than 30 days from the date of execution of this contract, written procedures to govern the handling of disciplinary problems and the processing of employee grievances.

(2) The Contractor's procedures shall include therein the right of the employee to appeal to the Manpower Administrator, U.S. Department of Labor whenever a disputed issue involving an employee cannot be satisfactorily resolved by the parties concerned, or whenever after a full and fair hearing before a review panel established by the Contractor, the conduct of or performance of an employee is ruled as not being in the best interest of the program and dismissal is recommended. The decision of the Manpower Administrator, U.S. Department of Labor, upon review of the allegations and evidence submitted to him, shall be final.

SPECIAL PROVISION NO. 6—POLITICAL ACTIVITY

No funds hereunder shall be used for any partisan political activity or to further election or defeat of any candidate for public office; nor shall they be used to provides services, or for the employment or assignment of personnel in a manner supporting or resulting in the identification of such purposes with (1) any partisan or non-partisan political activity or any other political activity associated with a candidate, or contending faction or group, in an election for public or party office, (2) any activity to provide voters or prospective voters with transportation to the polls or similar assistance in connection with any such election, or (3) any voter registration activity. In addition, it should be noted that employees of public bodies and community action agencies may be subject to limitations on their political activities under the Hatch Act (5 U.S.C. 1502(a), 18 U.S.C. 595).

SPECIAL PROVISION NO. 7—LEASE PURCHASE AGREEMENT

The Contractor shall not, while using Federal funds in the performance of this contract, lease either real or personal property under terms providing, among other things, for the option to apply rent in whole or in part toward the purchase of the property being leased without prior written consent of the Manpower Administration Property Officer. Moreover, the Contractor agrees to have the substance of this clause inserted in any subcontract or equivalent instrument entered into in performance of the contract.

SPECIAL PROVISION NO. 8—UTILIZATION OF CONCERNS IN LABOR SURPLUS AREAS

It is the policy of the Government to place contracts with concerns which will perform such contracts substantially in or near concentrated unemployment or underemployment sections of states or areas of persistent or substantial labor surplus, (as defined in Subpart 1-1.8 of the Federal Procurement Regulations/ 41 CFR 1-1.8/), where this can be done consistent with the efficient performance of the contract and at prices no higher than are obtainable elsewhere. The Contractor agrees to use his best efforts to place his subcontracts in accordance with this policy. In complying with the foregoing and with Paragraph b of the Clause of this contract entitled "Utilization of Small Business Concerns", the Contractor in placing his subcontracts shall observe the following order of preference: (a) certified-eligible concerns which are also small business concerns; (b) other certified-eligible concerns; (c) persistent labor surplus area concerns which are also small business concerns; (d) other persistent labor surplus area concerns; (e) substantial labor surplus area concerns which are also small business concerns; (f) other substantial labor surplus area concerns; and (g) small business concerns which are not labor surplus area concerns.

SPECIAL PROVISION NO. 9—UTILIZATION OF SMALL BUSINESS CONCERNS

(*a*) It is the policy of the Government as declared by the Congress that a fair proportion of the purchases and contracts for supplies and services for the Government be placed with small business concerns.

(*b*) The Contractor agrees to accomplish the maximum amount of subcontracting to small business concerns that the Contractor finds to be consistent with the efficient performance of this Contract.

SPECIAL PROVISION NO. 1C—SUSPENSION AND TERMINATION

(*a*) Financial assistance under this Contract shall not be suspended for failure to comply with the applicable terms and conditions of this contract, except in emergency situations, unless the Contractor has been given reasonable notice and an opportunity to show cause why such action should not be taken.

(*b*) This Contract shall not be terminated for failure to comply with applicable terms and conditions of this contract unless the Contractor has been afforded reasonable notice and opportunity for a full and fair hearing.

(*c*) The performance of work under this Contract may be terminated, in whole or in part, by the Government (subject to paragraph (b) of this clause where applicable) whenever for any reason the Contracting Officer shall determine that such termination is in the best interest of the Government. Termination of work hereunder shall be effected by delivery to the Contractor of a Notice of Termination specifying the extent to which performance of work under the Contract is terminated and the date upon which such termination becomes effective: Provided, however, that if the termination is for failure to comply with applicable terms and conditions of this Contract, the Contractor shall be afforded reasonable notice and an opportunity for a full and fair hearing before such termination becomes effective.

(*d*) If termination is for reasons other than failure to comply with the applicable terms and conditions of this Contract, the Contractor shall promptly after receipt of the Notice of Termination, cancel his outstanding commitments hereunder covering the procurement of materials, supplies, equipment, and miscellaneous items. In addition, the Contractor shall exercise all reasonable diligence to accomplish the cancellation or diversion of his outstanding commitment covering personal services and extending beyond the date of such termination to the extent that they relate to the performance of any work terminated by the notice. With respect to such cancelled commitments, the Contractor agrees to:

(i) settle all outstanding liabilities and all claims arising out of such cancellation of commitments, with the approval or ratification of the Contracting Officer, to the extent he may require, which approval or ratification shall be final for all purposes of this clause, and

(ii) assign to the Government, in the manner, at the time, and to the extent directed by the Contracting Officer, all of the right, title, and interest of the Contractor under the orders and subcontracts so terminated, in which case the Government shall have the right, in its discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts.

(*e*) In the event that termination is for failure to comply with the applicable terms and conditions of this Contract, the Contractor shall, promptly after the Notice of Termination becomes effective, cancel his outstanding commitments hereunder covering the procurement of materials, supplies, equipment, and miscellaneous items. In addition, the Contractor shall exercise all reasonable diligence to accomplish the cancellation or diversion of his outstanding commitments covering personal services and extending beyond the date of such termination to the extent that they relate to the performance of any work terminated by the notice. With respect to such canceled commitments the Contractor agrees to:

(i) settle all outstanding liabilities and all claims arising out of such cancellation of commitments, with the approval or ratification of the Contracting Officer, to the extent he may require, which approval or ratification shall be final for all purposes of this clause, and

(ii) assign to the Government, in the manner, at the time, and to the extent directed by the Contracting Officer, all of the right, title, and interest of the Contractor under the orders and subcontracts so terminated, in which case the Government shall have the right, in its discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts.

(*f*) The Contractor shall submit his termination claim to the Contracting Officer promptly after receipt of a Notice of Termination, but in no event later than one year from the effective date thereof, unless one or more extensions in writing are granted by the Contracting Officer upon written request of the Contractor within such one year period or authorized extension thereof. Upon failure of the Contractor to submit his termination claim within the time allowed,

the Contracting Officer may, subject to any review required by the Department of Labor procedures in effect as of the date of execution of this contract, determine, on the basis of information available to him, the amount, if any, due to the Contractor by reason of the termination and shall thereupon pay to the Contractor the amount so determined.

(*g*) Any determination of costs under paragraph (f) shall be governed by the cost principles set forth in Subpart 1–15.3 of the Federal Procurement Regulations (41 CFR 1–15.3), as in effect on the date of this contract, except that if the Contractor is not an educational institution the determination shall be governed by Subpart 1–15.2 of the Federal Procurement Regulations (41 CFR 1–15.2), as in effect on the date of this Contract.

(*h*) Subject to the provisions of paragraph (f) above, and subject to any review required by the Department of Labor procedures in effect as of the date of execution of this Contract, the Contractor and the Contracting Officer may agree upon the whole or any part of the amount or amounts to be paid to the Contractor by reason of the termination under this clause, which amount or amounts may include any reasonable cancellation charges thereby incurred by the Contractor and any reasonable loss upon outstanding commitments for personal services which he is unable to cancel: *Provided, however, that* in connection with any outstanding commitments for personal services which the Contractor is unable to cancel, the Contractor shall have exercised reasonable diligence to divert such commitments to his other activities and operations. Any such agreement shall be embodied in an amendment to this Contract and the Contractor shall be paid the agreed amount.

(*i*) The Government may, under such terms and conditions as it may prescribe, make partial payments against costs incurred by the Contractor in connection with the terminated portion of this Contract, whenever, in the opinion of the Contracting Office, the aggregate of such payments is within the amount to which the Contractor will be entitled hereunder. If the total of such payment is in excess of the amount finally agreed or determined to be due under this clause, such excess shall be payable by the Contractor to the Government upon demand: *Provided*, That if such excess is not so paid upon demand, interest thereon shall be payable by the Contractor to the Government at the rate of 6 percent per annum, beginning 30 days from the date of such demand.

(*j*) The Contractor agrees to transfer title to the Government and deliver in the manner, at the times, and to the extent, if any, directed by the Contracting Officer, such information and items which, if the Contract had been completed, would have been required to be furnished to the Government, including:

(1) Completed or partially completed plans, drawings, and information; and

(2) Materials or equipment produced or in process or acquired in connection with the performance of the work terminated by the notice. Other than the above, any termination inventory resulting from the termination of the Contract may, with the written approval of the Contracting Officer, be sold or acquired by the Contractor under the conditions prescribed by and at a price or prices approved by the Contracting Officer. The proceeds of any such disposition shall be applied in reduction of any payments to be made by the Government to the Contractor under this Contract or shall otherwise be credited to the price or cost of work covered by this Contract or paid in such other manner as the Contracting Officer may direct. Pending final disposition of property arising from the termination, the Contractor agrees to take such action as may be necessary, or as the Contracting Officer may direct, for the protection and preservation of the property related to this Contract which is in the possession of the Contractor and in which the Government has or may acquire an interest.

(*k*) Any disputes as to questions of fact which may arise hereunder shall be subject to the "Disputes" clause of this Contract.

UNITED STATES DEPARTMENT OF LABOR

MANPOWER ADMINISTRATION

Cost Reimbursement Contract

General Provisions

The General Provisions of this contract consist of the following clauses attached hereto:

1. Definitions
2. Disputes
3. Contract Work Hours Standards Act - Overtime Compensation
4. Walsh-Healey Public Contracts Act
5. Officials Not to Benefit
6. Covenant Against Contingent Fees
7. Questionnaire Approval
8. Buy American Act
9. Convict Labor
10. Notice and Assistance Regarding Patent and Copyright Infringement
11. Audit and Records
12. Subcontracts
13. Insurance-Liability to Third Persons
14. Changes
15. Limitation of Cost
16. Allowable Cost and Payment
17. Refunds, Rebates, Credits
18. Purchases and Government Property
19. Disposition of Data and Copyrights
20. Price Reduction for Defective Cost or Pricing Data
21. Equal Opportunity

UNITED STATES DEPARTMENT OF LABOR

GENERAL PROVISIONS

COST REIMBURSEMENT CONTRACT

1. Definitions

As used throughout this Contract, the following terms shall have the meaning set forth below:

(a) "Secretary" means the Secretary of the United States Department of Labor; and the term, "his duly authorized representative" means any person or persons, other than "the Contracting Officer" delegated authority to act for the Secretary.

(b) The term, "Contracting Officer" means the person executing the Contract on behalf of the United States Department of Labor, and any other officer or civilian employee who is properly designated Contracting Officer, and the term includes, except as otherwise provided in the Contract, the authorized representative of a Contracting Officer acting within the limits of his authority.

(c) The term "Contractor" as used herein shall mean the party named as Contractor or Sponsor on the cover-signature sheet of this Contract or Agreement.

(d) Except as otherwise provided in this Contract, the term "subcontract" includes purchase orders under this Contract.

(e) The term "constituent agency" means the agency of the Department responsible for the administration of this Contract.

2. Disputes

(a) Except as otherwise provided in this Contract, any dispute concerning a question of fact arising under this Contract which is not disposed of by agreement shall be decided by the Contracting Officer, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Contractor. The decision of the Contracting Officer shall be final and conclusive unless within 30 days from the date of receipt of such copy, the Contractor mails or otherwise furnishes to the Contracting Officer a written appeal addressed to the Secretary. The decision of the Secretary, or his duly authorized representative for the determination of such appeals, shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence. In connection with any appeal proceeding under this clause, the Contractor shall be afforded an opportunity to be heard and to offer evidence in support of his appeal. Pending final decision of a dispute hereunder, the Contractor shall proceed diligently with the performance of the Contract and in accordance with the Contracting Officer's decision.

(b) This "Disputes" clause does not preclude consideration of law questions in connection with decisions provided for in paragraph (a) above: Provided, that nothing in this Contract shall be construed as making final the decision of any administrative official, representative, or board on a question of law.

3. Contract Work Hours Standards Act - Overtime Compensation

This Contract, to the extent that it is of a character specified in the Contract Work Hours Standards Act (40 U.S.C. 327-330), is subject to the following provisions and to all other applicable provisions and exceptions of such Act and the regulations of the Secretary thereunder:

(a) Overtime Requirements. No Contractor or Subcontractor contracting for any part of the Contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic in any workweek in which he is employed on such work to work in excess of eight hours in any calendar day or in excess of forty hours in such workweek on work subject to the provisions of the Contract Work Hours Standards Act unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all such hours worked in excess of eight hours in any calendar day or in excess of forty hours in such workweek, whichever is the greater number of overtime hours.

(b) Violation - Liability for Unpaid Wages - Liquidated Damages. In the event of any violation of the provisions of paragraph (a), the Contractor and any subcontractor responsible therefor shall be liable to any affected employee for his unpaid wages. In addition, such Contractor and subcontractor shall be liable to the United States for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions of paragraph (a) in the sum of $10 for each calendar day on which such employee was required or permitted to be employed on such work in excess of eight hours or in excess of the standard workweek of 40 hours without payment of the overtime wages required by paragraph (a).

(c) Withholding for Unpaid Wages and Liquidated Damages. The Contracting Officer may withhold from the Contractor, from any monies payable on account of work performed by the Contractor or subcontractor, such sums as may administratively be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for unpaid wages and liquidated damages as provided in the provisions of paragraph (b).

(d) Subcontracts. The Contractor shall insert paragraphs (a) through (d) of this clause in all subcontracts, and shall require their inclusion in all subcontracts of any tier.

(e) Records. The Contractor shall maintain payroll records containing the information specified in 29 CFR 516.2 (a). Such records shall be preserved for three years from the completion of the Contract.

4. Walsh-Healey Public Contracts Act

If this Contract is for the manufacture or furnishing of materials, supplies, articles, or equipment in an amount which exceeds or may exceed $10,000 and is otherwise subject to the Walsh-Healey Public Contracts Act, as amended (41 U.S.C. 35-45), there are hereby incorporated by reference all representations and stipulations required by said Act and regulations issued thereunder by the Secretary, such representations and stipulations being subject to all applicable rulings and interpretations of the Secretary which are now or may hereafter be in effect.

5. Officials Not to Benefit

No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this Contract, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this Contract if made with a corporation for its general benefit.

6. Covenant Against Contingent Fees

The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this Contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, the Government shall have the right to annul this Contract without liability or in its discretion to deduct from the contract price or consideration, or otherwise recover, the full amount of such commission, percentage, brokerage, or contingent fee.

7. Questionnaire Approval

In the event the performance of this Contract requires the collection of information for the Government upon identical items from ten or more persons other than Federal employees, the Contractor shall, prior to use, obtain from the Contracting Officer, approval of the use of the questionnaire, survey plan, or other document which is intended to secure such information (5 U.S.C. 139-139f). In the event the performance of the work under this Contract is delayed in securing approval of the subject documents, the Contractor shall be entitled to an equitable adjustment of the time required for performance of this Contract. If the Contractor collects information from the public on his own initiative in connection with the performance of this contract, the Contractor shall not in any way represent that such information is being collected by or for the Government.

8. Buy American Act

(a) In acquiring end products, the Buy American Act (41 U.S.C. 10 (a) (d)) provides that the Government give preference to domestic source end products. For the purpose of this clause:

(i) "Components" means those articles, materials, and supplies which are directly incorporated in the end products;

(ii) "End products" means those articles, materials, and supplies which are to be acquired under this Contract for public use; and

(iii) A "domestic source end product" means:

(A) an unmanufactured end product which has been mined or produced in the United States, and

(B) an end product manufactured in the United States if the cost of components thereof which are mined, produced, or manufactured in the United States exceeds 50 percent of the cost of its components. For the purpose of this (a) (iii) (B), components of foreign origin of the same type or kind as the products referred to in (b) (ii) or (iii) of this clause shall be treated as components mined, produced, or manufactured in the United States.

(b) The Contractor agrees that there will be delivered under this Contract only domestic source end products, except end products:

(i) which are for use outside the United States;

(ii) which the Government determines are not mined, produced, or manufactured in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality;

(iii) as to which the Secretary determines the domestic preference to be inconsistent with the public interest; or

(iv) as to which the Secretary determines the cost to the Government to be unreasonable.

(The foregoing requirements are administered in accordance with Executive Order No. 10582, dated December 17, 1954.)

9. Convict Labor

In connection with the performance of work under this Contract, the Contractor agrees not to employ any person undergoing sentence of imprisionment at hard labor.

10. Notice and Assistance Regarding Patent and Copyright Infringement

(The provisions of this clause shall be applicable only if the amount of this Contract exceeds ten thousand dollars ($10,000.00.))

(a) The Contractor shall report to the Contracting Officer, promptly and in reasonable written detail, each notice or claim of patent or copyright infringement based on the performance of this Contract of which the Contractor has knowledge.

(b) In the event of any claim or suit against the Government on account of any alleged patent or copyright infringement arising out of the performance of this Contract or out of the use of any supplies furnished or work or services performed hereunder, the Contractor shall furnish to the Government, when requested by the Contracting Officer, all evidence and information in possession of the Contractor pertaining to such suit or claim. Such evidence and information shall be furnished at the expense of the Government except where the Contractor has agreed to idemnify the Government.

11. Audit and Records

(a) The Contractor agrees that:

(1) The Contractor shall maintain books, records, documents, and other evidence and accounting procedures and practices sufficient to reflect properly all direct and indirect costs of whatever nature claimed to have been incurred and anticipated to be incurred for the performance of this Contract. Such records shall also include the information specified in 29 CFR 516.2 (a). The foregoing constitute "records" for the purposes of this clause. The Contractor's accounting procedures and practices shall be subject to the approval of the Secretary: Provided, however, that no material change will be required to be made in the Contractor's accounting procedures and practices if they conform to generally accepted accounting practices and if the costs properly applicable to this Contract are readily ascertainable therefrom.

(2) The Contractor's plants, or such part thereof as may be engaged in the performance of this Contract, and his records shall be subject at all reasonable times to inspection and audit by the Secretary or his duly authorized representative, and by the Comptroller General.

(3) The Contractor shall preserve and make available for inspection and audit at all reasonable times his records:

(i) until the expiration of three years from the date of final payment under this Contract, and

(ii) for such longer period, if any, as is required by applicable statute, by other clauses of this Contract, or by (A) or (B) below.

(A) If this Contract is completely or partially terminated, the records relating to the work terminated shall be preserved and made available for a period of three years from the date of any resulting final settlement.

(B) Records which relate to:

(i) appeals under the "Disputes" clause of this Contract, or

(ii) litigation or the settlement of claims arising out of the performance of this Contract, or

(iii) costs and expenses of this Contract to which exception has been taken by the Comptroller General or any of his duly authorized representatives shall be retained until such appeals, litigation, or claims have been disposed of.

(4) Except for the records described in (3) (B) of this clause, the Contractor may in fulfillment of its obligation to retain its records as required by this clause substitute photographs, microphotographs, or other authentic reproduction of such records, after the expiration of 2 years following the last day of the month of reimbursement to the Contractor of the certified statement to which such records relate.

(5) The provisions of this paragraph (a), including this subparagraph (5), shall be applicable to and included in each subcontract hereunder which is not on a fixed-price basis.

(b) The Contractor further agrees to include in all its subcontracts hereunder, other than those of the type mentioned in subparagraph (a) (5) above, a provision to the effect that the party of the subcontract with the Contractor agrees that the Comptroller General or the Secretary or the Contracting Officer shall, until the expiration of three (3) years after final payment under the subcontract, have access to and the right to examine any directly pertinent books, documents, papers, and records of such party, involving transactions related to the subcontract. The term "subcontract" as used in this clause excludes purchase orders not exceeding $2,500 and subcontracts or purchase orders for public utilfty services at rates established for uniform applicability to the general public.

(c) The Contractor shall insert the substance of the following clause in each firm fixed-price subcontract hereunder in excess of $100,000 except those subcontracts covered by subparagragh (d) following:

Audit

(a) For purposes of verifying that cost or pricing data submitted in conjunction with the negotiation of this Contract or any Contract change or other modification involving an amount in excess of $100,000 are accurate, complete and current, the Contracting Officer, or his authorized representatives, shall, until the expiration of three years from the date of final payment under this Contract, have the right to examine those books, records, documents, and other supporting data which will permit adequate evaluation of the cost or pricing data submitted, along with the computations and projections used therein, which were available to the Contractor as of the date of execution of his Contractor's Certificate of Current Cost or Pricing Data.

(b) The Contractor agrees to insert the substance of this clause including this paragraph (b) in all subcontracts hereunder in excess of $100,000 where the price is not based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulation.

(d) The Contractor shall insert the substance of the following clause in each firm fixed-price subcontract hereunder in excess of $100,000 where the price is based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulation.

Audit-Price Adjustments

(a) This clause shall become operative only with respect to any change or other modification made pursuant to one or more provisions of this Contract which involves a price adjustment in excess of $100,000, that is not based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulation, and further provided that such change or other modification to this Contract must result from a change or other modification to the Government prime Contract.

(b) For purposes of verifying that any cost or pricing data submitted in conjunction with a contract change or other modification involving an amount in excess of $100,000 are accurate, complete, and current, the Contracting Officer or his authorized representatives, shall, until the expiration of three years from the date of final payment under this Contract, have the right to examine those books, records, documents and other supporting data which will permit adequate evaluation of the cost or pricing data submitted, along with the computations and projections used therein, which were available to the Contractor as of the date of execution of his Contractor's Certificate of Current Cost or Pricing Data.

(c) The Contractor agrees to insert the substance of this clause including this paragraph (c) in all subcontracts hereunder in excess of $100,000 so as to apply until three years after final payment of the subcontract.

12. Subcontracts

(a) Except as otherwise provided herein the Contractor shall not assign this Contract or any portion thereof or enter into subcontracts for any of the work contemplated under this Contract without obtaining the prior written approval of the Contracting Officer. This approval shall be subject to such conditions and provisions as he may deem necessary, in his discretion, to protect the interest of the Government. Unless otherwise provided herein, prior written approval shall not be required for the purchase, lease, or rental by the Contractor of articles, supplies, equipment, and services which are both necessary for and merely incidental to the performance of the work required under this contract, except that the following shall require such prior approval of the Contracting Officer: (i) purchase on items of property or equipment as such are defined in Section 3211.28 of the Department of Labor's "Manual for Acquisition and Maintenance of Government Property by Contractors" having a unit value exceeding One Thousand Dollars ($1,000.00), (ii) subcontracts and purchase orders exceeding Twenty-Five Thousand Dollars ($25,000.00) or 5 percent of the total estimated cost of this agreement, whichever is less, (iii) cost, cost-plus-a-fixed-fee, time-and-material, or labor-hour basis contracts, or (iv) the purchase of any motor vehicle, or airplane. Nothing herein, however, shall be deemed to provide for the incurrence of any obligation of the Government in excess of estimated cost set forth in this Contract or be construed to constitute a determination of the allowability of such cost. The Contracting Officer may, in his discretion, ratify in writing any such subcontract; such action shall constitute the consent of the Contracting Officer required by this clause.

(b) The Contractor will not enter into any subcontract under this Contract which provides for payment on a cost-plus-a-percentage-of-cost basis.

(c) The Contractor will give the Contracting Officer immediate notice in writing of any action or suit filed, and prompt notice of any claim made against the Contractor by any party with whom the Contractor has entered into a subcontract and which, in the opinion of the Contractor, may result in litigation, related in any way to this Contract.

13. Insurance - Liability to Third Persons

(a) The Contractor shall procure and thereafter maintain workmen's compensation, employer's liability, comprehensive general liability (bodily injury) and comprehensive automobile liability (bodily injury and property damage) insurance, with respect to performance under this Contract, and such other insurance, as the Contracting Officer may from time to time require with respect to performance under this contract; Provided that, the Contractor in fulfillment of its obligation to procure workmen's compensation insurance may, with the approval of the Contracting Officer and pursuant to statutory authority, maintain a self-insurance program. All insurance required pursuant to the provisions of this paragraph shall be in such form, in such amounts, and for such periods of time, as the Contracting Officer may from time to time require or approve, and with insurers approved by the Contracting Officer.

(b) The Contractor agrees, to the extent and in the manner required by the Contracting Officer, to submit for the approval of the Contracting Officer any other insurance maintained by the Contractor in connection with the performance of this Contract and for which the Contractor seeks reimbursement hereunder.

(c) The Contractor shall be reimbursed for the portion allocable to this Contract of the reasonable cost of insurance as required or approved pursuant to the provisions of this clause.

14. Changes

The Contracting Officer may at any time, by a written order, make changes within the general scope of this Contract. If any such change causes an increase or decrease in the cost of, or the total time required for, the performance of all or any part of the work under this Contract, whether changed or not changed by any such order, an equitable adjustment shall be made in the Contract price or delivery schedule, or both, and the Contract shall be modified in writing accordingly. Any claim by the Contractor for adjustment under this clause must be asserted within thirty (30) days from the date of receipt by the Contractor of the notification of change: Provided however, That the Contracting Officer, if he decides that the facts justify such action, may receive and act upon any such claim asserted at any time prior to final payment under this contract. Failure to agree to any adjustment shall be a dispute concerning a question of fact within the meaning of the clause of this Contract entitled "Disputes." Nothing in this clause, however, shall excuse the Contractor from proceeding with the Contract as changed.

15. Limitation of Cost

(a) The parties to this Contract estimate that the total cost to the Government, exclusive of any fixed fee, for the performance of this Contract will not exceed the estimated cost set forth in the Special Provision of this Contract entitled "Estimated Costs and Budget." If at any time the Contractor has reason to believe that the total cost to the Government for the performance of this Contract will be greater or less than said estimated cost, the Contractor shall notify the Contracting Officer in writing to that effect, giving the revised itemized estimate of such total cost for the performance of this Contract.

(b) The Government shall not be obligated to reimburse the Contractor for costs incurred in excess of the estimated cost set forth in the Special Provision of this Contract entitled "Estimated Costs and Budget," or payment for any extras, and the Contractor shall not be obligated to continue performance under the Contract or to incur costs in excess of such estimated cost, unless and until the Contracting Officer shall have notified the Contractor in writing that such changes in estimated costs have been approved and shall have specified in such notice the changes approved in estimated costs. When and to the extent the Contracting Officer considers it to be in the interest of the Government, the Contracting Officer may increase the estimated cost, prior to final payment, to cover work considered necessary to perform the Contract. When and to the extent that the estimated cost has been increased, any allowable costs incurred by the Contractor in excess of such estimated cost prior to the increase in estimated cost shall be allowable to the same extent as if such costs had been incurred after such increase in estimated cost.

16. Allowable Cost and Payment

(a) For the performance of this Contract, the Government shall pay to the Contractor the cost thereof (hereinafter referred to as "allowable costs") determined by the Contracting Officer to be allowable in accordance with (i) Subpart 1-15.2 of Part 1-15 of the Federal Procurement Regulations, 41 CFR 1-15.2 (or if this Contract is with an educational institution), Subpart 1-15.3 of Part 1-15 of the Federal Procurement Regulations, 41 CFR, 1-15.3 as in effect on the date of this Contract, and (ii) the terms of this Contract.

(b) Once each month (or at more frequent intervals, if approved by the Contracting Officer) the Contractor shall submit to the Contracting Officer or his authorized representative, in such form and reasonable detail as may be required, an invoice or public voucher supported by a statement of cost incurred by the Contractor in the performance of this Contract and claimed to constitute allowable costs.

(c) Promptly after receipt of each invoice or voucher, the Government shall, subject to the provisions of (d) below, make payment of the allowable costs incurred.

(d) At any time prior to final payment under this Contract, the Contracting Officer may cause to be made such audit of the invoices or vouchers and statements of cost as shall be deemed necessary. Each payment theretofore made shall be subject to reduction to the extent that amounts included in the related invoice or voucher and statement of cost are found not to constitute allowable cost by the Contracting Officer, and shall also be subject to reduction for overpayments or to increase for underpayments on preceding invoices or vouchers.

(e) On receipt and approval of the voucher or invoice, designated by the Contractor as the "completion voucher" or "completion invoice" and statement of cost, which shall be submitted by the Contractor as promptly as may be practicable following completion of the work under this Contract but in no event later than six (6) months (or such longer period as the Contracting Officer may in his discretion, approve in writing) from the date of such completion and following compliance by the Contractor with all provisions of this Contract (including, without limitation, provisions relating to patents and the provisions of Clause 17 of this Contract), the Government shall as promptly as may be practicable pay to the Contractor any balance of allowable costs.

17. Refunds, Rebates, Credits

The Contractor agrees that any refunds, rebates, credits, or other amounts (including any interest thereon) accruing to or received by the Contractor, his successor or any assignee under this Contract shall be paid by the Contractor to the Government, to the extent that they are properly allocable to costs for which the Contractor has been reimbursed by the Government under this Contract. Reasonable expenses incurred by the Contractor for the purpose of securing such refunds, rebates, credits or other amounts shall be allowable costs hereunder when approved by the Contracting Officer. Prior to the final payment under this Contract the Contractor shall execute and deliver:

(i) an assignment to the Government, in form and substance satisfactory to the Contracting Officer, for refunds, rebates, credits, or other amounts (including any interest thereon) properly allocable to costs for which the Contractor has been reimbursed by the Government under this Contract; and

(ii) a release discharging the Government, its officers, agents, and employees from all liabilities, obligations, and claims arising out of or under this Contract, subject only to specified claims in stated amounts or in estimated amounts where the amounts are not susceptible of exact statement by the Contractor.

18. Purchases and Government Property

(a) Contractor agrees to use its best efforts to obtain all supplies and equipment for use in the performance of this Contract at the lowest practicable cost, and, unless otherwise authorized in writing by the Contracting Officer, agrees to utilize the procurement sources available throughout the General Services Administration Agency prior to private source procurement. Any public agency may procure its supplies from State or local government sources without regard to any other provision of this Contract to the extent required by State or local law. The Government will authorize the Contractor to purchase supplies and equipment through Government sources in accordance with Subpart 1-5.9 of the Federal Procurement Regulations (41 CFR 1-5.9). When appropriate, the Government will furnish the Contractor with Federal Supply Schedules, General Services Administration Stores Catalogues, and other information designed to assist the Contractor in the procurement of supplies and equipment from Government sources.

(b) Title to all property furnished by the Government shall remain in the Government. Title to all property purchased by the Contractor, for the cost of which the Contractor is to be reimbursed as a direct item of cost under this contract, shall pass to and vest in the Government upon delivery of such property by the vendor. Title to other property, the cost of which is to be reimbursed to the Contractor under this Contract, shall pass to and vest in the Government upon (i) issuance for use of such property in the performance of this Contract, or (ii) commencement of processing or use of such property in the performance of this Contract, or (iii) reimbursement of the cost thereof by the Government, whichever first occurs. Title to the Government Property shall not be affected by the incorporation or attachment thereof to any property not owned by the Government, nor shall such Government property or any part thereof, be or become a fixture or lose its identity as personalty by reason of affixation to any realty. All Government-furnished property, together with all property acquired by the Contractor, title to which vests in the Government under this paragraph, are subject to the provisions of this clause and are herein collectively referred to as "Government property."

(c) The provisions of the Department of Labor's "Manual for Acquisition and Maintenance of Government property by Contractors" (hereinafter called the Manual), as in effect on the date of this Contract, are herein incorporated by reference and made a part of this Contract. Contractor agrees to accept the responsibilities set forth in the Manual and to comply with its provisions, particularly those relating to the keeping of property control records, identification and marking, segregation and commingling, and taking of inventories. The Contractor shall maintain and administer in accordance with sound business practice a program for the maintenance, repair, protection and preservation of "Government property" so as to assure its full availability and usefulness for the performance of this Contract. The Contractor shall take reasonable steps to comply with all appropriate directions or instructions which the Contracting Officer may prescribe in writing as reasonably necessary for the protection of the "Government property", including the removal and shipping of "Government property" where the Contracting Officer deems that the interest of the Government requires the removal of such property.

19. Disposition of Data and Copyrights

(a) Contractor agrees to preserve for a period of 12 months and, upon request of the Contracting Officer, make available to the Government for use, all scientific and technical information, data and know-how of any nature developed in performance of this Contract and in connection with the Contractor's activities on or related to this Contract.

(b) Scientific and technical information, data and know-how, hereinafter called "data", includes all drawings, sketches, designs, design data, specifications, technical records, photographs, reports, findings, writings (including notebooks and logs), sound records, geographical representations, pictorial reproductions, manuals, work or processing instructions, and works of any similar nature to those enumerated, bearing on technical and scientific aspects of the activities called for in the Contract, (or otherwise related to this project). While the Contractor is obligated to employ all proprietary data which he may have heretofore developed (or which he develops during the period of this Contract completely unrelated to this project) which will contribute to the accomplishment of this project, he is not obligated to disclose or make such data available, except as necessarily results from his use of the data hereunder.

(c) The Government may duplicate and disclose or have disclosed in any manner or for any purpose all data to be acquired, produced, or to result from this Contract. To this end, the Contractor:

(i) agrees to, and does hereby grant to the Government, and to its officers, agents, and employees acting within the scope of their official duties, to the full extent of the Contractor's right to do so, and the Contractor shall obtain from each of its employees engaged in work involved in fulfilling this Contract an agreement by the terms of which each of said employees agree thereby to grant to the Government and to its officers, agents, and employees acting within the scope of their official duties, to the full extent of such employees' rights to do so:

(A) a royalty-free, nonexclusive, and irrevocable license to reproduce, translate, publish, use, and dispose of, and to authorize others so to do, all copyrightable material first produced or composed and delivered to the Government under this Contract by the Contractor, its employees, or any individual or concern specifically employed or assigned to originate and prepare such material; and

(B) a license as aforesaid under any and all copyrighted or copyrightable work not first produced or composed by the Contractor in the performance of this Contract but which is incorporated in the material furnished under the Contract: Provided, that such license shall be only to the extent the Contractor or employee now has, or prior to completion or final settlement of the Contract may acquire, the right to grant such license without becoming liable to pay compensation to others solely because of such grant; And Provided Further that if, at the time of delivery to the Government of any aforesaid copyrighted or copyrightable material or work, the Contractor or any said employee shall notify the Contracting Officer that any of said material or work has been or will be published with notice of copyright and shall furnish the Government with the form of notice of copyright so applied or to be applied thereto, the Government will use its best efforts to have said notice reproduced on any publication by it of such material or work; Contractor further agrees that if it shall, and that each agreement with Contractor's employees made in accordance with the preceding sentence shall specify that if the employee shall, publish with notice of copyright, or authorize such publication of any material prepared under this Contract under which license is granted to the Government under the preceding sentence, the following language shall be added plainly in the vicinity of the notice of copyright: "Reproduction in whole or in part permitted for any purpose of the United States Government."

(ii) agrees that it will exert all reasonable effort to advise the Contracting Officer, at the time of delivering any copyrightable or copyrighted work furnished under this Contract, of any adversely held copyrighted or copyrightable material incorporated in such work, and of any invasion of the right of privacy therein contained, known at such time to the Contractor or to the particular employee or employees who prepare such work.

(iii) agrees to report to the Contracting Officer, promptly and in reasonable written detail, any notice or claim of copyright infringement received by the Contractor with respect to any material delivered under this Contract.

(d) Since it is the United States Department of Labor's policy to encourage Contractors to fully disseminate information on work produced under Government contract, Contractor, subject to the provisions of this clause and the Special Provisions of this contract entitled "Reports", may duplicate and disclose or have disclosed, in any manner or for any purpose, all data acquired, produced or to result from this Contract.

20. Price Reduction for Defective Cost or Pricing Data

(The provisions of this clause shall be applicable only if the amount of the contract exceeds $100,000.00.)

(a) If the Contracting Officer determines that any price, including profit or fee, negotiated in connection with this Contract was increased by any significant sums because the Contractor, or any subcontractor in connection with a subcontract covered by (c) below, furnished incomplete or inaccurate cost or pricing data or data not current as certified in his Contractor's Certificate of Current Cost or Pricing Data, then such price shall be reduced accordingly and the Contract shall be modified in writing to reflect such adjustment.

(b) The failure to agree on a reduction shall be a dispute concerning a question of fact within the meaning of the "Disputes" clause of this Contract.

(c) The Contractor agrees to insert the substance of paragraphs (a) and (c) of this clause in each of his cost-reimbursement type time and material, labor-hour, price redeterminable, or incentive subcontracts hereunder in excess of $100,000.00 and in any other subcontract hereunder in excess of $100,000.00 unless the price is based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulation. In each such excepted subcontract hereunder which exceeds $100,000.00, the Contractor shall insert the substance of the following clause:

Price Reduction for Defective Cost

or Pricing Data--Price Adjustments

(a) This clause shall become operative only with respect to any change or other modification made pursuant to one or more provisions of this Contract which involves a price adjustment in excess of $100,000.00 that is not based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulation. The right to price reduction under this clause shall be limited to such price adjustments.

(b) If the Contractor determines that any price, including profit or fee, negotiated in connection with any price adjustment within the purview of paragraph (a) above was increased by any significant sums because the subcontractor or any of his subcontractors in connection with a subcontract covered by paragraph (c) below, furnished incomplete or inaccurate cost or pricing data or data not current as of the date of execution of the subcontractor's certificate of current cost or pricing data, then such price shall be reduced accordingly and the subcontract shall be modified in writing to reflect such adjustment.

(c) The subcontractor agrees to insert the substance of this clause in each subcontract hereunder which exceeds $100,000.00.

21. Equal Opportunity

(a) This Contract is subject to Title VI of the Civil Rights Act of 1964 (78 Stat. 252) and the Regulations issued thereunder and found at 29 CFR 31. In undertaking to carry out its obligations under said Act and Regulations, the Contractor will impose upon the project director the primary responsibility for supervising activities to assure the project is in full compliance. The Contractor further agrees:

(1) That any service, financial aid, or other benefit to be provided by it under this Contract shall be furnished without discrimination because of race, color, or national origin.

(2) That any "service, financial aid, or other benefit" as used in this clause shall include, with respect to trainees and enrollees or prospective trainees and enrollees under this Contract, their recruitment, registration, examination, counseling, selection, testing, placement, employment, work assignment, reimbursement, retention, supplemental education, and training.

(3) That "discrimination because of race, color, or national origin" as used in this clause includes:

(i) using enrollment in a school as a basis for the selection of an individual for a particular job assignment under this Contract or for participation in any other aspect of this Contract unless enrollment in said school is available without regard to the race, color, or national origin of otherwise eligible persons,

(ii) denying an individual any service, financial aid, or other benefit on the ground of race, color, or national origin,

(iii) providing any service, financial aid, or other benefit to an individual which is different, or is provided in a different manner, from that provided to others on the ground of race, color, or national origin,

(iv) subjecting an individual to segregation or separate treatment in any matter related to his receipt of any service, financial aid, or other benefit on the ground of race, color, or national origin,

(v) restricting an individual in any way in the enjoyment of any advantage or privilege enjoyed by others receiving any service, financial aid, or other benefit on the ground of race, color, or national origin,

(vi) denying an individual an opportunity to participate under this Contract through the provision of services, or otherwise affording him an opportunity to do so, which is different from that afforded others on the ground of race, color, or national origin, or treating an individual differently from others on the ground of race, color, or national origin, or in determining whether he satisfies any admission, enrollment quota, eligibility, membership, or other requirement or condition which individuals must meet in order to be provided any service, financial aid, or other benefit.

(4) That in determining the types of services, financial aid, or other benefits that will be provided under this Contract by the Contractor, no criterion or method of administration will be utilized which has the effect of defeating or substantially impairing accomplishment of the objective of this clause.

(5) That the United States Department of Health, Education,and Welfare has not suspended or terminated or refused to grant Federal financial assistance to the Contractor in accordance with Department of Health, Education, and Welfare regulations issued pursuant to the Act and found at 45 CFR 80, and that any such suspension, termination or refusal by said Department subsequent to the execution of this agreement shall be immediately reported to the Contracting Officer and be grounds for terminating this Contract.

(6) That it will make information available regarding the Equal Opportunity provisions of the Contract in such manner as the Contracting Officer may from time to time specify and deliver to each trainee, enrollee and staff employee, at the time of his association with the project, a written description of his right to be free from discrimination on the basis of race, creed, color, or national origin, copies of which will be furnished to the Contractor by the Contracting Officer for distribution.

(7) That it will maintain records which set forth as of each thirtieth day the Contract is in operation for each job description referred to in the Special Provision of this Contract entitled "Statement of Work" and each facility to which trainees and enrollees are assigned, the total number of trainees and enrollees and the number in each of the following categories: Negro, American Indian, Spanish American, and Oriental. Where trainees and enrollees are assigned on the basis of work teams which do not work at any one facility, the records shall be kept for such team. Records indicating the race, national origin, and qualifications of all persons who have applied for staff positions will also be kept. In addition, all facilities of the Contractor and all records, books, accounts, and other sources of information pertinent to ascertainment of the Contractor's compliance with the Regulations, will be available for inspection at any time during normal business hours by an officer or employee of the Government authorized to make such inspections.

(8) That discrimination because or race, color, or national origin shall be deemed to be discrimination by the Contractor if it is done by it directly through its officers or employees, or if it is done by another individual, agency or organization with whom it contracts or otherwise arranges to assist it in the provision of any service, financial aid, or other benefit under this Contract.

(9) That the Contractor will not permit trainees and enrollees to perform work assisting any facility, whether owned by it or otherwise, which provides any service, financial aid, or other benefit in a manner which discriminates on the basis of race, color, or national origin. The Contractor will obtain from the owner and operator of each facility which is not owned by him and which would be assisted by the work of trainees and enrollees an equal opportunity assurance in the form provided by the Contracting Officer before trainees and enrollees will be permitted to perform any work assisting any such facility.

(10) That upon receipt of a written or oral complaint from any person, the Contractor immediately will notify the Contracting Officer and mail to him a copy of any written complaint. The Contractor will cooperate with the Department of Labor by undertaking such activities as may be requested by the Contracting Officer in an attempt to ascertain facts relevant to the complaint and assure that operations under this Contract are in full compliance. Unless otherwise directed, the Contractor will investigate the complaint and within 15 days following the complaint will submit to the complainant and the Contracting Officer, a written report of the investigation regarding the complaint including any actions taken by the Contractor as a result of the complaint.

(11) That it will conduct an investigation of the project regarding compliance and will submit a written report of the investigation, including a description of the activities undertaken in the investigation, to the Contracting Officer, within 120 days following execution of this Contract. This report will cover at least the first 90 days of operations and will, under this Contract, include those portions of the project undertaken under any arrangement with the Contractor.

(12) That the Contractor will keep such records and submit such reports as the Contracting Officer may from time to time require to ensure compliance with this clause.

(13) The Contractor agrees that any violation of this paragraph (a) shall constitute grounds for termination of this Contract by the Government or give the Government the right to seek judicial enforcement of this paragraph.

(b) During the performance of this Contract, the Contractor agrees as follows:

(1) The Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this nondiscrimination clause.

(2) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

(3) The Contractor will send to each labor union or representative of workers with which he has a collective bargining agreement or other contract or understanding, a notice, to be provided by the Contracting Officer, advising the labor union or workers' representative of the Contractor's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary.

(5) The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary, or pursuant thereto, and will permit access to his books, records, and accounts by the Contracting agency, and the Secretary for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Contractor's noncompliance with the nondiscrimination clauses of this Contract or with any of such rules, regulations, or orders, this Contract may be cancelled, terminated or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulations, or order of the Secretary, or as otherwise provided by law.

(7) The Contractor will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the Department of Labor may direct as a means of enforcing such provisions including sanctions for noncompliance: Provided however, That in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Department of Labor, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

Contract Proposal for a Citizen Participation Project to the Bureau of Work-Training Programs, U.S. Department of Labor

NATIONAL SELF-HELP CORPORATION

The National Self-Help Corporation is an agency established by the National Welfare Rights Organization to prepare and disseminate information regarding the practices and policies governing public assistance and other programs designed to help poor people escape from poverty.

The directors of the Corporation are nine welfare recipients who are the elected officers of the National Welfare Rights Organizations, the executive director of the National Welfare Rights Organization, a competent corporation lawyer and certified public accountant, and a social worker with long experience in welfare rights activity. The corporate charter provides for the addition to the board of other key resources people who could be of assistance in developing and maintaining a strong and effective program in the organization's areas of interest. The following is the point of view of the National Self-Help Corporation:

"The 1967 Amendments to the Social Security Act are basically regressive by virtue of the manner by which they alter the historic Social Security Act of 1935. We hold this view while still maintaining that most people want to work, and do not enjoy being on welfare. We are not opposed to steady employment for those presently on welfare, nor are we opposed to job training. We are opposed to people being forced into jobs or training programs which do not afford them a real opportunity to escape from poverty."

"We believe the WIN program offers new possibilities for providing welfare recipients with needed job training. However, the coercive aspects of the program offer considerable possibilities for abuse of welfare recipients by local welfare and manpower agencies if the safeguards provided in the program are not rigidly adhered to."

"Local welfare rights organizations can provide an effective check against possible abuses. They have proved their effectiveness in monitoring welfare agencies and in defending hundreds of thousands of recipients against often arbitrary welfare administrators. They have done this by informing recipients of their rights and providing lay advocates as well as legal backup for recipients who are wrongfully treated by the welfare agency."

"They could perform a similar service to the local manpower agency but to do this, must be well informed on the requirements of the federal program. They could also assist in encouraging recipients to take advantage of the opportunities and increase the likelihood of recipient participation by insuring the recipient against abuse by the administrator."

Contract Objectives and Methods

The objectives of this agreement are:

1. To develop a knowledgeable clientele that understand the potential of the WIN program and their rights and protections when participating in it. This should encourage more widespread and meaningful participation in the program.

This would involve the production and dissemination of information about rights and opportunities available to welfare recipients and other poor people in Labor Department manpower programs. In addition to the development of informational material at the central office NWRO regional staff will conduct conferences and meetings at the regional, State and community level. These meetings should begin in the fourth month of the project. We would hope to conduct at least 30 such meetings during the first year of the operation. These meetings and conferences would draw in the grass roots leadership of welfare rights organizations as well as neighborhood anti-poverty workers and other persons who have a direct interest in the Work Incentive Program. The content of these meetings would be directed primarily toward disseminating information and obtaining feedback on Labor Department manpower programs with primary emphasis on the WIN Program, but in addition, would discuss the responsibilities of welfare agencies in relation to manpower programs and the rights and responsibilities of welfare recipients under both manpower and welfare programs. Since there is a direct relationship between the two agencies and these programs, it would seem neither desirable nor possible to discuss the operation of one in the absence of the other.

The meetings would be the heart of the first year of operation since they would be the primary means of contact with recipients at the grass roots level. They would provide the basis for the most immediate and direct feedback to

the Labor Department on the operation of their programs in a number of communities and enable the contractor to begin screening candidates for community links positions. (See last section).

2. To provide a feedback mechanism to program administrators at all levels to keep them aware of emerging problems and to make suggestions which should strengthen the program and thus better serve the poor and the nation as a whole.

The feedback aspect of this proposal would include providing to the Labor Department the reactions observed in the local group meetings. It is felt that our observations will be more meaningful because of our unique relationship with the client groups. In addition, we would provide a communication at the local, State and regional levels.

3. To train local welfare recipients to develop and organize operating components of WIN programs and to provide staff assistance to the welfare groups running these components. (This would be undertaken only after close consultation with the Department of Labor.)

Our experience has demonstrated that very often poor peoples' groups want to develop and operate their own training programs, their own job development and manpower recruitment set ups, and their own demonstration projects.

Providing information on these possibilities, access to application routes, and negotiation resources can make this happen. The Program Development Specialist will respond to requests generated by the NWRO to provide this kind of help. NWRO will also aid groups along these lines.

4. To design a feasible plan for establishing a *Supporting Local Network of Information Givers.*

This proposal covers only the staff work involved in developing a design for operation of a local network of community links. A general description of the operation of such a network follows in a later section of this document.

Staffing Plan

In order to fulfill the functions outlined in this proposal, full-time staff will be required at NWRO central office in Washington, D.C. and in each of the eight Labor Department regional office cities.

The full staff complement would be reached by the end of the ninth month of operation.

Central office staff—Washington, D.C.:
- Project Director
- Assistant Director—Labor Dept. Liaison
- Field Director
- Researcher/Information Specialist (Technical assistance to local groups)
- Comptroller
- Bookkeeper
- 2 Secretaries
- Printer-Layout Specialist

Field Staff:
- 8 Field Supervisors
- 8 Secretaries
- 24 Resident Community Welfare Stewards

STAFF PHASEIN AND OPERATIONAL SCHEDULE

Month of operation	Staffing plan	Operation schedule
0 to 3	Staff central office	Develop operational concepts. Prepare job specifications. Begin work on informational materials.
3 to 5	Recruit and train 8 field supervisors	Develop regional operating concepts.
	Recruit and train RCWS for 2 regions	Begin operations in 2 regions. Begin regional conferences.
6 to 9	Complete staffing and training of 6 remaining regional offices.	Full program operations including study of the possibility of LINKS.
9 to 12		Continuation of existing program and submission of LINKS proposal.
12 to 18	Recruit and train 200 welfare recipients as community stewards.	Full operations. Begin community LINKS operation.
18 to 36		Full test.

FIELD STAFF PHASEIN SCHEDULE

Position title	Actual number on board by quarter				Man-year	Average annual salary per man-year	Total cost
	1st	2d	3d	4th			
Field supervisor	0	8	8	8	6	8,000	48,000
Secretaries	0	8	8	8	6	5,000	30,000
RCWS	0	6	18	24	12	6,000	72,000
Total							150,000

Total contract budget

	Total cost
A. Staff salaries:	
I. National office staff:	
Project director, at $12,000 per annum	$12,000
Assistant Director (Labor Department liaison) at $10,000 per annum	10,000
Field director at $10,000 per annum	10,000
Researcher-information specialist at $9,000 per annum	9,000
Comptroller at $9,000 per annum	9,000
Printer-layout specialist at $7,000 per annum	7,000
Bookkeeper at $7,000 per annum	7,000
Secretaries, 2 at $6,000 per annum	12,000
Subtotal	76,000
II. Regional staff:	
Field supervisors, 8 at $8,000 per annum	48,000
Resident community welfare stewards, 24 at $6,000	72,000
Secretaries, 8 at $5,000 per annum	30,000
Subtotal	150,000
III. Cost of Fringe benefits at 10 percent of Salaries	22,600
Total salaries and fringe benefits	248,600
B. Staff Travel: (See exhibit I):	
I. National office staff (field director)	5,550
II. Regional office staff, 8 field supervisors and 24 resident community welfare stewards	57,190
III. Special conference (Washington, D.C.), 1 week, 24 persons, estimated total cost	5,000
IV. Orientation conference, Washington, D.C. (field staff)	9,370
V. Training conference, 4 each at $1,000×8 regions	32,000
Total travel costs	109,110
C. Consultants:	
I. Law materials, audio-visual aids, etc. at $50 per day for 50 days	2,500
II. Consultants travel costs	5,000
Total consultants costs	7,500
D. Other direct costs:	
I. Office space (rental):	
(*a*) Washington, D.C., office at $200 per month	2,400
(*b*) Regional offices at $100 per month	2,400
II. Communications (telephone and telegraph):	
(*a*) Washington, D.C., office at $600 per month	7,200
(*b*) Regional offices (8) at $100 per month	9,600

D. Other direct costs—Continued	Total cost
III. Office equipment:	
(a) Washington, D.C., office	5,400
(b) Regional offices	12,320
IV. Office supplies and postage:	
(a) Washington, D.C., office, at $400 per month	4,000
(b) Regional offices, at $150 per month	5,400
V. Printing and Reproduction, equipment and supplies:	
(a) Washington, D.C. office	11,000
(b) Regional offices, at $1,500 per region	10,000
Total, other direct costs	69,720
Total contract costs	434,930

SUPPORTING LOCAL INFORMATION NETWORK SYSTEM-COMMUNITY LINKS

As stated earlier in this proposal under the section on *Contract Objectives and Methods* this contract provides for designing a feasible plan for establishing a *Supporting Local Network of Information Givers.* If this component is felt to have merit a proposal will be developed and submitted during the last quarter of this agreement.

It is hoped that a private funding source can be found to finance this component. Private funding may enable the component to take on a wider range of activity than would be practical with federal funds.

Basically the purpose of the LINKS component would be to:

(a) Organize and train 200 welfare recipients on stipend (about 25 persons in each manpower region) to produce written feedback material from face to face meetings.

(b) Distribute and develop new materials concerning Labor Department programs. This would mean a two-way flow of information between WIN and other Labor Department programs, including Neighborhood Youth Corps, Concentrated Employment Program, MDTA, especially as all of these might affect welfare recipients.

Community Links will be members of local welfare rights groups and other peoples groups who agree to learn about Labor Department programs and serve as two-way sources of information about these programs. They will not be employees of the project, but rather, they will be on a monthly expense stipend. They will continue to go about their business of active participation in community life and affairs. Their pay will be in the range of a flat $100 per month designed to defray the added expense of babysitting, transportation and lunches resulting from their increased involvement.

(c) Provide new channels of feedback for information on the impact of Department of Labor programs on welfare recipients and poor people including the development of new forms of citizen participation.

Community Links will pass along reasons, reaction and grievances with manpower programs to the field staff and community stewards. They will also act as lay advocates with local agencies for recipients with grievances on special problems, will offer a vital, independent source of program criticism which can supplement local bureaucracy.

Community Links will also provide an important source of new citizen participation for policy and program advisory committees. They will be organizationally rooted and relevant. They will have special training and knowledge of manpower programs. They will have a floor of financial aid to participation. They will have access to independent staff support.

Most of the above, in terms of *community link* function has been placed in the "they will" tense. We must, therefore, stress that the program is written in that fashion only because that tense is not relevant to the sort of work we wish to carry on in developing this component. We do not mean to have "they will" conote an accomplished fact.

Our work in this third component will consist of looking into various questions such as: career possibilities, recruitment, salary and/or stipends, legal and programmatic responsibilities to the Department of Labor, supervisory concerns, program responsibilities, and other such criteria.

EXHIBIT I

1. TRAVEL—SUPERVISORS (FIELD)

Each of the 8 Field Supervisors will take 2 full Regional Field Trips during the course of the contract. This computation has no relation to phase-in schedule. Each trip provides 1-2 days in each city and 3 travel days.

	R/T [1]
Region I	$440.00
Region II	440.00
Region III	440.00
Region IV	470.00
Region V	500.00
Region VI	395.00
Region VII	440.00
Region VIII	2,429.00
Total	5,554.00
Multiplied by	2
Total	11,108.00

[1] Nontravel expenses are included at the rate of $15 per day.

2. TRAVEL—RCWS (FIELD STAFF)

Phase II—Each region should be divided by 3, which means that in most cases each RCWS will in each region be responsible for 2–3 states. The computations are based on a—State responsibility—*four* trips per month to each State. Each trip of 2 days' duration. Each trip will include $15.00 per day non-travel expenses. Each trip will provide $50.00 R/T fare.

Phase II - Total for 6 RCWS':

A. Non-travel expenses for 2 days	$30.00
Number of trips per RCWS during 9 month Phase II period	×36
	$1,080.00
Number of RCWS' during Phase II	×6
	$6,480.00
B. R/T travel for each trip	$50.00
Number of trips per RCWS during 9 months Phase II period	×36
	$1,800.00
Number of RCWS' during Phase II	×6
	$10,800.00

Phase III—Total for 12 RCWS':

A. Non-travel expenses for 2 days	$30.00
Number of trips per RCWS during 9 months Phase III period	×24
	$720.00
Number of RCWS during Phase II period	(×12
	$8,640.00
B. R/T travel for each visit	$50.00
Number of trips per RCWS during Phase III	×24
	$1,200.00
Number of RCWS during 6 month Phase III period	×12
	$14,400.00

Phase IV- Total for 6 RCWS:	
A. Non-travel expenses for 2 days	$30.00
Number of trips per RCWS during 3 month Phase IV period	×12
	$360.00
Number of RCWS during Phase IV	×6
	$2,160.00
B.	$3,600.00
TOTAL RCWS TRAVEL COST	$46,080.00
3. One (1) complete 8 region tour by Washington based Field Director (See break-out in #1)	$5,554.00
4. Two weeks RCWS Washington orientation:	
A. Phase II—6 people at:	
$10 per day—meals and transportation	$140.00
$10 per day—lodging	$140.00
Total	$280.00
Multiplied by	6
Total	$1,680.00
Travel fare to and from Washington R/T for orientation for Phase II:	
Region I $54×3=$162+$10×3=$30 (home/terminal)	
Region II $34×3=$102+$10×3=$30 (home/terminal)	
$264 $60	$324.00
Phase II RCWS' could conceivably come from other than Region I or II:	
Region III	$24
Region IV	80
Region V	76
Region VI	114
Region VII	148
Region VIII	274
B. Phase III—12 RCWS' for 2-week Washington orientation:	
$10 per day—meals and transportation	$140.00
$10 per day—lodging	$140.00
Total	$280.00
Multiplied by	12
Total	$3,360.00
Travel to and from Washington R/T for orientation for Phase III:	
Region III $24×3= $72+$10×3= $30 (home/terminal)	
Region IV $80×3=$240+$10×3= $30 (home/terminal)	
Region V $76×3=$228+$10×3= $30 (home/terminal)	
Region VI $114×3=$342+$10×3= $30 (home/terminal)	
$882 $120	$1,002.00
C. Phase IV—2-week RCWS Washington orientation 6 RCWS' at:	
$10 per day—meals and transportation	$140.00
$10 per day—lodging	$140.00
Total	$280.00
Multiplied by	6
Total	$1,680.00
Travel to and from Washington R/T for orientation for Phase IV:	
Region VII $148×3=$444+$10×3=$30 (home/terminal)	
Region VIII $274×3=$822+$10×3=$30 (home/terminal)	
$1,266 $60	$1,326.00
Total for orientation trips to Washington	$9,372.00

JUNE 5, 1969.

Hon. GEORGE P. SHULTZ,
Secretary, Department of Labor,
Washington, D.C.

DEAR MR. SECRETARY: An article in the June 2 *Washington Post*, entitled "Welfare Reform Held 'Token'," reported on a television appearance of George A. Wiley, Director of the National Welfare Rights Organization. I quote from the article:

"Wiley denounced the U.S. Labor Departments' Work Incentive Program, which trains welfare clients for jobs, as a brutal project 'designed to force mothers to leave their children and accept work' without guarantees of adequate training or pay.

"A subsidiary of Wiley's group, the National Self-Help Corporation, recently sought and won a $435,000 Labor Department Grant to train welfare clients to disseminate information about the Work Incentive Program.

"Apparently referring to the grant, Wiley said the welfare group was embarked on a massive information program to inform recipients about their rights and opportunities under the work program."

The kind of information program contemplated by Dr. Wiley is apparently illustrated by a conference of the National Welfare Rights Organization held April 25 and 26 at the Hawthorne School in Washington. The April 27 *Washington Post* reported:

"At one conference session yesterday, for example, participants got a two-hour course on how they could avoid job training or work under the city's new Work Incentive Program if they wished to stay at home with their children.

"Steven Wexler, a lawyer on the National Welfare Rights Organization staff, told them how they could exhaust appeal after appeal to stay out of the work program, designed to train and place welfare clients in jobs.

"'You can stay out of the program until Hell freezes over if you know how to do it,' he said."

Considering the publicly expressed views of Dr. Wiley and his organization in the past and the present, I must say that I am shocked that the Department of Labor had used funds from the Work Incentive Program appropriation to make a grant of $435,000 to Dr. Wiley's National Self-Help Corporation "to train welfare clients to disseminate information about the Work Incentve Program." This group has already helped itself to $80,000 of these Federal funds.

On behalf of the Committee on Finance, I want to know precisely under what authority the grant was originally made and under what authority your Department continues to make payments to the National Self-Help Corporation. I want to know how this organization has utilized the $80,000 expended thus far. I want to know what steps you are taking to rescind this grant. Specifically, I want to know whether the cost of the April conference at the Hawthorne School was paid in whole or in part from Federal funds and whether this is the type of "information dissemination" contemplated by the contract. I also want to know the name and title of every professional employee, both appointive and civil service, involved in the processing and approval of this project application.

For your information there was considerable controversy in 1967 when the Work Incentive Program was enacted as to whether the Department of Labor was qualified to administer this sort of program. As a matter of fact, the House of Representatives concluded it was not and placed the program under the direction of the Department of Health, Education, and Welfare. It was the Committee on Finance which insisted on the Department of Labor as the prime administrative agency.

Today I must say that the Committee has been disappointed at the Labor Department's slowness and apparent ineptness in implementing the Work Incentive Program. The grant I have referred to in my judgment reflects a failure by your Department to comprehend the forces seeking to discredit the efforts of Congress to help welfare recipients help themselves out of the quagmire of dependency in which they are caught. It is an unconscionable and massive act of maladministration. If your Department continues to make unauthorized payments to an organization whose stated purpose is to subvert the very program from which the payments are made, then I believe we should seriously reconsider whether your Department is qualified and motivated to administer the Work Incentive Program in accordance with the law.

I would appreciate your reply by June 12.

With every good wish, I am,

Sincerely,

RUSSELL B. LONG, *Chairman.*

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, D.C., June 13, 1969.

HON. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: This is in reply to your letter of June 5, 1969 concerning the Department of Labor contract with the National Self-Help Corporation.

During the prior Administration, the Department executed this contract with the National Self-Help Corporation, a subsidiary of the National Welfare Rights Organization on December 24, 1968. We understand the contract was an outgrowth of conversations between Department staff and representatives of NaSHCo in accord with the former Secretary's response to the request of the Poor People's Campaign in the summer of 1968. This response committed the Department to provide effective representations of the poor in programs such as WIN. The officials of the Department then felt that Dr. Wiley and his organization could communicate to the welfare client in a way which would provide a basis for discussion and understanding necessary to the operation of the program.

As a matter of background information we understand the National Welfare Rights Organization had previously gone on record as being strongly opposed to the legislation which created the Work Incentive Program. Up to the time of execution of this contract in December of last year, much of their effort in regard to WIN had taken the form of demonstration and protest. It was anticipated that this contract would provide alternative types of action on their part.

Your letter makes reference to a meeting of a local Welfare Rights Organization held on April 25 and 26 at the Hawthorne School in Washington which was attended by a staff member of NaSHCo. It should be explained that NaSHCo, as a part of their contract has the function of disseminating information on the WIN Program to welfare recipients. Such information takes the form of defining and explaining the rights of welfare recipients as well as the opportunities available to welfare clients under the program. In the news story cited in your letter the Washington Post reported only a limited portion of the information provided to participants in that meeting.

In response to your specific questions, we understand the prior officials of the Department approved this contract only after the then Solicitor stated there were no legal objections to the funding of the contract out of moneys for the administration of the WIN Program. Thus far NaSHCo has received $79,902.89 under its contract. They have incurred expenses through April 30 of $34,387.45. Of this figure, $28,191.28 was spent on salaries and wages including fringe benefits. The remainder has been expended for rent, communications, supplies, equipment, and travel. The activities of NaSHCo thus far have included three regional meetings of State and local welfare rights organization representatives to explain potential benefits to participants of the program as well as the rights of welfare recipients. We want to assure you that this Department is constantly reviewing and evaluating the activities of NaSHCo to make sure it is performing its obligations under its contract.

With regard to the more general concern expressed in your letter with the Departments' implementation of the WIN Program thus far, I am somewhat surprised at the disappointment of the Committee on Finance. As of April 30, 1969, approximately 67,000 persons had been enrolled in WIN programs in the 38 participating States. This progress has been made despite the fact that local programs have been hampered in many instances by the lack of adequate child care available for the children of AFDC mothers and earlier by the lack of guidelines available to State and local welfare agencies. It is our judgment that we will enroll substantially all of the persons anticipated by the Department under the FY 1968 and 1969 appropriations released to the Department by the Bureau of the Budget.

Thank you for your interest in this matter.

Sincerely,

GEORGE P. SHULTZ,
Secretary of Labor.

JUNE 24, 1969.

Hon. GEORGE P. SHULTZ,
Secretary, U.S. Department of Labor,
Washington, D.C.

DEAR MR. SECRETARY: I have received your June 13 letter which purports to be a reply to my June 5 letter concerning your Department's contract with the National Self-Help Corporation. Though you state that your letter is in reply to mine, you have in fact left virtually all my question unanswered.

I repeat my questions:

(1) Precisely under what authority was the grant originally made and under what authority does your Department continue to make payments to the National Self-Help Corporation? (Your letter merely states that "the then Solicitor stated there were no legal objections to the funding of the contract out of moneys for the administration of the WIN program"—as through this opinion constituted legal authority in the absence of statutory authority.)

(2) How has the $30,000 expended actually been used by the organization? (I expect an answer which tells me what program activities were carried out, with some description and detail, and not merely an answer that "$25,191.28 was expended on salaries and wages including fringe benefits. The remainder has been expended for rent, communications, supplies, equipment, and travel.")

(3) What steps are you taking to rescind this grant?

(4) Was the cost of the April conference at the Hawthorne School paid in whole or in part from Federal funds?

(5) What are the names and titles of every professional employee, both appointive and civil service, involved in the processing and approval of this project application?

If you still find it impossible to answer my questions by correspondence, I propose to discuss with the Committee on Finance other means by which this information can be obtained in public sessions. During such a hearing we would investigate these and other questions related to your Department's administration of the Work Incentive Program.

Your pride in your achievements under the Work Incentive Program is misplaced, and your figure of 67,000 as the number of persons enrolled on April 30 is deceptive. In fact, only 30,000 persons were actually in training on April 30; another 5,000 had been placed in employment. The remaining 32,000 persons—almost half the total—had either dropped out or transferred out of the program (11,000) or were in a "holding" category (21,000), that is, on this date they were receiving no training or other preparation for employment.

By way of contrast, in January 1967 there were 16,400 participants in the Community Work and Training program and 46,800 participants in the Work Experience program. Both programs were run by welfare agencies rather than employment agencies. These totals, more than double your actual current level of participation in training, include no dropouts or persons in a "holding" category. Furthermore, thousands of the persons in these two programs were in what would be called under the Work Incentive Program "special work projects." Yet, your Deparment had on April 30 only 619 participants in special work projects. You will have to step up your efforts considerably to reach the level of persons in training achieved by the Department of Health, Education, and Welfare 2½ years ago.

With every good wish, I am,

Sincerely,

RUSSELL B. LONG, *Chairman.*

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, D.C., July 18, 1969.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: The following is in reply to your letter of June 24, 1969 concerning the contract with the National Self-Help Corporation for services to the Work Incentive program. I am sorry that my earlier communication failed to clarify these points to your satisfaction.

1. The contract was executed by the prior Administration under the general administration authority to conduct the WIN Program, which is contained in Title IV, Section C of the Social Security Amendments of 1967.

2. The activities of NaSHCo under the contract have been primarily in the area of disseminating information about WIN to AFDC recipients through the channels of the State and local welfare rights groups. Four regional meetings have been held in Kansas City, Dallas, New York City, and Atlanta. These were attended by Department of Labor staff, who along the NaSHCo staff, discussed the potentials of the program as well as the rights of AFDC recipients with State and local welfare rights groups representatives. NaSHCo has established a regional office in Kansas City staffed by a regional representative, three community aides and a clerk. This staff has had several meetings in the States to explain the WIN Program. In addition, they have met with representatives of the State Employment Service agencies to develop channels of communication which will assist the agencies in developing programs consistent with the needs of AFDC recipients.

NaSHCo has also developed several informational pieces which are currently in the process of being cleared by the Department prior to distribution to the field. All such materials prepared by NaSCHo under the terms of this contract will be cleared by the Department.

Expenditures under the NaSHCo contract from December 24, 1968 to June 30, 1969 break out as follows:

Salaries	$39,533.65
Fringe benefits (7½ percent)	1,676.82
Travel and workshops	13,413.63
Consultants and auditors	1,221.06
Offices and utilities	2,184.60
Communications	960.69
Equipment	969.50
Office supplies	1,170.73
Printing and reproduction	2,453.20
Total	63,583.88

3. At this time, the Department has no specific plans to rescind the contract. However, we have taken steps to closely monitor the performance of the contract. As indicated above, all materials published by NaSHCo must be cleared by the Department beforehand. In addition, the qualifications and activities of staff personnel will be closely monitored. We also have held discussions with the officials of NaSHCo to insure that they are aware of the objectives of the contract. Through these means, we hope that the contract will serve the interests of the Federal government by providing an effective communication channel with the welfare client population.

4. The April conference at the Hawthorne School was organized by the local welfare rights organization and was not paid for with contract funds. However, a member of the NaSHCo staff whose salary is included under the terms of the contract was in attendance and participated in the meeting.

5. The contract was signed for the Department on December 24, 1969 by Mr. Mark Battle, under his authority as Administrator of the Bureau of Work-Training Programs. The contract was reviewed and approved by Mr. Stanley Ruttenberg, then Assistant Secretary of Labor for Manpower, and the former Secretary of Labor, Williard Wirtz. All persons involved in the pocessing and approval of the project application were working under the direction of these individuals.

Sincerely yours,

GEORGE P. SHULTZ, *Secretary of Labor.*

U.S. TREASURY DEPARTMENT,
INTERNAL REVENUE SERVICE,
Washington, D.C., August 12, 1969.

Hon. JOHN J. WILLIAMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR WILLIAMS: This refers to your inquiry of June 20, 1969, concerning past and present Federal employment tax deliquencies on the part of the Neighborhood Youth Corporation of the Kent County Community Action Agency and similar organizations in Delaware and throughout the country.

We are unable to furnish you complete information on all Anti-Poverty organizations which are now or have been delinquent in payment of Federal employment taxes. As you know, our field offices are responsible for identifying and handling all taxpayer delinquencies, and it would be necessary for all 58 districts to research every open and closed case in every open and closed file in order to secure the data you have asked for. I am sure you will appreciate that, with our limited manpower and money, I cannot authorize such a costly undertaking. However, I can give you information on those delinquencies in the Anti-Poverty area which field officials have specifically brought to our attention. Lists of these delinquencies are enclosed.

The liabilities shown on the lists may include income tax withholding, FICA taxes and FUTA (Federal unemployment tax). All of the organizations listed incur liability for income tax withholding, of course, even though they may be exempt from income tax as an organization described in section 501(c)(3) of the Internal Revenue Code. If the organization has not established tax-exempt status, liability is also incurred for FICA and FUTA taxes. However, if the organization has established exemption as a 501(c)(3) organization, it is automatically exempt from FICA taxes unless it has specifically waived its FICA exemption.

As to Kent County Community Action Agency, specifically, the enclosed list of open cases shows an employment tax balance due from this organization in the amount of $860. This represents FICA (social security taxes). However, the organization, and if exemption is granted, the organization will have no liability for FICA taxes unless it chooses to waive the FICA exemption. This seems unlikely, considering that the organization is no longer active. Thus, it appears probable that some part of the taxes which have already been paid by the organization will be refundable in an amount which may exceed the liability now shown on our books.

It may be that cases, in addition to those shown on the enclosed lists, have been or are now pending in the field and, indeed, delinquencies may exist of which the field is not yet aware. As I am sure you will appreciate, this entire area is one which is very difficult to monitor, considering the many funding Federal agencies which are involved, the many thousands of organizations which are funded, the variety of programs being undertaken and, quite often, the tax unfamiliarity of the persons undertaking them.

Ever since enactment of the Economic Opportunity Act of 1964, we have been aware of the need for educating the Anti-Poverty organizations to the tax responsibilities confronting them upon receipt of a grant and institution of the program for which the grant was given. Our aim has been to prevent delinquencies, an objective which, unfortunately, we have not fully realized. In attempting to do so, however, we have been working with the Office of Economic Opportunity, the Department of Labor, the Department of Agriculture and the Department of Health, Education and Welfare. We have obtained lists of grantee organizations from these agencies with the understanding that the lists will be kept current. Our field offices have been and are now checking these lists against our own lists of persons filing Federal employment tax returns. This cross check enables use to contact those organizations not appearing on our lists and to keep a close watch for delinquencies which may arise in the future. We feel that this is a good beginning, but we are convinced that the United States is the source of the funds with which these organizations operate, we believe that the funding Federal agencies may be in a position to assist us further in assuring that all taxes due the Federal Government are paid in full and on time. We are continuing, therefore, to work with these agencies in hopes of developing a fully coordinated program, looking toward timely payment of all tax obligations incurred by each and every grantee organization. As you suggest, delinquencies in this area should be and are of major concern to the Internal Revenue Service.

I appreciate your interest in this matter, and assure you that we will continue to watch the situation carefully.

With kind regards,

Sincerely,

WILLIAM H. SMITH,
Acting Commissioner.

Enclosures.

The information given below reflects collection status as of August 18, 1969. It does not necessarily reflect the current status of the case since collections may have been effected by the field office concerned in the meantime.

	Original delinquency Liability	Outstanding balance
CLOSED CASES		
1. Dallas County and City of Selma, Opportunity Board Inc., Selma, Ala	$1,681.30	0
2. Inner City Cultural Center, Los Angeles, Calif	94,697.98	0
3. Inland Area Urban League, Riverside, Calif	7,442.34	0
4. Monmouth Community Action Program Inc., Long Branch, N.J	69,780.48	0
5. Fayette County Community Action Agency Inc., Uniontown, Pa	20,785.80	0
6. Interfaith-Interracial Counsel of the Clergy, Philadelphia, Pa	29,177.76	0
7. Neighborhood Youth Corps, New York City, N.Y	3,589,288.00	0
8. New Opportunities for Waterbury Inc., T/A Now Inc., Waterbury, Conn	124,930.00	0
OPEN CASES		
1. Opportunities Industrialization Center, Philadelphia, Pa	751,702.91	78,395.25
2. O.I.C. Institute Inc., Philadelphia, Pa	193,328.66	89,487.13
3. Allied Builders Union Inc., Washington, D.C	31,387.94	9,469.85
4. Kent County Community Action Agency Inc., Dover, Del	8,344.85	869.42
5. Business Training Center, Paterson Task Force, Paterson, N.J	1,861.36	1,816.36
6. Haryou-Act, Inc., New York, N.Y	[1]	[2]
7. Black Youth Movement Inc., Waterbury, Conn	39,142.00	38,926.00
8. Opportunities Industrialization Center, Milwaukee, Wis	78,870.42	14,728.79
9. Archdiocesan opportunity program, Detroit, Mich	987,053.70	216,698.76

[1] Unknown at this time. Investigation being conducted to verify credits claimed. Earlier delinquency amounting to $208,986 has been fully paid.
[2] Unknown at this time. Investigation being conducted to verify credits claimed.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., December 11, 1969.

Hon. JOHN J. WILLIAMS,
U.S. Senate,
New Senate Office Building, Washington, D.C.

DEAR SENATOR WILLIAMS: Thank you very much for your recent letter requesting information on the Public Health Service contract with the National Self-Help Corporation.

The Department of Health, Education and Welfare initiated discussions with the National Self-Help Corporation in 1968 for a contract to provide assistance in certain aspects of the planning, conduct, and evaluation of a three-phase pilot program.

The contract amount is $38,000, and the effective date of the contract was April 24, 1969. It is to be completed within fifteen (15) months. The three phases of the program include the over-all planning and development of the curriculum to be used in the demonstration training program; two formal short-term training sessions separated by a six-month field training experience; and a comprehensive evaluation of the demonstration training program. I am attaching herewith copies of pertinent informational materials which you may find of interest.

Sincerely yours,

ROBERT H. FINCH,
Secretary.

Senator WILLIAMS. I request that you consult with HEW because I know I am not alone nor is the Chairman alone in the committee, and we are very much concerned at the manner in which these grants or contracts, are being made with this group, which obviously have but one intent, and that is to thwart the intents of Congress and to get this welfare—determined to get it—without working. To be frank with you, I cannot understand this continuous—with taxpayer's money—underwriting of this group.

Secretary SHULTZ. We are in full agreement with the sentiments expressed here as to the importance of emphasizing the work aspects of this whole problem. As I have said, we are working hard to make the WIN program work effectively, and we have made proposals which we think will enhance the meaning and effectiveness of this aspect of

the program. So, we are completely in accord with you as to that purpose.

We have tried to explain our situation with respect to this organization and the steps we have taken, given a contract that we inherited, to make that contract operate in the confines of its objectives and with that organization.

Senator WILLIAMS. Now, to get back to the tax, the present wage base is $3,000 and that is providing, I understand, about $21/2 billion per year, that is, that is the collected amount by the States, and the State expenditures in 1968, these were 1968 figures, were about $2 billion. That gave them about a $500 million surplus.

Now, if the wage base is raised to $1,200, what would be your estimate on the annual take?

Secretary SHULTZ. Well, the take - -

Senator WILLIAMS. In dollar volume.

Secretary SHULTZ. The revenue collected from the tax is a function on the one hand of the wage base to which it applies and on the other hand of the rate. Presumably the States adjust the rate of their tax in line with the needs that they have to pay benefits and to have the trust fund at given levels.

Now, of course, there are also administrative costs aside from the benefit costs. The fact is that the present tax rate on the present base is not going to meet the administrative costs of the system, and basically for the same reason, that the wage rates, for people administering the system rise, and if you hold constant the amount of money that is available for that administration, by fixing both the dollars of payroll covered and the rate of taxation, sooner or later it is not going to generate enough. So, there are those two parts to determining the revenue. But I think the full answer to your question is that the total amount collected depends upon the rate that the States apply to the wage base. No doubt it will vary from one State to another.

Senator WILLIAMS. Well, then, do you not have an estimate we will proceed on the basis of the $6,000 that you recommended. How much more revenue would you expect that to generate? Would you expect it to generate exactly the same revenue that it would if we leave it at $3,000 or an increase in the amount of revenue and if an increase, how much?

Secretary SHULTZ. We would expect it to generate - -

Senator WILLIAMS. Both the Federal tax and - -

Secretary SHULTZ (continuing). A larger sum that comes in through the Federal portion of the tax, most of which is sent back to the States for their administrative activities. Then the amount that it generates for benefit payments in the respective States would depend upon the experience in the States and their rates. Now, I think it is worth noting that there are 22 States with higher than $3,000 wage base. We do have estimates within the framework of the uncertainties that I mentioned of how much money would be generated. For the administrative side of it - - -

Senator WILLIAMS. Well, that is what I am after.

Secretary SHULTZ. All right. The proposal that I outlined to you which would bring us to a $6,000 base by 1975 with the wage rate and tax rate proposals that are included in my statement would yield $740 million in fiscal year 1970; it would go to $970 million in fiscal year

1971, $1,100 million in fiscal year 1972, $1,133 million in fiscal year 1973, $1,185 million in fiscal year 1974, and $1,285 million in 1975.

Senator WILLIAMS. That is the part of this collection that is set aside for Federal administration or really allocated to the States later for withdrawing funds.

Secretary SHULTZ. Well, this also is to build up a fund to finance the extended benefits should they come into play.

Senator WILLIAMS. That is right.

Secretary SHULTZ. So that if those benefits come into play you do not suddenly find yourself calling on the general revenues. You have built up a trust fund on which you automatically draw.

Senator WILLIAMS. And 1970 you say was $740 million.

Secretary SHULTZ. That is the amount that will be collected under these proposals in 1970. That is an estimate.

Senator WILLIAMS. Then by 1975 that would be about a billion increase.

Secretary SHULTZ. No. It would go up to $1,285 million so that is an increase of about a half-billion dollars.

Senator WILLIAMS. About half a billion dollar increase.

Now, on the other tax that is collected by the States, how will that compare? That would total around $21/2 billion in 1968. I do not know what the figures are for this year.

Secretary SHULTZ. For the States, the amount of tax dollars collected will reflect the amount of unemployment in the economy and the needs for funds. If the unemployment is low, then the State tax rates will remain low and there will be no need for large collections. If unemployment should rise, then the rates would rise and more money would flow into the system.

Senator WILLIAMS. But what I am trying to establish is that the changing—under your—your argument is changing it from $3,000 to $6,000 will not change the dollar figure necessarily of that one figure there. It would be determined by the employment rate in either case, whether it is the three or the six.

Secretary SHULTZ. Yes, sir. That is, we have a system that commits the Government to make payments to individuals under certain circumstances, having to do with unemployment, and so those payments are going to be made. Thus, what we are doing is discussing the question, how is the money to be raised to make those payments? So we are not really discussing whether the payment will be made. We are discussing the method of getting the money, and you can get the money by applying a high rate to a low base or a low rate to a high base.

Senator WILLIAMS. Well, the argument is this tax is paid in its entirety by the employers.

Secretary SHULTZ. Yes, sir.

Senator WILLIAMS. Now, the bulk of the employers I have talked with would rather have a low wage base. Now, if it is the argument that changing the wage base from $3,000 or $4,200 or $4,200 to $6,000 does not change the amount of revenue that is coming to the Government, why are you concerned whether the wage base is left as it is in the House bill at $4,200 to $6,000 if there is no money involved? And the fellows that are going to pay the tax would rather pay it on the $4,200 than the $6,000. Why raise it if there is not revenue involved?

Secretary SHULTZ. The basic reason for raising it is to provide greater equity among employers. The employers by and large who do not want to see it raised are the high wage, large employers. The employers who have a stake in seeing the base raised are the relatively low wage employers who tend to be smaller and in competitive industries.

Senator WILLIAMS. Well, the testimony later by the committee may develop that point but I must say that the mail that I am getting, the ones I have talked with, does not bear that out. They seem to be concerned just in general.

Secretary SHULTZ. Well, I think it can be developed, as a kind of logical point, the differential impact on differently situated employers of different days of doing the taxing. Stated in a simple way, an employer whose average wages are in the $3,000 area so that most of his payroll is taxed, and who happens to be a small employer and relatively stable—often in these situations the employer poyroll is stable—is going to get taxed much more heavily in proportion to his payroll than to a relatively unstable high wage employer.

Senator WILLIAMS. Well, one further question and I will pass on. As you make these contracts with the various work training programs, to a certain extent they become the status of employers, do they not, on this work training and subject to deducting from their employees the various unemployment taxes, Social Security taxes and various other forms of taxes, do they not?

Secretary SHULTZ. Are you speaking, for example, of a person brought on a company payroll as a result of the JOBS program?

Senator WILLIAMS. No. I am speaking of the contracts that you make with these various opportunity groups and Neighborhood Youth Corps, and so forth. Are these contracts negotiated through HEW entirely?

Secretary SHULTZ. No. They are negotiated through us. Do you want to comment on that?

Mr. WEBER. I am afraid I do not understand the specific question.

Secretary SHULTZ. I did not get it, either. That is why I asked you to comment.

Senator WILLIAMS. Well, the question is this. It was called to my attention that some of these Neighborhood Youth Corps making contracts with the Government for work training were not paying their taxes as they are required to pay and I submitted a question to you, your Department, and HEW, and was furnished a list of the groups that were delinquent in their tax payments.

Mr. WEBER. While, we are getting people on the table here you had better include OEO.

Senator WILLIAMS. I am getting their list now but they——

Mr. WEBER. Under the NYC program we are mandated to contract in most instances with community action agencies. I think it is correct that some of those have been delinquent in the payment of taxes. When this administration took office, one of the things we did in the Manpower Administration was to set up something called a special review staff to deal with what we euphemistically call instances of gross mismanagement. During the last year several instances of gross mismanagement involving nonpayment of taxes have come to our attention. Our special review staff has developed very close liaison with the Internal Revenue Service. We have established procedures for cross-

checking and for identifying delinquents, and beyond that we have established in cooperation with IRS a special manual or booklet for distribution to community action agencies indicating their requirements under the tax laws.

Now, beyond that, of course, is the additional question of having proper audits, and as of January 1969 there were in excess of 1,200 audits of neighborhood Youth Corps programs that were outstanding, some of them as old as 4 or 5 years. We have instituted a systematic audit program in order to close out and to be able to identify these deficiencies.

Obviously, we could not take on a workload like that and complete it overnight. But each of our regions his an audit schedule. We have retained additional consultants and we are working very hard to deal with just the problem you have identified.

Senator WILLIAMS. The reason I mentioned it, it seems these organizations that are being formed, financed entirely with Government money, and perhaps the function is work training, should at least be taught that one of the functions of American citizenship is to pay taxes under our existing laws.

Mr. WEBER. I agree with you.

Senator WILLIAMS. I was very much concerned to see that some of these delinquencies ran into the millions and I was advised the only way they were picked up from delinquencies were further grants or contracts from the Government in order to defray them. I noticed here is one, delinquency reached a total of $987,000. It is down to $216,000. They are still functioning with Government contracts. Another one had a delinquency here of $3½ million but they are current and I am checking but I was advised that they got a grant from the Government in order to pay this tax. Now, I do not know whether that is true but at least they are operating solely with Government money and where else do they get it if they are insolvent at the time and delinquent $3½ million in taxes? I know that those cases that I have do date back a couple of years, 1967 to 1968, and I am glad to hear that you are enforcing this strictly because I think that they should be held accountable currently and certainly that would be a good reason to cancel any contract when they were failing or showed up as a delinquent in the service.

Mr. WEBER. You could indicate to me, Senator, if you want to convey the specific cases by letter, I would be glad to look into them and report to you.

Senator WILLIAMS. Well, yes; I will be glad to convey it back to you. I must say that it was developed in correspondence with your Department and HEW and IRS but I will be glad to refer it back to you again for examination.

Mr. WEBER. Yes.

Secretary SHULTZ. Mr. Chairman, to get back to Senator Williams' question about the taxable wage base, I just call your attention to certain information without particularly trying to develop it. I think all members of the committee have a copy of this booklet "Employment Security Amendments of 1969," in the blue cover. On page 94 there is a table that shows the distribution of employers according to the proportion of taxable wages to total wages. By just glancing down the column headed "percent in interval", you can see how employers

are distributed very widely as to the proportion of their wages which are taxable.

The CHAIRMAN. The thought just occurs to me that on the Government contracts, go ahead and pay the taxes, we might just withhold the amount they owe us in taxes and deduct that and pay them the remmainder. If you and I were doing business and you owed me a $1,000 and you had $2,000 in salary coming, I would just take out my $1,000 and give you a $1,000 instead of two. But that is just one thought we might work on later on.

Senator McCarthy?

Senator MCCARTHY. Mr. Secretary, are you satisfied with the rate at which the States are developing programs which would meet national standards in terms of benefits and conditions of qualification?

Secretary SHULTZ. Since the midfifties there has been considerable improvement in State maximums, which are the chief factor in limiting benefits, rather than the percentage of a worker's average weekly wage that they pay. There was a burst of activity between 1954 and 1960, when the number of States with a maximum of at least 50 percent of statewide average weekly wages increased from three to 11.

So in the President's message to you conveying his original proposals, there was a considerable amount of attention paid to benefit levels which we feel are inadequate and the President called upon the States to make a strong effort in this area. I cannot recall the exact phrase offhand, but he ended by setting an explicit standard that 80 percent of those eligible should be eligible for at least half their earnings, and by saying that we expect a strong State effort on this point within the next 2 years—as he put it, in order to avoid Federal action.

Senator MCCARTHY. Well, if it is a good thing, why should we hesitate to take Federal action?

Secretary SCHULTZ. I think because——

Senator MCCARTHY. You are recommending Federal action on minimum income. Why not Federal action on minimum unemployment compensation. If there is virtue in one act why not the other?

Secretary SHULTZ. There is also virtue in having a Federal-State system here. There is great variation among the States and their precise situations and they have developed their own ways of doing things. So we think that if the results can be achieved through State action, it is more in keeping with the spirit of this system. We feel that since improvement in State laws followed the exhortation and determined effort of President Eisenhower in the 1950's, perhaps we can make another strong push in this direction and bring the States along. If they do not come along, then we feel strongly enough about it so that other action may be proposed.

Senator MCCARTHY. Are you threatening that or are you just thinking about it?

Secretary SHULTZ. Well, I can only quote the President's message.

Senator MCCARTHY. Thank you.

I have no other questions, Mr. Chairman.

The CHAIRMAN. Senator Hartke?

Senator HARTKE. On page 7, Mr. Secretary, you make reference to the Federal-State extended benefit program and then the program as it is adopted by the House you say, on page 8, is acceptable to the administration?

Secretary SHULTZ. Yes, sir.

Senator HARTKE. And this program basically provides for general Federal-State relationship in which the program is triggered by certain index which is established on a State and on a national level. And then you make this statement: "It should be noted, however, that the House passed program does not have to be in effect in all States until January first, 1972 in order to give State legislatures time to act."

Then you make this comment and recommendation: "This committee may wish to consider filling this gap by a temporary national program."

Is the national program which you envision the one which you mentioned in your original recommendation to the House of 100 percent financed federally financed program?

Secretary SHULTZ. The national program———

Senator HARTKE. It would have to be, would it not?

Secretary SHULTZ (continuing). Enacted before States had a chance to act would have to be a federally financed program, that is right.

Senator HARTKE. The present economic policy of the United States as we well know, is designed to reduce the economic growth of this Nation and———

Secretary SHULTZ. No. No. It is certainly not designed to do that.

Senator HARTKE. It is not?

Secretary SHULTZ. No, sir.

Senator HARTKE. I thought I heard Mr. McCracken say that the decline in economic growth of this Nation was the intent of the present policy of the tight money policy, and the austerity program and the tight monetary and fiscal policies of the Nation. Am I wrong in that?

Secretary SHULTZ. Our intent is to rearrange the way in which the economy is operating so that we can attain a strong and stable growth. The kind of growth associated with an ever-accelerating rate of increase in prices is not a healthy way and so our objective is to get the situation under control so that a healthy rate of growth in the economy can be sustained.

Senator HARTKE. Yes, but the stated purpose and the general approach to this as has been nationally understood is to slow down the economy, that this was one of the designs of this administration through their fiscal and monetary policy, is that not correct? I am sorry to say that I thought that there would be no question that that would be agreed upon. I was coming to the next point but I just want to make sure I understand what the policy of this Government is at the present time.

Secretary SHULTZ. Well, our policy is and has been, through a combination of fiscal action and monetary policy which the President has emphasized again and again recently, to get the Federal budgetary house in order on the one hand, and to hope that the Federal Reserve Board, which is independent, as you know, will follow a policy of restraint in monetary policy. Through those two methods, we will have a calming effect on the economy and diminish the amount of flame under it, and this will result in a drop in the rate of inflation.

Senator HARTKE. Mr. Shultz, let me ask you this. Is it not true that the wholesale price index, for example, on food prices alone increased seven-tenths of a percent in January?

Secretary SHULTZ. I think———

Senator HARTKE. And that is a sharp increase over December.

Secretary SHULTZ. You phrased that very well and another significant fact is that on other commodities, industrial commodities, the rate of increase was far more moderate.

Senator HARTKE. Yes; I understand the rate of increase on industrial commodities has been far more moderate all the way through. This has been true throughout the history of this inflationary spiral and yet the private sector has been paying the penalty and been the scapegoat that is not their fault or their responsibility. Really what I am coming to, I do not think there is any question but implicit in your statement here on page 8 is that you anticipate that sometime between now and January first of 1972, which this is 1970, which means within the next 2-year period, that we will have 3 months of more than 4½ percent unemployment. Is that not true?

Secretary SHULTZ. No, sir.

Senator HARTKE. Why would you then suggest to us that we need a national policy when that is the basis or the index which would trigger the payment of a national unemployment compensation extended benefit?

Secretary SHULTZ. For the same reason that we suggested an extended benefit program in the first place; namely, in the spirit of an insurance policy. Just as, if you own a house, you go ahead and buy fire insurance, but that does not mean you intended to burn your house down. That means that you have an insurance policy in case that event should take place.

Senator HARTKE. Let me ask you—it might mean—what is your anticipation, let us take for this year—for unemployment? I think it is very important in this bill that we have some projection and some idea of what rate of unemployment you anticipate in the years 1970 and 1971.

Secretary SHULTZ. I have spent a lot of time in the field of economics in my adult life and I have never considered myself as particularly in the field of forecasting. But I have observed the forecasts of many other people and my observations of their forecasts looked at after the fact have not left me with a lot of confidence in our ability to say today exactly what the situation is going to look like a year from now. And so, I do not really feel very confident in offering any such projecion.

I think that a look at the statistics during 1969, so we are not projecting, we are just looking at what has already happened and we know that on the whole the economy sort of moves with a fair amount of momentum, so if you observe something happening, you expect it is going to continue, has been that the rate of increase in employment has moderated somewhat, that unemployment, total unemployment, has risen a little, particularly if you do not just take the two end points. If you take December and compare it with January, it looks as though the total unemployment rate stayed about the same but if you take quarterly averages, they have risen slightly but are still well in the 3.4 to 4.0 percent range. Just where it will go is, I think, something that we should wait and see. Note that these figures relate to total unemployment which is almost always higher than insured unemployment. The trigger point of 4½ percent insured unemployment corresponds roughly to a total unemployment rate of about 5.7 percent. A total unemployment rate of 4½ percent corresponds approxi-

mately to an insured unemployment rate of about 3.2 percent. In the meantime, however, as I said, in the spirit of a person buying an insurance policy, you try to have yourself prepared for any possibility.

Senator HARTKE. Then, I take it that you have, you offer no suggestions as to what we can anticipate in 1970 or 1971 as to what the economic circumstances are going to be in relation to employment.

Secretary SHULTZ. What we want and what we hope for, what we would like to see the economy move toward, is a period in which we can have stable economic growth with low unemployment and high employment, strong demand for labor. That is the objective. We are obviously in a period in which the economy is shifting its gears somewhat and it calls for close watching and with concern to see that our policies are proper and monitored constantly.

Senator HARTKE. I understand, Mr. Secretary, your reluctance to talk about this very difficult problem because you are talking about people. I understand that. I mean, you are talking about people and their jobs. And I can only assume that your reluctance to give us any indication when you are in the Department which basically deals with this problem every day means that you are not prepared at this time to give us any answer of any significance upon which we could make any judgments and the net result of that is all of us are left more or less as far as the Labor Department is concerned, to make our own conclusions and taking your own figures here of 4½ percent, I would anticipate that the Congress had better be prepared for at least a 4½-percent unemployment rate sometime between now and January 1, 1971. And I would gather that if we are going to pass legislation upon your recommendation on a national level to accommodate that type of unemployment, then it would be considered an undesirable rate of unemployment when it reached over 4½ percent.

Now, I may be wrong on those assumptions but I would think that is a fair interpretation of what you have said this morning.

Secretary SHULTZ. Well, I do not think it is.

Senator HARTKE. All right. That is all.

The CHAIRMAN. Senator Ribicoff?

Senator RIBICOFF. Mr. Secretary, you are a member of the Federal Advisory Council on Employment Security, are you not?

Secretary SHULTZ. Yes, sir.

Senator RIBICOFF. At its last meeting did the Advisory Council recommend that a provision for minimum Federal standards be included in the administration proposal for employment insurance?

Secretary SHULTZ. It was discussed. I am sure many members of the Council think that way. I do not believe there was a vote on the issue.

Senator RIBICOFF. Well, I did not say a vote but was there a recommendation that there be such a recommendation?

Secretary SHULTZ. I am not certain about that, Senator.

Senator RIBICOFF. Could you find out and let us know?

Secretary SHULTZ. Yes, sir.

(The Secretary of Labor subsequently supplied the following information:)

The last meeting at which the Federal Advisory Council on Employment Security considered what it would recommend for inclusion in the Administration's proposed unemployment insurance amendments was held on May 2, 1969. It was attended by seven employer, six labor and five public representatives.

As I indicated, no votes were taken, but there was a general indication of views. The consensus favored a Federal requirement that State benefits represent at least 50 percent of individual wages, up to a maximum of ⅔ of the Statewide average weekly wage.

Senator RIBICOFF. Now, it seems, Mr. Secretary, that every recent President, including Mr. Nixon, have advocated substantial improvements in the benefit structure of unemployment insurance. All have recommended that the State laws should provide jobless workers with benefits equal to at least one-half of the regular weekly earnings. How many States in the United States have met that goal?

Secretary SHULTZ. If you will let me see if I can get that. Do you know the answer to that?

I am informed that two States, Hawaii and Connecticut, have met the goal of 80 percent eligible for 50 percent of their earnings.

Senator RIBICOFF. So, here you are, you have 50 States and each President keeps making this recommendation, and only two States, Hawaii and Connecticut, have achieved this goal.

Now, what has your Department done in urging Governors to improve their programs?

Secretary SHULTZ. Well, we have been present at meetings of Governors and talked about this. We have written to Governors and pointed out the President's statement to them. We have been trying to keep close track of the meetings of State legislatures and to make known to the Governors in connection with a meeting of the State legislature the importance of improving benefits. We offer technical advice and service in developing improved legislation, and in general do everything we can to call attention to this problem.

Senator RIBICOFF. Now, the last time unemployment legislation was before the Congress, we were given the impression that—and you give it today, too, that States could be relied on to improve the benefit structure of their program. Therefore, we were told Federal minimum standards were not necessary. Now, President Nixon has said substantially the same thing.

In July 1965, if my figures are correct, the maximum weekly benefit amount payable under 34 State programs was less than 50 percent of the average weekly wage in these States. In December 1969, according to an article in your monthly Labor Review, the January issue, the maximum benefit in 30 State programs was still less than half the average weekly wage. So in over 4 years only four States in this country have moved up to a 50-percent basis. Why do you not come to the Congress and ask for Federal standards? I mean, if we are going on at this rate it will be the year 2000 before all the States would have benefits equalling half of the average weekly wage.

Secretary SHULTZ. The experience in the latter half of the 1950's was more encouraging than the experience you cited which I agree is discouraging. We felt that we should give this another whirl. We are encouraged by a recent action in the State of Washington, which moved up sharply. We think that we should make another effort to work strongly with the States in this area. I think the President's statement and his message was a very strong one on the desirability of this benefit standard and rather explicit about what the States ought to do and if not, the suggestion that he might very well recommend Federal standards.

Senator RIBICOFF. Well, I agree with Senator McCarthy when he pointed out to you the President has proposed minimum welfare payments or minimum income payments to welfare recipients or individuals not on welfare but with low incomes, but why does not the administration take the step and ask for minimum standards for the unemployed? Do you not think an unemployed person who has had a good record, who has worked hard and suddenly finds himself unemployed, is deserving to have at least one-half of his wages during the time of unemployment?

Secretary SHULTZ. Well, we feel that the system should be strengthened. I do not know what further to say about our reasoning that we should make one more effort to work with the States. I might note in connection with the family assistance plan that that still envisages a Federal-State welfare relationship in most cases.

Senator RIBICOFF. Well, I read on page 23 of your supplement to your statement, "The remaining major program area benefit adequacy is a responsibility of the individual States. Unfortunately, in three-fifths of the States a worker earning the average wage in his State is prevented by State maximum from receiving a benefit of half his usual weekly wage. Most of those weekly benefits are limited by the maximum are men with firm past and present labor force attachment." Do you want to comment on that?

Secretary SHULTZ. Yes. We think———

Senator RIBICOFF. What is your objective? You make the statement, and this is just fine, but now what are you going to do about it?

Secretary SHULTZ. We are doing many things about it. First, the President has set up a goal for the States that is couched in a very explicit way. That is, not to say the great majority or the bulk, or something like that, of workers, which is subject to a great variety of interpretation but to say 80 percent should be eligible for at least 50 percent. He has discussed that at some length in his message. We think it is important to be explicit in your goals and that has been done.

Secondly, we feel that we should try hard to get the States to come along. That does not mean simply hoping that they will but working actively with them [and] I have already mentioned some of the things that we have done in that regard.

So, it is not as though we are passive on that score. Furthermore, the President has in effect said that if the States do not measure up to this task, then in effect some Federal action will be called for.

Senator RIBICOFF. Well, I mean, we have had these statements from all past Presidents and nothing happens. In 1965 it was before us and now it is 1970, 5 years later, and so little has happened. How many people in the United States do you really think read the President's message on unemployment insurance?

Secretary SHULTZ. Well, I think that certainly—no one knows how many people read anything.

Senator RIBICOFF. How many people do you think really read this?

Secretary SHULTZ. But I imagine that the Governors look it over. I imagine the people in the various States who are anxious to see benefits raised read it and have given it some prominence. I do not think it is a meaningless document by any means. We are encouraged because we have some statements from some States about it.

Secretary RIBICOFF. Frankly, Mr. Secretary, your statements leave me very, very cold. If you think that action is going to be taken on an important subject like this just because the President makes a statement and then drops it, I am afraid that the unemployed are going to get very, very cold comfort on winter days when they are out of work, and you may not make any prediction about unemployment but it becomes very obvious that part of the President's policy—I am not saying whether he is right or wrong, is that there will be a substantial amount of unemployment. I do not know what the figures are either. And that you anticipate—in your testimony it is implicit that you anticipate that there will be a considerable amount of unemployment because we are pointing to a certain factor and if it gets up beyond a certain percentage, there will be a national emergency and the National Government should assume the entire cost. So, you anticipate that this is something that could take place, but unless the President is willing to fight for a program, nothing is going to happen in the country. It will have to be the Congress, it certainly will not happen in the States, sir.

Secretary SHULTZ. The President has not just made this statement and let it drop. He has been following up on it and we have been following up on it so it is not just lying there with nothing going on.

Senator RIBICOFF. If he is fighting for it, I am just very curious during the next year how many States will go along and raise the benefits to the extent that you recommend or the President recommends. Four States in 5 years, since 1965, have done so, and we still have more than half of the States that have not done so. Thirty more States to go.

Senator MCCARTHY (now presiding). Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman.

First, I would like to say that I think that our country is very fortunate to have a man of the ability of Secretary Shultz heading this Department. I am very much impressed with the Secretary.

Mr. Secretary, to pursue the questioning originated by Senator McCarthy and followed by Senator Ribicoff, do you favor a national standard of benefits to be determined by the Federal Government?

Secretary SHULTZ. We favor improvement in the benefit levels and we would like to see that take place through State action.

Senator BYRD. Do you favor a national standard to be determined by the Federal Government?

Secretary SHULTZ. No, sir. We favor State action in that regard, although the President has set a standard that he hopes the States will come up to.

Senator BYRD. But your answer to my question is that you do not favor a national standard to be determined by the Federal Government, but you favor a standard to be determined by the individual States?

Secretary SHULTZ. Well, I guess I would have to put it a little differently, sir. The President has set up a standard to which he hopes the States will repair. And he has expressed in doing so his deep feeling that the best way in which to attain this needed improvement in benefit levels is through State action, although in the phraseology of his statement he does not rule out Federal action at some subsequent time should the States not move in a strong way in this area.

Senator BYRD. I take a view contrary to that of Senator McCarthy and Senator Ribicoff but I want to try to understand your view because you are the chief adviser to the President in matters pertaining to unemployment compensation. I am not clear as to whether you do or do not favor the Federal Government determining a standard of benefit which must be applied to all the States.

Secretary SHULTZ. My position on that has to be put in the frame of the present and viewed against unfolding events. At this time it is my feeling, the President's feeling that I share and support, that the benefit levels are too low. Point 1.

Second, that a reasonable standard for what might be considered adequate benefits and a method of getting them is set forth by the President. We feel that the best way to get there under this system is to work with the States and let the States go about it in their own way, adapt the program to their own special circumstances, and to maintain the spirit of a Federal-State system. We are working as diligently as we can with the States to try to bring that about. Now, the President in his message adds in addition to his exhortation—I will read it. You have it.

"I call upon the States to act within the next 2 years to meet this goal."

The goal that he set up, "thereby averting the need for Federal action."

Thus our position is that we want to have the improvement take place by the States but, as I think the President's statement suggests, this is not necessarily a timeless position. But we hope, and sincerely want to work with the States. We feel that the experience and the record during the Eisenhower administration in which President Eisenhower first set forth these goals—and he and my predecessor, Jim Mitchell, worked very hard with the States, did pay off and we think perhaps hard work on our part may have a similar result.

Senator BYRD. I concur thoroughly in your view that it should be handled by the States. I think it is a question of philosophy. I think it is a very important question and incidentally, I want to make clear that I am a strong supporter of the unemployment compensation program. I think it is a good program. I think it should be handled by the States. I do not agree with those of my colleagues who say it should be handled by the Federal Government. I think the Federal Government over the last 15 or 20 years, particularly the last 8 or 10 years, has been trying to handle too many things. I think one reason that we are in the mess we are in now is because Washington has been trying to handle too many of these programs. And I would certainly hope—I would certainly hope that this administration would never recommend that the national standards of benefits to be determined by the Federal Government be established here in the city of Washington to apply throughout the United States. We have got varying conditions in every State of the Union. In reply to Senator Ribicoff, I believe you said that only two States, Hawaii and Connecticut, have met the—am I correct in this—have met the standard as set forth in the President's statement?

Secretary SHULTZ. I believe that is correct. That is the sort of thing we should check for the record when we look it over.

Senator BYRD. Are we to assume, then, that Washington is correct, and that 48 of the 50 States are wrong, and two of the 50 States are right?

Secretary SHULTZ. No, sir. I think there is a different kind of problem here. It is essentially the same problem that made it necessary to have a Federal Unemployment Tax Act to bring the unemployment compensation system into being in the first place, that is it is difficult for any one State acting all by itself to project benefit levels—and thereby tax costs—that are far in advance of other sister States in which industry may be competing. So, somehow or other you have to orchestrate a set of State actions so that States do not wind up undercutting each other. That is what we are hoping to do, to get everybody into the spirit moving ahead on this so that one is not going to undercut the other. If that does not succeed, then you have the problem of possible Federal action.

In this regard, I would call your attention to my statement on just the same point but applied to another area. Let me just reread the statement of Governor Reagan about the coverage of farm labor. It is on exactly the same problem.

"We cannot serve our California workers well by being so far in front as to jeopardize the farms which provide these jobs."

The same point, of trying to get everybody to move along more or less in concert, applies to the level of benefits.

Senator BYRD. I am in favor of that approach but what concerns me, and I had no idea that this administration would even consider, even consider advocating a national standard, because the whole thrust of this administration has been to return to the individual States power and sovereignty that has been taken away from them by the Federal Government.

This approach, if we ever go to such an approach as this, would further encroach on the rights of the States. As I say, I believe in this program. I think it is a good program. But I think it must and should be handled at the State level and contrary to probably the majority of my colleagues on this committee, I think it would be very wrong, very undesirable, for the Federal Government to come in here and try to demand that there be national standards and every State shall do exactly as every other State does and have a determination made here in the city of Washington. I do not think the people here are smart enough to make all the decisions for this great big country. Anyway, that is a question of philosophy, but I must say I am a little disturbed by the testimony this morning that unless the States do such and such, that 2 years from now, or some other time, we are going to force action on the States. I think the approach, the correct approach, is the one that you are taking and that is working with the States and trying to perfect this program for the benefit of the unemployed and all the persons within the various States.

Now, to get back to this contract that there has been some discussion of, as I understand it, the contract is for $454,000 of which $134,000 has been expended to date. Is that roughly correct?

Mr. WEBER. I am not precisely sure of the latter figure but it is in that vicinity.

Senator BYRD. It is a figure that someone gave; roughly that.

Mr. WEBER. Yes, I gave it to the best of my recollection. On checking, it develops that by December 31, 1969, expenditures under the contract amounted to $198,491.

Senator BYRD. So, there is still $320,000 remaining not yet expended and then I understood a project officer has been assigned virtually full time to monitor the program. Then you have a project officer, whatever his salary might be, say $18,000 or $20,000, to monitor a program which amounts to—expenditures up to this point amount to—$134,000. It seems to me that if you have to spend that much monitoring the program, it might be well to cut the program out. May I ask this, What are the objectives of this contract that we have? What is the purpose of this contract?

Secretary SHULTZ. Could I comment first on this point of monitoring programs. We think it is very important to monitor programs. That does not mean you have to have somebody assigned full time to everything, but that you try to keep track of what is going on, and to give people the feeling as well as the reality that you have a management system of some kind and that you let a contract for a purpose and you intend to follow through and see that you achieve that purpose. So, we think that this function of auditing and monitoring and following up is something important to do. I must say every time we turn in a new direction it seems to create a crisis. People think it is all wrong and what not, but we think it is right and we should continue to do it. To some extent, if you get people into a frame of mind, you will not have to do as much monitoring because they will be monitoring themselves. So, we think this is an important function to perform.

I would like to ask Mr. Weber to respond to your question about the details of objectives into which this contract is to fit.

Mr. WEBER. Senator, as was indicated earlier, the contract was negotiated by our predecessors. My understanding of the situation in which it arose and its objectives is as follows. Passage of the WIN legislation amendments to social security was associated with some controversy, particularly with respect to what you might call the organized welfare community; that is, groups of welfare recipients and in many instances welfare workers. Apparently, it was felt to be desirable to provide this grant to a group which could communicate with the welfare recipients who would be subject to the provisions of the WIN program.

Senator BYRD. Sort of public relations outfit.

Mr. WEBER. No, sir. No, sir. Well, to some extent—everything has a little public relations to it. The form of the communication would be to explain the opportunities open under the program with respect to training, with respect to child care, with respect to basic education. To that extent that had a very positive direction.

Second, under the regulations associated with the law, to explain to the people their rights under the program; that is, their right to adequate child care, their right to use an appeals procedure. These are all spelled out in the administrative regulations.

And third, to provide a de facto grievance procedure. That is, if somebody had a grievance and felt he was denied benefits or was not getting the proper training, this organization would provide a channel by which these grievances could be brought to light and subject

to constructive treatment. As I indicated earlier, we have been watching this very closely and watching it build up on a city by city basis. There have been incidents, for example, where some of the people associated with the contract have, in our estimation, made statements that they should not have made.

Senator BYRD. When does the contract expire?

Mr. WEBER. It is a 3-year contract. But by and large, on the other hand, I have to report to you that our regional manpower administrators have said that in many instances this contract has provided a useful input in helping overcome local resistance to the program. And, of course, we are going to closely monitor it.

Senator BYRD. Thank you very much, Mr. Weber and Mr. Secretary.

Thank you, Mr. Chairman.

Senator MCCARTHY. Senator Fannin.

Senator FANNIN. I apologize for not being here earlier. I did have a conflict. I would like to talk to the Secretary for a few minutes. I do not want to be repetitious and I do not know what happened. So, if you do have a few minutes I would like to meet with you in the back of this room later.

Senator MCCARTHY. Thank you very much, Mr. Secretary.

Secretary SHULTZ. Thank you, Mr. Chairman.

Senator MCCARTHY. Mr. Murray Weidenbaum. Mr. Weidenbaum, if you do not object, could you have your statement included in the record and just tell us about the particular tax consequences of it?

STATEMENT OF HON. MURRAY L. WEIDENBAUM, ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY

Mr. WEIDENBAUM. Fine. I would like to summarize my statement very briefly, Mr. Chairman. By and large, the Treasury Department is pleased to testify in favor of H.R. 14705 but urges that some important changes be made in it from the House version.

Specifically, we favor a national trigger with full Federal financing of the extended benefits program, although we would accept the House bill with its State and national triggers and Federal and State sharing of costs.

And as Secretary Shultz has stated, should the Finance Committee go along with the House bill, we urge the temporary rate increase in lieu of a permanent increase for the interim period, 1970 and 1971.

We strongly endorse increasing the taxable wage base by stages to the ultimate of $6,000 in 1975 along the lines of Secretary Shultz' testimony.

As for farm coverage recommended by Secretary Shultz and which was in the original recommendation of the administration but not in the House bill, I wish to report that from the viewpoint of tax administration, including at least the larger farm employers, would not provide any problems of tax collection for the Treasury. By and large we are collecting from these and actually smaller farm employers in the social security program under the Federal Insurance Contribution Act.

As I say, with these and other recommended amendments, the Treausry Department would be pleased to endorse the bill.

Senator MCCARTHY. Senator Williams?

Senator WILLIAMS. Just one question. These funds, this tax is paid in its entirety by the employers.

Mr. WEIDENBAUM. Yes, sir.

Senator WILLIAMS. Now, it is paid and collected by the Federal Government but it is deposited or accepted somewhat to the credit of the respective States, that is right.

Mr. WEIDENBAUM. The Internal Revenue Service collects Federal tax which is available for administration and repayable advances to States. This is put into the Unemployment Trust Funds. This tax we recommend now be used also to finance the extended benefit program. The States themselves collect the larger portion from employers and that also funnels into the Unemployment Trust Fund as States' deposits. The Treasury in turn makes disbursements to the States as the funds are needed. Meanwhile, the funds are invested in earning Treasury securities.

Senator WILLIAMS. In other words, it is recognized that the funds in effect belong to the States and the Treasury Department for the Government acts merely as the trustee.

Mr. WEIDENBAUM. Yes, sir.

Senator WILLIAMS. Now, since this money does not belong to the Government, just how and by what line of reasoning do we take the accumulation in that trust fund and use it to offset our deficits when we report it to the taxpayer since we cannot use it for any purpose except to go back to the States?

Mr. WEIDENBAUM. Let me assure you, Senator, that the State deposits to the Unemployment Trust Fund are used for no other purpose than to be paid to the States for benefit payments. The unused balances at any point are invested in earning Treasury securities. Now, when we under the unified budget, which I believe is the point you are raising, when we report the results under the unified budget, we show the total of outlays from all of the funds held by the Federal Government, both the so-called Federal funds, or those under the old administrative budget, as well as all of the trust funds, whether these are veterans, life insurance, social security, or unemployment trust funds. And under revenues we show the total of all receipts coming into the Federal Government, whether these go to trust funds or other funds. This procedure came from the recommendations of the Presidential Commission on Budget Concepts, a bipartisan commission, which stated—I am pleased to report because I was one of the consultants to the commission—that the public would get a better, a truer picture of the Federal financial condition if the unified budget would show all of the inflows of revenue to the Federal Government and all of the expenditures out of the Federal Government.

Senator WILLIAMS. The point I am making is that by using these trust funds of which we are the trustee, no Federal money is put into that trust fund directly. This is all money collected by the States or collected by the Government in behalf of the employers in the States. By using that, it enables the administration in power to report a surplus, for example, the accumulation of trust funds this year, all of them, about $8½ billion, making them report a surplus when in effect we are operating at a multibillion dollar deficit. Is that not correct?

Mr. WEIDENBAUM. There is a volume of special analyses in the new budget. In one of those special analyses we show what the budget results are, excluding the trust funds. Yes. Excluding the trust funds, we estimate in the fiscal year 1971, we will spend somewhat more than $7 billion above revenues coming into the Federal fund.

Senator WILLIAMS. In other words, may we project a surplus next year of about a million and a half or whatever the cash projected is. You are actually going to have to be back here in a few days requesting us to raise the ceiling on the national debt by $8 to $10 billion so that you can finance this surplus, is that not true?

Mr. WEIDENBAUM. That is not quite it.

Senator WILLIAMS. Will you be back asking for an increase in the national debt?

Mr. WEIDENBAUM. I believe we will be.

Senator WILLIAMS. Sure.

Mr. WEIDENBAUM. But that——

Senator WILLIAMS. In private industry, did you ever hear of a company having to expand its borrowing capacity with the bank to finance a profit or accumulated surplus?

Mr. WEIDENBAUM. Oh, yes. All the time. I speak from years of experience in private industry, sir. It is most common for a large corporation, a profitable large corporation, to finance its capital expenditures through borrowing.

Senator WILLIAMS. I understand that. I am not speaking of that. I am just speaking of your surplus of many of the— for example, just as we serve as trustee for these trust funds, many private corporations also serve as trustees for their pension accounts, do they not?

Mr. WEIDENBAUM. Yes, sir.

Senator WILLIAMS. And they report to their stockholders an extra page or two in their annual report of the accumulation and the buildup of their pension accounts, do they not?

Mr. WEIDENBAUM. Yes, sir.

Senator WILLIAMS. And in most instances those pension accounts are increasing. Now, if they reported to their stockholders on the amount of earnings and included in that the increase in their pension funds, would that be permitted under the law?

Mr. WEIDENBAUM. No, sir, and in that deal——

Senator WILLIAMS. That is what we are dealing with under the Federal Government.

Mr. WEIDENBAUM. I see a fundamental difference, Senator.

Senator WILLIAMS. The only difference, to be frank with you, that I can see, is that the Government is doing it in one instance and in the other instance private industry is doing it and to be frank with you, if private industry had an accounting system as the Federal Government has today, I think they would be locked up in a penitentiary.

Mr. WEIDENBAUM. Senator, as one of the people who had a small part in designing the unified budget before entering the Government, I take a good deal of comfort in being in a position of carrying out our recommendations.

Take our concern over inflation at the present time. I say this as a technician, not as someone defending a political decision. This is the line of reasoning I gave to the President's commission as a consultant at the time. To look at the impact of the Federal Government on the

economy and on inflation, we need to look at all of the dollars coming into the Federal Government, whether these are social security taxes, unemployment taxes, or income taxes. We need to look at all of the expenditures going out of the Federal Government, whether these come from trust funds or other funds. Unless we do this, we do not give the public an adequate comprehensive picture of the impact of this vast Government on our economy and on the inflationary situation specifically.

Senator WILLIAMS. Well, I will not pursue this further because I do not think that either of us is going to convince the other. But I agree that we do look at the impact of all these funds, we always do in our Committee. We go beyond that. You have got to look at the impact of the amount of taxes being collected by the respective States. That, too, is coming out of the economy. All of it is taken into consideration when you find your tax package. What I am speaking of is that we do not include in that, even though we take it into consideration, in our work here, but we do not include the surplus that may be piled up in New York or some respective State if they are having surpluses or deficits. But I will not pursue that further. I just say that we all agree we had better control this inflation and I think that it could be accomplished better if we laid the facts our clearer, where it could be better understood by the American people. Namely, that we are not living within our income. We are kidding ourselves when we say we are building up surpluses when in effect we are having to borrow $600 or $800 million a month to finance those "surpluses." It is misleading and deceiving and I do not think we are going to lick this inflation until we face up to it.

Senator MCCARTHY. John, you have to make a choice as to whether you want a Punxsutawney groundhog or the Quarryville groundhog. Either one is all right.

(Mr. Weidenbaum's prepared statements follows:)

PREPARED STATEMENT OF HON. MURRAY L. WEIDENBAUM, ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY

Mr. Chairman and Members of the Committee: I am pleased to have the opportunity today to express the views of the Department of the Treasury on The Employment Security Amendments of 1970 (H.R. 14705) as passed by the House. We need to modernize the Federal-State unemployment insurance. The system is a keystone to economic security for America's workers and represents income support for willing workers unable to work because of circumstances beyond their control.

Although basically sound, the unemployment insurance system—which was enacted in 1935—in some respects has fallen behind in a much-changed economy. It is like the long-used, well-constructed machine that is operating well but requires some improvements.

The system has not been generally revised since its inception—35 years ago. It is in much need of revision to better meet its objectives as insurance against the risks of unemployment and as a built-in mechanism to moderate the impact of significant reductions in the level of economic activity.

President Nixon in his July 8, 1969 message to the Congress proposed legislation to extend unemployment insurance coverage to millions of workers not now covered, to provide for a stand-by program which would automatically extend the duration of benefits in periods of high unemployment, and other needed improvements.

The House passed H.R. 14705 which incorporates many of these recommendations. It has failed however to provide some important improvements originally recommended, such as coverage for agricultural labor.

Although we would prefer legislation along the lines of the July 8 recommendations, we find the House bill acceptable if certain important changes are made in respect to coverage and financing. These changes are covered by the testimony of the Secretary of Labor. I will concern myself with the fiscal and financing aspects of the legislation. This bill does strengthen the ability of the insurance system to act as an automatic stabilizer if and when the economy declines to a substantial degree. I believe that prudent planning calls for taking such measures now when the economy is basically healthy even though it is in a process of readjustment.

An analysis of the past history of unemployment insurance demonstrates its effectiveness as a stabilizing factor. For example, in the 1958 recession, as a result of lower output (GNP), personal income before taxes (excluding transfer payments) declined at an annual rate of $3.2 billion between the third quarter of 1957 and the second quarter of 1958 (see Table 1). Because of the automatic response of stabilizers such as unemployment benefits, disposable personal income was actually increasing at an annual rate of $2.8 billion during the same period. This stabilizing influence was attained without any discretionary action. Specifically, the $3.2 billion decline in personal income was more than offset by a $2.5 billion increase in unemployment benefits payments, a $90 million increase in social security payments, and $1.5 billion of reduced income taxes resulting from lower incomes. Such sustained disposable income in a recession supports consumption and leads to economy recovery.

Even moderate economic readjustments, as are now taking place, are automatically cushioned by the operation of unemployment insurance and the other stabilizers.

But we need to improve unemployment insurance so that its potential as an automatic stabilizer can be even greater. To the extent that automatic stabilizers are structured into our economy, this enables economic forces to respond more quickly to adverse employment impacts which may result from periods of substantial economic restraint. This bill goes a long way toward improving unemployment insurance as an automatic stabilizer and hence toward minimizing the social costs which may accompany necessary changes in economic policy.

TABLE 1.—*Changes in personal income, tax payments, and transfer payments from 3d quarter 1957 to 2d quarter 1958*

[Billions of dollars]

Decline in personal income (excluding transfer payments)	−3.2
Offset by built-in stabilizers:	
Increase in unemployment benefits	+2.5
Increase in OASI benefits	+0.9
Increase in other transfer payments	+1.0
Reduction in Federal personal taxes	+1.8
Reduction in personal contributions for social insurance	+0.1
Increase in State and local personal taxes	−0.3
Subtotal, built-in stabilizers	+6.0
Equals: Rise in disposable personal income	+2.8

NOTE.—At seasonally adjusted annual rates.

Source: U.S. Department of Commerce, "The National Income and Product Accounts, 1929-65," Supplement to Survey of Current Business, Washington, D.C., U.S. Government Printing Office, August 1966.

NEED FOR MORE AUTOMATIC RESPONSE

Mr. Chairman, we need to provide through our insurance system added protection against prolonged unemployment, should that eventuality ever arise. In the past, the more serious a recession grew, the larger were the number of benefit exhaustees and the longer the duration of unemployment. Although a serious recession is quite remote, it would appear advisable to protect our workers against this possibility. We need to protect our economy by structuring the unemployment insurance system so that protection comes into effect automatically, in timely fashion, and with adequate reserve to meet an emergency.

It should be recognized that our present system of unemployment compensation tends to provide effective built-in stabilization for small recessions (see Table 1), but it would tend to become relatively weaker if a recession became more severe and increasing numbers of workers exhausted benefits. The purpose of

"triggered-in" extended benefits is to deal more effectively with the latter type of situation.

In 1958 and again in 1961 the Congress, when it recognized the seriousness of those recessions, enacted temporary extended benefits programs. The Administration last year proposed a permanent stand-by program which avoids the rush and timing problems of emergency legislation and which makes unemployment insurance a more useful and responsive element of economic stabilization policy. The recommended program has a national "trigger" for extended benefits and is entirely Federally financed. The Administration considers widespread unemployment as a national problem and therefore extended benefits should be Federally financed.

The House bill does provide a permanent stand-by program, but it has both state and national "triggers" and is jointly financed from state and Federal unemployment tax revenues. The Federal Government would pay half of the costs in each state and the state would pay the other half. The House approach provide a response to unemployment on a state basis as well as nationwide, which justifies a sharing of the costs.

Extended benefits in a state will begin when the national or state "trigger" is "on", whichever occurs first. The program in a state will end when the national and state "triggers" are both "off". But a state can continue extended benefits if the national "trigger" is "off" but the state "trigger" remains "on".

State "triggering" occurs if:

(1) Insured unemployment in the state for any 13 consecutive week period is 20 percent more than the average for the same period over the two previous years, and

(2) the state insured unemployment rate is at least 4 percent.

Nationwide "triggering" occurs if national insured unemployment is at least 4.5 percent for 3 consecutive months.

The current national unemployment rate for insured workers is 2.4 percent.

Under the extended benefits program, exhaustees of regular state benefits will continue to receive the equivalent of the regular state weekly benefit for a period equal to one-half the length of the state duration, or 13 weeks, whichever is less. In no case will regular and extended benefits compensate for more than 39 weeks of total unemployment.

The extended benefits program in the House bill is an acceptable program. But the House bill postpones effective operation until January 1972. To meet any emergency, the extended benefits program as originally recommended by this Administration would have been effective shortly after enactment. Certainly, your Committee should consider, as suggested by Secretary Schultz, some means of providing for standby protection for the period between enactment and the effective date in the House bill.

ADEQUACY OF STATE RESERVES

Mr. Chairman, it is equally desirable to avoid temporary emergency actions by the states to finance a sudden high-cost period of regular benefits. As a good insurance principle, the states should be able to accumulate adequate reserves to finance a high-cost benefit period brought on by more unemployment than usual. Today, a good number of states have adequate reserves if measured by the principle that a state's reserves should be at least one and one-half times the highest 12-month cost benefit rate over the past decade. For example, at the end of fiscal 1969 the national average was 1.78 times and 36 states (plus the District of Columbia and Puerto Rico) more than met the 1.5 ratio rule. But 14 states did not, and these account for over 41 percent of covered workers.

It is essential that the fiscal capability of the states be enlarged to assure the adequacy of funding, particularly the funding of the state share of the extended benefits program. An increase in the Federal taxable wage base as now recommended by this Administration will move substantially in this direction.

Fiscal capability is expanded because the states must prescribe a wage base for state unemployment taxes at least equivalent to the Federal base if employers are to receive the full Federal credit for state taxes paid. On the other hand, capability is unaffected by a Federal rate increase since it results in no direct requirements on the states.

The House bill moves in the direction of improving state capability, but it is not enough. The bill will increase the outdated $3,000 wage base to $4,200 in

1972. But it will permanently increase the Federal effective tax rate from 0.4 percent to 0.5 percent beginning in 1970.

Secretary Schultz has today clearly indicated on equity grounds the need for a higher wage base in lieu of a permanent rate increase. Low-wage industries and the many small businesses in such industries should not have to shoulder the burden of financing a large proportion of the extended benefits and administrative costs of the system.

Accordingly, the Administration recommends that the rate increase beginning in 1970 be made temporary and that it lapse at the end of 1971. A temporary rate increase recognizes the need to finance an early build-up of the Federal extended benefits fund. But this is only a temporary requirement. Beginning in 1972, with the rate returning to 0.4 percent, the wage base will need to be increased to more than $4,200 in order to support the longer range financial requirements of the program. The Administration therefore recommends that the base be increased to $4,800 in 1972 and further increased to $6,000 in 1975.

Mr. Chairman, irrespective of the justification for such wage base increases on equity grounds and to finance Federal requirements, the Treasury does want to emphasize the importance of the recommended wage base increases as a way of expanding the fiscal capability of the states.

States will automatically or by specific action follow the Federal wage base limit. Twenty-six states (plus the District of Columbia and Puerto Rico) have provisions for automatic extension of their taxable wage ceilings to the Federal Unemployment Tax Act. Twenty-two states have a state base that is currently more than the Federal $3,000 base.

Under the Administration's proposal states will find that the potential yield of their tax systems will increase with higher wage bases. Under these circumstances the states will have either the capacity to build their reserves to adequate levels, or, having adequate reserves, the states will have the flexibility of reducing taxes by lowering rates.

ADEQUACY OF BENEFITS

Mr. Chairman, this Administration did not recommend Federal standards for the adequacy of state benefits. We are pleased that the House bill does not provide any. President Nixon pointed out that this is a responsibility of the states and that such freedom of action is well warranted. But the President requested the states to examine their benefit structures and establish realistic benefit ceilings.

In some of our large industrial states, for example, 60 to 75 percent of the male workers laid off receive less than one-half of their weekly wages. It has been generally accepted since the beginning of unemployment insurance that the wage loss recovery should be at least 50 percent. It was about that level in the Thirties, but benefits have simply not kept up with the growth of earnings.

Of course, benefits should not completely replace wages lost from unemployment. Work incentives are needed. The 50 percent rule adequately maintains those incentives. The problem in the present system is that the maximum weekly benefit amount in most states is so low that a large proportion of laid-off workers are unable to receive as much as 50 percent of their normal weekly wages.

Adequacy of benefits is essential in automatic stabilization. The larger the wage loss recovery, the more disposable income and personal consumption expenditures are sustained.

FARM COVERAGE

Mr. Chairman, the House bill does not provide unemployment insurance to cover agricultural labor. The Administration recommends that at least coverage be extended to large employers of agricultural labor. Such coverage would pose no new problems for tax administration. Every farm employer who would be covered under the Federal Unemployment Tax Act is now covered, reporting, and paying tax under the Federal Insurance Contribution Act. Employer compliance would in fact be simplified to the extent that the coverage of agricultural labor under Unemployment Insurance can prudently be brought more nearly in line with the coverage under Social Security.

TRAINING

The reduction of residual unemployment or structural unemployment would make automatic stabilizers even more effective. Structural unemployment may exist because workers are unskilled or need more skills, because they do not

move easily to areas where there are more job opportunities, or because industry may not shift readily from tight labor supply areas to regions where labor resources are more adequate.

We have specific programs now which are directed at overcoming these problems. To the extent that the House bill, following the Administration's recommendation, encourages unemployment insurance claimants who need training to take it, it is also contributing to the resolution of these problems. These programs are long range and like our education programs represent a worthwhile investment in human resources to complement investments in capital plant and equipment.

Senator McCARTHY. The committee will be adjourned until February 17 at 10 o'clock, when we will hear public witnesses on the same subject.

Thank you very much.

(Whereupon, at 12:20 p.m., the hearing was recessed, to reconvene at 10 a.m., Tuesday, February 17, 1970.)

UNEMPLOYMENT COMPENSATION

TUESDAY, FEBRUARY 17, 1970

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

The committee met, pursuant to recess, at 10 a.m., in room 2221, New Senate Office Building, Hon. Russell B. Long (chairman), presiding.

Present: Senators Long, Anderson, Harris, Byrd, Jr. of Virginia, Williams of Delaware, Bennett, and Jordan of Idaho.

Senator WILLIAMS (now presiding). The hearing will come to order.

This morning the committee will begin 2 days of hearings to receive testimony from individuals and organizations concerned with the unemployment compensation program. I call attention to the fact that most provisions of the bill before the committee (H.R. 14705), were approved by the committee and passed by the Senate in 1966. Generally speaking, the provisions in the House bill are not particularly controversial.

Witnesses today and tomorrow have been requested to confine their oral testimony to 10 minutes. I urge that they all make a special effort to conform to this rule.

Our first witness this morning is the Honorable B. F. Sisk, Congresssman from the State of California. Mr. Sisk, we are pleased to have you with us today. You may proceed with your statement.

STATEMENT OF HON. B. F. SISK, U.S. REPRESENTATIVE FROM THE 16TH DISTRICT OF THE STATE OF CALIFORNIA

Mr. SISK. Thank you, Mr. Chairman. I appreciate the opportunity, I might say, to come over and testify. I think this is about the second time in 16 years that I have imposed upon this distinguished body but it does happen to be a subject I am interested in because I do represent within my district, probably the highest percentage of large farmers in America.

Mr. Chairman, and members of the Committee on Finance, thank you for affording me this opportunity to appear before you to discuss what Secretary of Labor George Shultz referred to as the "most serious deficiency" in H.R. 14705, namely, the bill's omission of coverage for employees of large agricultural enterprises.

President Nixon proposed, in his message to the Congress of July 8, 1969, that farm employers having four or more employees during any 20 weeks of a year be covered by the unemployment insurance program. Only 5 percent of all farm employers would have been affected by the provision. This coverage could be a cautious, yet worthwhile, beginning in bringing farmworkers under the protection of a social

insurance program which will cover, if H.R. 14705 is enacted, 84 percent of all farm or agricultural jobs.

The President's proposal was embodied in H.R. 12625 by Congressmen Wilbur Mills and John Byrnes. Unfortunately, when the bill was reported as H.R. 14705, it excluded large farm coverage.

I was floor manager for the rule under which the bill was taken up by the House on November 13, 1969. Because certain important information which was not available to the Ways and Means Committee during its consideration of the bill is now available, I ask your patience while I refer to the record of the debates on the bill.

During the discussion I said that I was personally quite disappointed that the bill did not go further in covering certain agricultural workers and farm employees. I added that coverage for farmworkers is a subject of considerable interest across the country and one in which in many cases farmers are asking themselves that they be brought under coverage.

Later, Congressman Gonzalez of Texas asked Congressman Mills, "Does the gentleman detect any strong sentiment in the direction of eventually covering farm fieldworkers?"

I wish to call your attention to Mr. Mills' reply:

I do. There is a growing feeling, I believe, as pointed out by the gentleman from California (Mr. Sisk), even on the part of some of the farm operators, and particularly the very largest farm operators. I have heard not directly but indirectly that they have some feeling that if they could extend to their workers unemployment compensation comparable to that which is extended in town, they might have more of an appeal to get certain folks within the town to come to work for them on the farms.

The experience which the State of North Dakota had in covering a segment of its farmers was such as to cause practically every other state to be very cautious about how they cover them. In that state the cost of coverage for farm workers is many times the cost of coverage of workers in the industrial plants in the towns of North Dakota. It was much higher.

Now, it is clear that the North Dakota experience was a key factor in the minds of at least some of the members of the Ways and Means Committee when they voted on farm coverage. A number of major witnesses had emphasized the high cost of the North Dakota experience as a reason not to proceed with even limited farm coverage at this time.

For example, the American Farm Bureau Federation told the Ways and Means Committee that "such conclusions as may be reasonably drawn from such limited experience as is available—see summary of North Dakota experience in our main presentation—would indicate that if unemployment insurance were extended to nonseasoal farm workers, costs could run from 10 to 15 percent of taxable payrolls." The U.S. Chamber of Commerce made a similar contention about the North Dakota experience.

In response to a question from Congressman Corman about whether it could be assumed that the greater the number of agricultural employees who are covered, the lesser will be the cost of burden of such coverage, a representative of the Interstate Conference of Employment Security Administrators replied:

I believe quite the reverse would be true if the information given to us by Mr. Gronvold is accepted. (Mr. Martin Gronvold is Director of the North Dakota Employment Security Agency.) He stated that in North Dakota, they have voluntary election and they permitted only the very best employers, or those employers

that they thought would enjoy the best experience, the most regular employers that use their workers more regularly but their cost was, in the last two years, about ten per cent or a little over. But I would assume that if you dropped down and take the other employers who experience more unemployment that the cost would go up higher so that I would assume the more you extend the coverage of farm workers in the smaller farms the greater would be your cost because of the turnover in the workers.

The implication of this answer was that the North Dakota experience was with coverage of large farm employers. Unfortunately, the spokesmen for these groups apparently did not realize that the North Dakota experience has virtually no relevance to the large farm coverage proposals before the Ways and Means Committee. Nor did the committee know these facts. And I here again, going on the written record momentarily, refer specifically to those farms and the size of farms which we do have in my area of California.

Following the passage of H.R. 14705 by the House, the U.S. Department of Labor examined the North Dakota records and discovered that the 121 farm employers who were covered by their own election in 1968, employed a total of only 148 workers. Only one of these employers would have been covered by the proposed provision in H.R. 12625 (that is, employers of four or more workers in 20 weeks), and none of the employers would have been covered by an alternative proposal to cover employers of eight or more workers in 26 weeks. Furthermore, while the cost rate for all 121 employers was 12.4 percent, because of the extreme impact that even small amounts of unemployment have in a pool of just 148 workers, the combined cost rate for the only four employers in the group with taxable payrolls of $10,000 or more was only 3.6 percent.

I trust that these remarks will assist you in understanding the true nature of the North Dakota experience. I hope that this committee will rectify the damage done by the incorrect interpretations of the data which were presented to the House of Representatives.

Existing farm coverage programs have variations that make direct comparisons with the coverage proposed by the President difficult. However, it is worth noting that 35 employers in Hawaii with nearly 10,000 employees had a cost rate (benefits as a percent of taxable payroll) of only 1.1 percent in 1968. Despite severe climatic conditions, the benefit cost rate in Canada during 1967–68 was less than 4.5 percent.

A 1965–66 California study estimated a cost rate of 9.5 percent for extensive coverage. The actual experience of the 765 California farm employers who elected coverage for over 17,000 employees was 4.5 percent in 1968.

But, as Secretary Shultz said in the statement he presented to you, even if farm coverage should cost 9.5 percent in California, should it be judged by a test not used for other groups? The Secretary mentioned that the average cost rate for five California industries closely related to farming was 10.8 percent in 1967. He also cited the fact that the rate for contract construction was 8.3 percent in that year, with the subcategories of general building and highway construction both at 10 percent.

Gentlemen, in closing, I would like to point out that the Governor of California has publicly called upon the Congress to enact unemployment legislation covering farmworkers and that there is a rising sentiment among California farm producers for such coverage. I urge

you to include coverage of employers of large agricultural employers in this legislation.

Mr. Chairman, I appreciate this opportunity of giving a statement.

Senator WILLIAMS. Thank you, Mr. Sisk. Any questions?

Senator BENNETT. No questions.

Senator JORDAN. No questions.

Senator BENNETT. Mr. Chairman, I would like to say the testimony is very clear. We appreciate it.

Mr. SISK. Thank you, gentlemen.

Senator WILLIAMS. The next witness, Mr. Andrew J. Biemiller.

STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, AS PRESENTED BY CLINTON FAIR, LEGISLATIVE REPRESENTATIVE, LEGISLATIVE DEPARTMENT, AFL-CIO; ACCOMPANIED BY JAMES O'BRIEN, ASSISTANT DIRECTOR, SOCIAL SECURITY DEPARTMENT, AFL-CIO

Mr. FAIR. Mr. Chairman, my name is Clinton Fair. I am the legislative representative in the legislative department of the AFL-CIO. Mr. Biemiller regrets that he is in Bell Harbor today.

With me is Mr. James O'Brien.

Senator BENNETT. You do not mean he regrets that he is in Bell Harbor. You mean he regrets he cannot be here.

Mr. FAIR. He says he regrets he is in Bell Harbor. He would rather be here.

Senator BENNETT. I see.

Mr. FAIR. I am accompanied by Mr. James O'Brien, who is the assistant director of our department of social security.

Mr. Chairman, members of the committee, we appreciate this opportunity to present the views of the American Federation of Labor and Congress of Industrial Organizations on H.R. 14705, S. 3421, and amendment No. 489.

We view H.R. 14705 as a meritorious effort to improve the system, but still lacking the most essential ingredient—minimum Federal benefit standards.

The AFL-CIO at its recent constitutional convention held last October noted the continued deterioration of the unemployment compensation program. The growing disparity between wage loss and weekly benefits is a matter of deep concern to our membership. Federal action is needed to restore the wage related benefit principle to the program by lifting the maximum weekly benefit level. In 37 States the maximum benefits are below the poverty level. The policy resolution adopted by the convention urged Congress to establish a minimum Federal benefit standard that would assure jobless workers a weekly benefit equal to at least two-thirds of their weekly wage loss. That statement is attached to the full statement in your published record.

Mr. Chairman, an improved benefit structure for the program has been a goal of every recent administration.

In the 89th Congress, extensive hearings on every phase of the Federal-State unemployment compensation program were conducted. Congress was assured, at that time, the States would improve the benefit

structure of the program without Federal benefit standards being enacted. Our AFL–CIO affiliates have worked diligently at the State level to improve the program and thus bring to fruition the assurances given to the Congress. A review of the record indicates the assurances were without foundation; AFL–CIO efforts at the State level have been most disappointing.

In mid-1965, when the issue of Federal benefit standards received congressional attention, the maximum weekly benefit amount in 34 States was less than 50 percent of the statewide average weekly wage. On December 1, 1969, the maximum weekly benefit amount in 30 States was still less than 50 percent of the statewide average weekly wage. Every State legislature has been in session at least once since this matter was considered by the Congress. The record speaks for itself. The States are unwilling to improve their benefit structure. Nothing of consequence is going to happen until the Congress of the United States establishes a minimum Federal benefit amount standard.

Presently, Mr. Chairman, two proposals setting Federal benefit standards are before your committee: amendment No. 439 and S. 3421. Both proposals are meritorious.

They provide that an individual's weekly benefit amount for a week of total unemployment shall be an amount to at least one-half of such individual's average weekly wage; and that the State maximum weekly benefit amount shall be no less than 50 percent of the statewide average weekly wage in covered employment.

One of the criticisms leveled at the Senate-passed bill in 1966 related to the provisions affecting States with dependency allowances.

A number of State laws contain dependency allowances. However, the method for determining an individual's benefit amount differs greatly among those States.

S. 3421 provides alternative methods of determining if a State is meeting the standard that an individual's benefit amount is equivalent to 50 percent of his average weekly wage and if the State maximum benefit amount is equivalent to 50 percent of the statewide average weekly wage.

Because we believe S. 3421 overcomes the hangup presented by States with dependency allowances, we urge its enactment.

DURATION

H.R. 14705 fails to establish a minimum duration standard for State programs. The need for this standard stems not from widespread deficiencies in our State laws, but rather from the reluctance of a few States to keep pace with the others in improving this aspect of their program. The average claimant in some States can expect as many as 26, 29, or even 30 weeks of benefits if he needs them; in others, the average potential duration period is only 18 or 19 weeks. The limited duration periods in some State laws helps to explain why 25, 30, and 35 percent of claimants exhaust benefits each year before obtaining new employment.

We urge you to include a benefit duration standard in this bill. It would, in addition, provide a realistic base upon which to establish an extended benefit program.

At a minimum we urge the enactment of the standard set forth in amendment No. 489.

FEDERAL-STATE EXTENDED BENEFIT PROGRAM

We urge the committee to amend the proposal in H.R. 14705 which establishes a triggered extended benefit program. In the absence of a Federal standard establishing State responsibility for a minimum duration period, existing inequities in the program will be compounded. In some States, every qualified worker will be entitled to a maximum benefit period of 39 weeks—26 weeks regular plus 13 weeks extended. In other States, workers will be entitled to only 13.5 weeks—9 regular weeks plus 4.5 extended. Should Congress be asked to provide Federal financing of benefits after 9, 10, or 12 weeks in some States, but only after 26 weeks in others? We fear this arrangement will blunt any desire on the part of State legislators to improve the duration provisions in their State programs.

In addition, it will provide very little assistance for the long-term unemployed. It is intended to function only during periods of recession. However, long-term unemployment persists even when the overall rate of unemployment is declining.

We recommend amending H.R. 14705 to provide a completely Federal program for the long-term unemployed. The program should be established on a continuing basis for workers with a firm labor force attachment. It should provide not only unemployment compensation benefits, but job training, retraining, and the upgrading of skills in all cases where such action will help return unemployed workers to gainful employment.

COVERAGE

Mr. Chairman, we endorse the statement and the conclusions and recommendations of Congressman Sisk's remarks made just previous to our statement.

The provisions in H.R. 14705 to extend the protection of the program to an additional 4.5 million workers are meritorious, and they certainly have our support. We urge the program be strengthened by including agricultural workers, domestic workers, and public employees who like other workers, need the protection of this program.

The Congress has recognized the devastating impact of unemployment on Federal workers. It has also acted as a most responsible employer and an understanding legislative body by enacting legislation to provide unemployment compensation protection for its employees. Workers employed by other political jurisdictions deserve the safe protection. This bill could be measurably improved by extending coverage to all public employees.

Agricultural workers and domestic workers should not be forgotten by Congress. Their need for unemployment insurance protection is, in many cases, greater than the need of other working people. We are certain that extending coverage to farm and domestic workers in large residences would present little difficulty at this time. A numerical or payroll standard could be utilized to extend coverage to some of these workers now. Further extensions of coverage could be based on the results of studies the Secretary is expected to make under other provisions of this bill.

OTHER FEDERAL STANDARDS—REQUALIFYING

The requalifying requirement contained in H.R. 14705 could be strengthened by an amendment specifying the amount of work or wages that would meet the requirement of work. Any work or wages equal to a week of employment should be the maximum requalifying standard the States should be permitted to impose in this kind of case.

I am going to skip some of the testimony as a matter of time. It is in the printed record and move on.

TRAINING

H.R. 14705 would prohibit the States from imposing a disqualification on workers who are undergoing training with the approval of the State agency. The provision in H.R. 14705 concerning trainees is reasonable and we think should be adopted.

INTERSTATE AND COMBINED WAGE REQUIREMENTS

We think there is a widespread agreement that multi-State workers should have the full protection of this program. We hope this standard will be approved by the committee.

REDUCED TAX RATES FOR EMPLOYERS

H.R. 14705 modifies the present requirement permitted reduced tax rates.

We understand the rationale for limiting this provision to new and newly covered employers, but the unemployment insurance system could be significantly improved by permitting the States to reduce tax rates for all employers on a basis other than experience rating, if that State wished to do so.

FINANCING

A serious inadequacy in the existing program is the obsolete taxable wage base. At the time the $3,000 tax base was established the average weekly wage in covered employment was $26.16. The average weekly wage in covered employment in 1968 was $126.61—almost a five-fold increase. If the taxable wage base had kept pace with changes in wage levels, it would be approximately $15,000 now.

Therefore, the administration's original proposal of an increase in the taxable wage base to $6,000 should be considered as the minimum level upon which to base expectations for program improvements.

Almost 4 years ago, the President of the AFL-CIO appeared before this committee to urge modernization of the unemployment insurance program. The views of organized labor, if they can be stated briefly, called for a much greater role in the program by the Federal partner.

The record of State legislation, or more properly the lack of it, clearly sustains our position. Neglect by the Federal partner is weakening this program. The program needs direction. This can only be achieved by the enactment of a minimum Federal benefit amount

standard. We hope the committee will recommend and the Congress will enact a bill containing minimum Federal standards that will truly strengthen and improve the program.

Mr. Chairman, I thank you.

Senator ANDERSON (now presiding). Thank you very much.

(Mr. Andrew J. Biemiller's prepared statement follows:)

STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. Chairman, members of the Committee, we appreciate this opportunity to present the views of the American Federation of Labor and the Congress of Industrial Organizations on H.R. 14705. In recent weeks, I doubt if a day has passed without members of one or more AFL–CIO affiliates being informed of cut-backs in production. This means unemployment for the workers involved, and it also means an immediate need for unemployment compensation protection. Unfortunately, serious disappointment lies in store for many of these workers unless the unemployment compensation system is substantially improved. A program that has merely sputtered along during prosperity cannot be depended upon to move with authority during any sustained period of economic adversity.

H.R. 14705 represents an effort to improve the system, but it lacks the essential ingredient the federal partner must supply to achieve substantially this objective—minimum federal benefit standards.

The AFL–CIO, at its Constitutional Convention held last October noted the continued deterioration of the unemployment compensation program.—Appendix (B) The growing disparity between wage loss and weekly benefits is a matter of deep concern to our membership. Federal action is needed to restore the wage-related benefit principle to the program and lift the maximum weekly benefit level, especially in the 37 states where maximum benefits are below the poverty level of subsistence. The policy resolution adopted by the Convention urged Congress to establish a minimum federal benefit standard that would assure jobless workers a weekly benefit equal to at least two-thirds of their weekly wage loss.

Mr. Chairman, an improved benefit structure for the program has been a goal of every recent Administration. President Nixon in his July 1969 message on unemployment compensation stated:

"If the program is to fulfill its role, it is essential that the benefit maximum be raised. A maximum of two-thirds of the average wage in the state would result in benefits of 50% in wages to at least 80% of insured workers."

President Eisenhower recommended a similar goal in 1954. Legislation to establish minimum federal standards to attain these goals were supported by the Administrations of Presidents Kennedy and Johnson.

In the 89th Congress, extensive hearings on every phase of the federal-state unemployment compensation program were conducted. Congress was assured, at that time, the states would improve the benefit structure of their respective programs without federal benefit standards. The AFL–CIO has worked diligently at the state level to improve the program and thus bring to fruition the assurances given to Congress. But a review of the record indicates the assurances were worthless, and AFL–CIO efforts at the state level were unappreciated.

In mid-1965, when the issue of Federal benefit standards received Congressional attention, the maximum weekly benefit in 34 states was less than 50 percent of the statewide average weekly wage. On December 1, 1969, the maximum weekly benefit under 30 state programs was still less than 50 percent of the statewide average weekly wage. Every state legislature has been in session at least once since unemployment compensation program improvements were last considered by Congress. The record clearly indicates that the states are unwilling to improve the benefit structure of the program unless Congress establishes minimum federal benefit standards.

Presently, Mr. Chairman, two proposals setting Federal benefit standards are before your Committee: Amendment No. 489 and S. 3421. Both proposals are meritorious.

They provide that an individual's weekly benefit amount for a week of total unemployment shall be an amount equal to at least one-half of such individual's average weekly wage; and that the state maximum weekly benefit amount shall be no less than 50 percent of the statewide average weekly wage.

One of the criticisms leveled at the Senate-passed bill in 1966 related to the provisions affecting states with dependency allowances.

A number of state laws contain dependency allowances. However, the method for determining an individual's benefit amount differs greatly among those states.

S. 3421 provides alternative methods of determining if a state is meeting the standard that an individual's benefit amount is equivalent to 50 percent of his average weekly wage and if the state maximum benefit amount is equivalent to 50 percent of the statewide average weekly wage.

Because we believe S. 3421 overcomes the hangup presented by states with dependency allowances, we urge its enactment.

S. 3421 would establish minimum Federal benefit standards that would permit the states to move in the direction of the benefit structure desired by this administration and recommended so often in the past by other administrations. S. 3421 represents a significant step forward. It would give direction to the program, and remedy one of its most serious existing deficiencies. It has the support of the AFL–CIO, because it would end an era of neglect by the federal partner, and give the states a chance to start anew to improve the benefit structure of their programs. We hope you will incorporate the benefit standards contained in this bill into H.R. 14705. We are convinced the omission of a benefit standard from this legislation will only result in ever greater economic suffering for jobless workers and their families.

DURATION

The failure of H.R. 14705 to establish a minimum duration standard which state programs would be required to meet is extremely disappointing to the AFL–CIO. The need for this standard does not stem from widespread deficiencies in state laws, but rather from the reluctance of a few states to keep pace with the others in improving this aspect of their program. The average claimant in some states can expect as many as 26, 29 or even 30 weeks of benefits if he needs them; in others, the average potential duration period is only 18 or 19 weeks. The limited duration periods in some state laws helps explain the reason 25, 30 and 35 percent of claimants in those states exhaust benefits each year before obtaining new employment, while in other states the exhaustion rates seldom exceed 5 or 10 percent.

We urge you to include a benefit duration standard in this bill. A duration standard providing a 26 week benefit period of 20 weeks or more of work would substantially improve the program. It would reduce the number of workers who exhaust all their benefit rights while still unemployed, and equally important it would provide a firm base upon which to establish an extended benefit program.

Amendment No. 489 provides that a State law shall provide an individual with 39 weeks of employment (or the equivalent) in the base period, benefits in a benefit year equal to at least 26 times his weekly benefit amount. Although we propose a duration standard of a 26-week benefit period for 20 weeks or more of work, we would certainly urge that the Committee recommend the minimum standard in Amendment No. 489.

Annually, throughout the entire decade of the 1960's, 11 million or more workers were jobless—11.5 million in 1967 and 11.3 million during the prosperous year of 1968. These 11 million workers and their families should be able to rely on the program for income protection. However, the program has been failing them. In 1968 only 1.2 million of the 11.3 million unemployed received benefits from the program. All of the reasons additional jobless workers did not receive benefits from the program would be difficult to enumerate, but some come readily to mind.

Many found work without ever applying for their benefit rights, some jobless workers were disqualified—over 1.6 million last year—others were ineligible because their employment was excluded from coverage. While H.R. 14705 would improve the situation by extending coverage of the program to some degree, much more needs to be done.

COVERAGE

The provisions in H.R. 17405 to extend the protection of the program to an additional 4.5 million are long overdue, and they certainly have our support. However, they are, in our opinion, extremely modest proposals, and we would like to see the bill amended to include additional workers.

Mr. Chairman, agricultural workers, domestic workers, and public employees need the protection of this program as much as other workers.

This bill would provide coverage for some state employees—workers in state hospitals and state institutions of higher education—but it certainly overlooks the needs of millions of county and municipal workers and employees of other political jurisdictions. For example, maintenance workers employed by local school districts face the same risk of unemployment as maintenance workers in a state institution of higher education. Workers in city and county hospitals suffer the same hardships, if unemployed, as workers in state hospitals. Similar comparisons could be made between workers in public and private employment relative to highway workers, sanitation workers, library workers, utility workers, and others. Unemployed public employees must feed, clothe, and house their families at all times and in the same manner as other workers. The landlord and the grocer cannot and do not suspend demands for payment simply because a jobless worker happens to be a public employee.

The Congress has recognized the devastating impact of unemployment on federal workers. It has also acted as a responsible employer and an understanding legislative body by enacting legislation to provide unemployment compensation protection for federal workers. Workers employed by other political jurisdictions deserve the same protection. This bill could be measurably improved by extending coverage to all public employees.

Mr. Chairman, we are opposed to the occupational exclusions proposed in H.R. 14705. Individuals employed by state and nonprofit institutions of higher education in an instructive, research, or principal administrative capacity should be treated in the same fashion as other workers. We hope your Committee will eliminate the occupational exclusions from this bill.

Domestic workers should not be forgotten by the Congress. Their need for unemployment compensation protection is, in many cases, greater than the need of other working people. We are certain that extending coverage to domestic workers in large households would present little difficulty at this time. A numerical or payroll standard could be utilized to extend coverage to some of these workers immediately. Further extensions of coverage could be made based on the results of studies the Secretary is expected to make under other provisions of this bill.

Coverage of agricultural workers is essential too, and has been too-long postponed. Previous administrations have supported proposals to cover agricultural workers, and this administration favors such extension. The AFL–CIO has as a matter of long standing policy urged extension of the program to farm workers.

Extending coverage to farm workers would benefit farm workers, farm employers, and agricultural communities. It would help stablize the farm work force; it would reduce the labor turnover cost and recruitment cost. Farm workers, who now work in both covered and uncovered employment, would be more apt to remain in the farm work force, if their total employment was covered, and used to determine eligibility for benefits. The farm worker would then be able to maintain his home and family without seeking demeaning public assistance, as he must now do, all too often.

Farm workers are entitled to the same legislative protection as other workers. Unemployment insurance is one form of this protection, and the extension of coverage to farm workers was one of the major recommendations in the *Report of the National Advisory Commission on Food and Fiber*. We urge your Committee to amend this bill to extend unemployment insurance protection to these workers.

OTHER FEDERAL STANDARDS

Requalifying

The requalifying requirement contained in H.R. 14705 is, in our opinion, unnecessary. The bill requires that state unemployment compensation laws provide that an individual who has received benefits during one benefit year must have worked after the beginning of that benefit year in order to be eligible to receive benefits in the succeeding benefit year. The state law must in effect prohibit the so-called double-dip.

We think the bill could be strengthened by an amendment specifying the amount of work or wages that would meet this requirement. Any work or wages equal to a week of employment should be the maximum requalifying standard the states should be permitted to impose.

Limitation on cancellation or total reduction of benefit rights

The House Ways and Means Committee report on H.R. 14705 stated:

". . . severe disqualifications, particularly those which cancel earned monetary

entitlement, are not in harmony with the basic purposes of an unemployment insurance system."

We in the AFL–CIO share this view. We feel the disqualification provisions in most state laws are much too harsh. A perfect example of a harsh disqualification is the denial of benefits to workers in many states when they are in training. We therefore welcome the provision in H.R. 14705 prohibiting such disqualifications.

This bill would prohibit total cancellation or reduction of benefit rights in all cases except discharge for misconduct, fraud, or receipt of disqualifying income. It is however, a meaningless standard, and it will have little impact on state disqualification practices. Anything less than 100 percent cancellation is permitted. For example, if a worker eligible for 26 weeks should be disqualified, the penalty could be a 25 week disqualification and still meet the standard of H.R. 14705.

Mr. Chairman, we have long favored a federal standard to meet this problem, and we have urged a limit on the duration of penalties. This limit should be related to the average period of unemployment in the state; which may be as much as six weeks.

We can understand the reason for imposing a reasonable penalty upon workers in situations where unemployment results from the worker's poor judgment, or hasty or ill considered conduct. However, we cannot understand, and we are vigorously opposed to, disqualification provisions in state laws that are contrary to the basic objective of the program—to provide income benefits to workers whose unemployment is beyond their own control.

The disqualification provisions in state laws should be remedial in nature, not punitive. After a reasonable period the worker should be permitted to claim his benefit rights. The period should not exceed six weeks or the average period of unemployment in the state, whichever is less.

Unemployment that extends beyond six weeks must be attributed to existing economic conditions. An otherwise eligible jobless worker who is actively seeking work, available for work, and willing to accept suitable work should not be denied his benefit rights indefinitely because the labor market cannot absorb him.

TRAINING

H.R. 14705 would prohibit the states from imposing a disqualification on workers who are undergoing training with the approval of the state agency. It is unfortunate that a federal standard of this nature is required. The fact that it is proposed in H.R. 14705 supports our view outlined above on the need for a federal standard limiting state disqualification practices. The nation's manpower programs were launched during the 1960's to equip jobless workers with new skills, and start them on new careers. However, the unemployment insurance programs in only 28 states allow individuals to receive unemployment compensation benefits while taking agency approved training to equip themselves for new employment. The provision in H.R. 14705 concerning trainees is reasonable and should be adopted.

INTERSTATE AND COMBINED WAGE REQUIREMENTS

H.R. 14705 would require the states to participate in wage combining arrangements approved by the Secretary of Labor after consultation with the states. This standard would provide an effective solution to the problems of workers whose wages are subject to the provisions of more than one state law. The benefit eligibility of such workers would be determined on the basis of wages or employment which occur in the base period of a single state by the wage combining arrangement.

H.R. 14705 would prohibit the states from denying or reducing a worker's benefit rights because he files a claim in another state or Canada, or because he resides in another state at the time he files his claim for compensation.

There is widespread agreement that multi-state workers should have the program's full protection. These proposed standards will certainly improve the effectiveness of the program and eliminate obstacles that cause some workers unnecessary hardship. We hope these standards will be approved by the Committee.

REDUCED TAX RATES FOR NEW EMPLOYERS

The proposal contained in H.R. 14705 to modify the present federal requirement permitting reduced tax rates, disappoints us. Federal standards now require at least one year of unemployment experience to qualify an employer for

a reduced tax rates. The bill would permit a reduced tax rate for new and newly covered employers on any reasonable basis until they acquire enough experience to be rated under the provisions of the state law. The reduced rate could not be less than 1.0 percent.

We cannot understand the reason for limiting this provision to new and newly covered employers. We have in the past advocated enactment of such a proposal for all employers. We are convinced experience rating has led to the development of most unfair and undesirable practices within the program. Harsh disqualification provisions in state laws, and unmerited employer challenges of legitimate claims in order to preserve favorable tax rates flow directly from present experience rating requirements in the law. The proposed modification of the present experience rating standard could be significantly improved by permitting the states to reduce tax rates for all employers on a basis other than experience rating, if the state wished to do so.

FEDERAL-STATE EXTENDED BENEFIT PROGRAM

We urge the Committee to amend the proposal to establish a triggered extended benefit program. We urge consideration of this problem, because in the absence of a federal standard establishing state responsibility for a minimum duration period, existing inequities in the program will be compounded. In some states, every qualified worker will be entitled to a maximum benefit period of 39 weeks—26 weeks regular plus 13 weeks extended. In other states, some workers will be entitled to a total of only 13.5 weeks—9 regular weeks plus 4.5 extended. Should Congress be asked to provide federal financing of benefits after 9, 10 or 12 weeks in some states, but only after 26 weeks in others? This arrangement will blunt any desire on the part of state legislators to improve the duration provisions in their state programs.

In addition, it will provide very little assistance for the long-term unemployed. It is intended to function only during periods of recession. However, long-term unemployment persists even when the overall rate of unemployment is declining. The 1969 *Economic Report of the President* gives us a clear picture of the existing problem. It states "Even in the height of prosperity during 1968, two million workers were out of work for a period of 15 weeks or longer. About a million workers spent at least half the year fruitlessly looking for work."

The causes of long-term unemployment—technological changes, movements of industry, broad changes in consumer demand—can, and do, result in the disappearance of jobs and leave many workers stranded with obsolete skills. These problems are not easily remedied, and the proposals in H.R. 14705 are not equal to the task.

Individuals who are victims of long-term unemployment need protection when they are out of work. This situation may exist for individuals at any level of national unemployment. [The extended benefit program proposed in H.R. 14705, because it is geared only to recession levels of unemployment, provides the long-term unemployed worker with little protection—a maximum of only 13 weeks and even that only if he exhausts regular benefits during a recession.] Workers who exhaust benefits when the program is not operating, regardless of the length of their unemployment, are completely unprotected.

Communities that may be faced with serious unemployment problems are in a similar position—unprotected. The loss ofthe major employer in a community may occur at any time. But the extended benefit proposal here will not aid this community, or its workers, if the state or national program is not operating.

We suggest amending H.R. 14705 to provide a completely federal program for the long-term unemployed. The program should be established on a continuing basis for workers with a firm labor force attachment. It should provide not only unemployment compensation benefits, but job training, retraining, and the upgrading of skills in all cases where such action will help return unemployed workers to gainful employment.

FINANCING

A serious inadequacy in the existing program is the obsolete taxable wage base. The existing taxable wage base, the first $3,000 of a worker's annual wages, was established in 1939. It was fixed at this level to conform with the social security tax base and simplify tax reporting procedures for employers. At the time the $3,000 tax base was established the average weekly wage in covered employment was $26.16. The average weekly wage in covered employment in 1968 was $126.61—almost a five fold increase. If the taxable wage base had kept pace with changes

in wage levels, it would be approximately $15,000 now. This is a much higher taxable wage base than anyone has suggested for the program, but it reveals the original sentiment of Congress at the time it established parity between the unemployment insurance and social security wage base.

The average annual wage in covered employment was about $1,400 ($26.16×52=$1,360.32). Congress established a taxable wage base more than twice as great as insured wages to provide adequate benefits, build reserves, and meet administrative costs. The failure to increase this tax base over the years has contributed to the deterioration of the program. The $3,000 tax base has functioned as a damper, holding down reserve fund levels. After seven years of prosperity, 15 states had reserve funds that failed to meet the Department of Labor's minimum standard of adequacy. The $3,000 base also serves to discourage state legislators from improving the benefit structure of state programs, because needed revenue would only be available through the application of higher and higher tax rates to a dwindling tax base. In 1939, the $3,000 taxable wage base included 93 percent of total wages in covered employment. In 1969, according to Department of Labor estimates, only 46 percent of total wages in covered employment will be subject to taxation.

The need for raising the taxable wage base was clearly reflected in emergency legislation Congress was requested to enact last year, which provided a speed-up in Federal Unemployment Tax Act collections. The existing 0.4 percent federal tax on the first $3,000 of a worker's annual wages was not providing the revenue needed to finance the administrative costs of the program for fiscal year 1970, and thereafter. Therefore, the temporary measure had to be enacted.

Mr. Chairman, the increased federal tax rate of one-tenth of one percent, and the $1,200 increase in the taxable wage base proposed in H.R. 14705 are insufficient. They will not provide the revenue needed to modernize the program. Most of the revenue provided by this proposal will be needed for the extended benefit program.

Adequate revenue to modernize the program in terms of benefits, reserve funds, and administration costs can be provided under a more equitable tax structure through a substantial increase in the tax base. The AFL–CIO favors such a step. We urge you to amend H.R. 14705 to restore and maintain the 1939 parity of the unemployment insurance tax base and the social security tax base. This would be one of the most significant long-range improvements that could be made in the program. However, if this goal cannot be achieved, at this time, the administration's original proposal of an increase in the taxable wage base to $6,000 should be considered as the minimum level upon which to base expectations for program improvements.

Almost four years ago, the President of the AFL–CIO appeared before this Committee to urge modernization of the unemployment insurance program. He called them for a much greater role in the program by the federal partner. This is still the view of the AFL–CIO.

The record of state legislation, or more properly, the lack of it, clearly sustains our position. Neglect by the federal partner is weakening this program. The program needs direction. This can only be achieved by the enactment of minimum federal benefit standards. We hope the Committee will recommend and the Congress will enact a bill containing minimum federal benefit standards that will truly strengthen and improve the program.

APPENDIX A.—MAXIMUM WEEKLY BENEFIT AS PERCENT OF AVERAGE WEEKLY WAGE IN COVERED EMPLOYMENT, BY STATE, SELECTED YEARS 1939 69

State	1939	July 1965	Dec. 1, 1969
Alabama	85	43	44
Alaska	45	27-42	31-44
Arizona	61	41	41
Arkansas	94	50	50
California	59	53	46
Colorado	61	50	60
Connecticut	55	44-66	60-78
Delaware	56	43	40
District of Columbia	58	50	50
Florida	81	36	36
Georgia	85	40	43
Hawaii	81	66⅔	66.7
Idaho	83	52½	52.5
Illinois	55	36-60	33
Indiana	57	36-39	33-40

APPENDIX A.—MAXIMUM WEEKLY BENEFIT AS PERCENT OF AVERAGE WEEKLY WAGE IN COVERED EMPLOYMENT, BY STATE, SELECTED YEARS 1939-69—Continued

State	1939	July 1965	Dec. 1, 1969
Iowa	65	50	50
Kansas	66	50	50
Kentucky	71	43	46.7
Louisiana	88	42	42
Maine	74	50	52½
Maryland	63	49	51
Massachusetts	37	49	52
Michigan	53	34-56	31-50
Minnesota	62	46	47
Mississippi	96	39	41
Missouri	60	43	42
Montana	59	37	39
Nebraska	65	43	41
Nevada	56	35-51	36-51
New Hampshire	72	55	55
New Jersey	55	43	50
New Mexico	70	38	50
New York	39	47	46
North Carolina	87	52	42
North Dakota	69	50	50
Ohio	54	36-46	34-48
Oklahoma	61	33	33
Oregon	52	42	45
Pennsylvania	60	44	49
Puerto Rico		38	50
Rhode Island	69	50-64	50-68
South Carolina	98	50	50
South Dakota	68	42	42
Tennessee	77	43	44
Texas	65	42	38
Utah	67	50	50
Vermont	67	50	50
Virginia	73	40	45
Washington	56	37	31
West Virginia	60	34	40
Wisconsin	55	52½	52.5
Wyoming	77	50	50

Note. When 2 figures are shown the higher includes maximum allowance for dependents.

Source: U.S. Department of Labor, Manpower Administration, Unemployment Insurance Service. July 1965 data, Unemployment Insurance Review, September 1967. December 1969 data, Monthly Labor Review, January 1970.

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS POLICY RESOLUTION ON UNEMPLOYMENT INSURANCE—RESOLUTION NO. 267 ADOPTED OCTOBER 1969

The President in his unemployment insurance message to Congress on July 8, 1969, said "The best time to strengthen our unemployment insurance system is during a period of relatively full employment."

Strengthening the system has been a goal of organized labor for more than a quarter of a century. Despite vigorous and continued efforts by AFL-CIO state bodies to improve state programs, the system is today inadequate and obsolete. This experience at the state level has convinced us that comprehensive federal legislation is essential if the system is to provide effective protection to jobless workers and their families.

The Presidents' failure to call for federal minimum standards to improve the system can only result in jobless workers, their families, their communities, and the nation reliving the experiences of the late 1950's. President Eisenhower's repeated pleas to the states for unemployment compensation improvements went unheeded at that time, and there is no reason to assume the requests of the present Administration will be afforded any greater attention.

Each year between 1954 and 1958 the President of the United States called upon the state legislatures to amend their unemployment insurance laws.

He specifically urged that (1) protection be extended to more workers: (2) benefits be increased so that the great majority of covered workers could receive a weekly benefit equal to one-half their average weekly wage; and (3) unemployed workers be able to draw benefits for a period of twenty-six weeks if needed.

When President Eisenhower made this plea, no state met all these objectives. When he left office only one state met them. Today—fifteen years since his original plea and nine years since he left office—only two states are close to meeting these objectives.

This record of dismal failures on the part of the states cannot be overlooked. The clearest lesson to be learned from this past experience is that the states are unable or unwilling to modernize the federal-state system of unemployment compensation.

The system has been deteriorating for years. The recessions of 1958 and 1961 both required the passage of emergency patchwork unemployment insurance legislation. Eight years of economic growth have failed to eliminate the need for emergency measures to shore up the system. Less than six months ago, the Department of Labor had to request Congress for more emergency legislation in order to obtain the revenue needed to operate the program at its present level for the next few years.

The AFL-CIO is convinced that this record alone justifies the assumption of a stronger federal role in the unemployment insurance system. However, additional indications are also available that point to the need for federal action if the system is to be improved.

At the present time, twenty-five percent of the American workforce—sixteen to eighteen million workers—are not covered by the program.

The existing federal-state system is moving away from its basic objective of providing minimum income protection to the unemployed. Ten years ago, more than half the unemployed drew some benefit from the system. Today, only three out of ten unemployed workers receive any benefit from it.

Weekly benefits—despite assurances given Congress in 1966 that the states could be relied upon to improve them—are maintained at such woefully inadequate levels that in a majority of states jobless workers dependent on the program are unable to maintain their families at even a poverty level of subsistence. The relationship between the maximum weekly benefit available under state laws and the state average weekly wage has been declining for years. In the 1930's, in the majority of states, the maximum weekly unemployment insurance benefit was established at a level equal to between 60 and 66⅔ percent of the state average weekly wage. Today, the maximum weekly unemployment insurance benefit in thirty states is less than 50 percent of the statewide average weekly wage. In some states, the maximum weekly benefit has dropped to a level equal to little more than 30 percent of the state average weekly wage.

The problem of inadequate benefit levels is compounded by the additional neglect of the federal government in the areas of eligibility, disqualifications, and financing. Under existing arrangements, eligibility and disqualification provisions can be and are manipulated to deny the meager protection of the program to many workers.

The taxable wage base established in 1939 permits approximately one-half the tax base—wages in covered employment—to escape the impact of the tax. Experience rating and zero tax rates are also utilized to deprive the system of revenue. The erosion of the tax base and the destruction of the benefit structure over the past thirty years are directly related. These developments can be traced to the abdication of federal responsibility for maintaining an adequate unemployment compensation program.

The Administration's proposals to strengthen the system will do little to achieve this desired goal unless they are substantially improved. Therefore, be it

RESOLVED: The AFL–CIO reaffirms its support for a comprehensive reorganization and fundamental improvement of the unemployment insurance system under a single federal program. Pending such reorganization, we urge Congress to enact without delay unemployment insurance legislation to provide uniform minimum standards for benefits, duration, eligibility, disqualifications, and genuine tripartite representation on advisory committees, commissions, and appeals boards.

To achieve these objectives the AFL–CIO urges the Congress to:

extend coverage to all wage and salary workers including workers in small firms—employers of one or more workers at any time—domestic workers, agricultural workers, workers employed by nonprofit organizations, and workers employed by state and local governments

establish reasonable qualifying requirements (maximum limits for state laws should not exceed 20 weeks of work or its equivalent)

require duration provisions in state laws that would maintain the original concept of a 6 month benefit period based on a 5 month work period (26 weeks duration for 20 weeks of work)

encourage the states to eliminate the waiting week by requiring it be compensated retroactively after a few weeks of unemployment

limit disqualifications in all cases to a fixed period (the maximum period to be established at six weeks)

prohibit the disqualification of a worker participating in a training program

prohibit application of a state disqualification period in claims involving labor dispute issues

prohibit the reduction or cancellation of a workers benefit rights or base period wages

enact minimum benefit standards that will permit the application of the following principles for establishing state benefit levels:

1. The weekly benefit amount should replace a specified portion of the individual worker's full-time weekly wage, preferably not less than 66⅔ percent or 1/20 of high-quarter earnings. This wage replacement principle should be applied to the great majority of covered workers. Individual benefits of 66⅔ percent of weekly wage-loss are needed in most cases to cover nondeferrable living expenses and maintain normal family living standards.

2. The base for computing benefit amounts should be the worker's full-time gross weekly earnings during those weeks of the base year when earnings were highest.

3. Dependent allowances may supplement an adequate basic benefit schedule, but they should be provided only as a specified flat increment per dependent, entirely separated from and supplemental to the basic benefit schedule.

Improve the financing of the system by permitting reduced rates on a basis other than experience rating, prohibiting zero tax rates, and raising the taxable wage base, in steps, to the same base used for purposes of financing Old-Age and Survivors Insurance.

Federal legislation should also be enacted to establish an extended benefit program on a continuing basis for long-term unemployed workers who have had a firm attachment to the labor force. This program should also provide adequate opportunity for such workers to obtain vocational guidance and training as well as other appropriate types of assistance needed to qualify them for suitable jobs.

Senator ANDERSON. The Employment Security Commission in my State will express their views by letter to me in the near future. I would ask that the letter be printed at this point in the hearing when received.

(The letter referred to follows:)

EMPLOYMENT SECURITY COMMISSION OF NEW MEXICO,
Albuquerque, N. Mex., February 25, 1970.

HON. CLINTON P. ANDERSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ANDERSON: In his testimony before the Senate Finance Committee on H.R. 14705, Secretary of Labor, George P. Shultz, stated:

"I believe that H.R. 14705 would improve and strengthen the unemployment insurance program. I believe, however, that the Administration's original bill [H.R.12625] would be better. At a minimum, there are three major modifications which I think should be incorporated by this Committee. First, extend protection to hired workers on large farms; second, extend protection to college professors and to other institutional, research and principal administrative personnel of institutions of higher education, and third, make the financing more equitable by providing a higher wage base and no permanent tax rate increase."

The New Mexico Commission has thoroughly studied the Administration's original bill and feels, as does Secretary Shultz, that the proposals presented therein would be of much greater benefit and service to the working citizens of New Mexico than the amended version.

The Commission urgently requests your careful consideration of this legislation and respectfully suggests that the position expressed by Secretary Shultz is worthy of support.

Sincerely yours,

PAUL J. CRUZ,
Chairman-Executive Director.

Senator ANDERSON. Mr. Carlos Moore.

STATEMENT OF CARLOS MOORE, LEGISLATIVE AND POLITICAL DIRECTOR, INTERNATIONAL BROTHERHOOD OF TEAMSTERS, CHAUFFEURS, WAREHOUSEMEN & HELPERS OF AMERICA; ACCOMPANIED BY DAN CURLEE, ASSISTANT LEGISLATIVE COUNSEL

Mr. MOORE. Mr. Chairman and members of the committee, as the first order of business, we wish to thank the committee for this opportunity to communicate our position on H.R. 14705. Unemployment compensation is an area of vital interest to all the men and women of this country who work day by day at their various tasks. As the representative of over 2 million working Americans, we are here to endorse the positive elements of H.R. 14705; and we are here to recommend amendments to this bill which we sincerely feel will improve the unemployment compensation program of our country.

We enthusiastically endorse those elements of H.R. 14705 which upgrade the program of unemployment compensation. We endorse that provision of this bill which prohibits the disqualification of an individual when he is engaged in a training or self-improvement program. We endorse those provisions of this bill which establish a period of extended benefits triggered by local or national high unemployment. We endorse that provision of this bill which requires the combining of work credits earned by an employee in different States. We endorse the provisions of this bill which establish unemployment compensation, research and training programs. And we endorse and applaud those provisions of this bill which extend the coverage of unemployment compensation to 4½ million working Americans who daily add to the prosperity of this country. We endorse these provisions and recommend that the bill which will be reported by this committee include these positive elements.

The legislation that is before this committee is good legislation. However, we urge the inclusion of additional measures which we sincerely believe will make our unemployment compensation system more effective and more just. And with a view to improvement, we recommend these major amendments to H.R. 14705. They are:

1. Coverage within the framework unemployment compensation legislation of all workers who are attached to the labor force.
2. The establishment of a realistic benefit level of 50 percent of gross wages lost by reason of involuntary unemployment.
3. The adoption of the tax procedures recommended by the Department of Labor.

COVERAGE

Let us look at the theory of unemployment compensation. There is general agreement among economists that an effective unemployment compensation program must accomplish several real goals, the most significant of which are as follows:

1. To provide a measure of economic security for wage earners and their families through an adequate partial compensation for wage loss from involuntary unemployment.
2. To cushion economic slumps and prevent spiraling unemployment by helping to maintain a worker's purchasing power lost as a result of involuntary unemployment.

3. To stimulate regularity of employment on the part of individual firms by means of incentive tax provisions.

4. To achieve a fair and equitable distribution of the cost of unemployment.

In order to accomplish these important goals of an effective unemployment compensation program, it is most basically necessary to identify who should be compensated. Here again, there is general agreement among economists as to the criteria which should be used for identifying the target population who will be potential beneficiaries. While the implementation of the criteria may be difficult, the statement of it is simple. All those who are attached to, that is, all those who are a real part of a nation's work force, are proper and necessary potential beneficiaries of any well functioning and effective unemployment compensation program.

As has already been pointed out, 4.5 million employees are added by H.R. 14705 to unemployment compensation coverage. This is a significant step forward, but 12.1 million persons who are an integral part of our productive work force still will not be covered by the FUTA. Of the 12.1 million workers who will be excluded from coverage under FUTA if H.R. 14705 is not amended, there are 8.5 million State and local government employees. The remaining 3.6 million workers who will be left out are made up primarily of agricultural and domestic employees.

It must be noted that the exclusions under present FUTA law which were left untouched by H.R. 14705 are not based on an employee's "attachment to the labor force," nor upon the promotion of any of the basic objectives that an unemployment program is supposed to accomplish. The exclusion is based solely upon category of employment.

In connection with State and local government employees, some merit can be found in the rationale that the complexity involved in the taxation of State and local governments by the Federal authority recommends that these state and local government employees not be covered at present. However, the tailoring of a process of funding to accommodate the exigencies of this problem are not beyond the intelligence and ingenuity of our Federal legislators. A program should be devised whereby these employees are protected.

In analyzing H.R. 14705, it becomes obvious that the exclusion of all agricultural workers is the most grievous shortcoming of this piece of legislation. This exclusion represents another failure to achieve a just and equitable legislative program. These workers have for 34 years been left out of our unemployment compensation program just as they have been left out of many, many other programs which are designed to benefit the people of this country. It is difficult to expect the man on the street to have respect for all individuals and to subscribe to a philosophy of equality if we build prejudice, inequity, and a lack of equality into the law of the land. It is the duty of the leaders of this country to set an example for our people in the acceptance and practice of the principle of individual equality.

By excluding these agricultural workers, we do not promote the objectives of an unemployment compensation program. Do we provide security for the individual farmworker? Obviously, we do not, for he is temporarily unemployed involuntarily, he has no income. We do not introduce into his life any social stability by this exclusion. When he is

unemployed, he cannot wait for things to improve; he must move to another geographic area in order to sustain himself and his family financially. We would by the failure to include agricultural workers promote the migratory nature of these people and all the evils that this encompasses.

We do not promote the economic stability of our country when we exclude this significant portion of our work force. By the very nature of their occupation they are seasonal employees; and in hard times, they are the last persons to be hired and the first persons to be laid off. They are the least skilled and the most vulnerable segment of our labor force.

We do not by the exclusion of the agricultural industry stimulate a regularity of employment by farm employers as is done by the incentive tax policies applied to industries that are included within the Federal Unemployment Tax Act. The exclusion of agricultural workers does not promote the objectives of an unemployment compensation program.

Is this exclusion of the agricultural industry based on any recognized criteria? (That is, the criteria which was mentioned earlier in this statement, the attachment to the labor force.) A careful search of the report made by the Committee on Ways and Means of the House of Representatives fails to disclose any such reasoning to explain the exclusion of the total agricultural industry. And common sense will tell us that a farmworker is as much a part of the Nation's work force as anyone.

Is this exclusion of agricultural workers based on a lack of administrative capacity inherent in the industry? This could not be the case because the agricultural industry has demonstrated administrative capacity by its compliance with FICA laws which now require a similar reporting and taxing procedure as would the FUTA if it were applied to agricultural workers.

The problem of having an employer who has a minimum number of employees and a minimum business orientation does not seem to have bothered the House of Representatives when it passed H.R. 14705; because it included, as you well know, a new definition of employers. This new definition includes anyone who employs one employee for 20 weeks or anyone that has a payroll of $800 or more yearly. This could make an employer who owns a mobile hot dog stand in Coney Island with one employee obligated to contribute to the FUTA program. It is difficult to imagine that the owner of a farm would be less qualified or less apt to report than would the owner of a mobile hot dog stand.

Is this exclusion based, as some people have said, upon a lack of experience with such coverage? It has been argued that because there is no experience with coverage of an agricultural industry, it would be impossible at this time to properly anticipate the problems that would arise under coverage of this industry. This cannot be the case because there is experience upon which we can draw. There are unemployment compensation programs which cover agricultural workers now in effect in Canada, Hawaii, California, and North Dakota, as well as four other States in these United States. The experiences and problem and the solutions to these problems that have been encountered by these various States and the country of Canada are readily available. There is no lack of experience upon which to base coverage of agricultural workers under the FUTA. In Canada, coverage is mandatory and

unlike the proposals that have been considered in the United States, Canadian farm-worker coverage is subject to no size of firm exclusion. The program, established in 1967, covers 35,000 employers and has added 62,000 to the insured work force. Reported experience indicates that employer records are adequate and contribution delinquency is 10 percent below the average for other employers. (This last factor lends itself to the refutation of the argument that an agricultural industry lacks the administrative capacity to handle unemployment compensation coverage.) In Hawaii, mandatory coverage was instituted for agricultural employees in 1959. In Hawaii, an employer may elect to contribute under the regular employment insurance or may elect to pay only for the benefits paid which are chargeable to him. California instituted its program of unemployment compensation for agricultural workers in December 1968. This program has covered 765 employers with approximately 18,000 employees.

Some opponents of the inclusion of agricultural workers under the Unemployment Compensation Program have asserted that the cost for such coverage would be disproportionate when compared to other industries. This has not been the case with Canada, Hawaii, and California. In Canada, for the total period of time that the program has been in effect, the ratio of benefits to contributions has been 1.2 for the agricultural industry; and for the same period of time, the ratio for forestry and fishing has been 4.4 and 2.0 respectively. In Hawaii for the years 1964–1967, the cost ratio has been consistently lower for the agricultural industry than for private industry as a whole. In 1967 the cost ratio of agriculture was 1.1 and for private industry was 1.6. In the State of California the cost benefits rates for agriculture under elective coverage in 1967 and 1968 were 5.3 and 4.5 respectively. This compares with 8.3 for the construction industry in California and 10.8 for the packing, processing, canning and preserving of fruits and vegetables industry in California.

The exclusion of agriculture workers from the Unemployment Compensation Program in H.R. 14705 was not based upon any criteria recognized by the economists of this nation; it was not based upon a lack of administrative capacity in the agricultural industry. It was not based upon a lack of experience with agricultural industry coverage. It was not based upon the existence of a disproportionate cost expectation for the coverage of agricultural workers when compared with other insured industries.

Because no acceptable purpose is served and no good justification can be found for the exclusion of the employees of this country who toil to provide our fantastic agricultural production, the International Brotherhood of Teamsters urges that this Committee amend H.R. 14705 to afford the benefits of Unemployment Compensation to all agricultural workers who show themselves to be attached to our Nation's work force.

REALISTIC BENEFIT LEVELS

Regular programs of Unemployment Compensation, as the law exists in the various States now compensate only 20 percent of wage loss from total employment. That is too small a fraction. Weekly benefits average well below 50 percent of a beneficiaries regular wage. The 50 percent level is that level which has been proposed by experts since

1954 when President Eisenhower in his economic report to Congress recommended that level of compensation. Weekly benefits for family heads with dependents are especially low. These low benefit levels most severely harm those who are most firmly attached to the labor force.

The present level of benefits is too low. Too low because the beneficiary cannot maintain his minimal financial obligations during unemployment and therefore cannot maintain any social stability. The benefit level must be raised because at the present level the effect of Unemployment Compensation as an economic stabilizer is too diluted to be effective. The level must be raised in order to strengthen the potential stabilizing effect of our Unemployment Compensation Program and to create a greater degree of economic security for the involuntarily unemployed.

TAX REVISIONS

In order to adequately fund FUTA programs now and in the future (especially extended benefit programs), additional revenue is needed. To raise this needed revenue, and raise it fairly—that is, to properly distribute the costs—the taxing policies proposed by Secretary of Labor George P. Schultz in his testimony should be adopted.

The present $3,000 wage tax base is grossly inadequate and obsolete when considered in the light of Federal Administrative cost and state benefit costs. Not only is it inadequate, it is unfair. Under the $3,000 wage base, low-wage light industry states pay a greater portion of their payrolls in FUTA taxes than do high-wage, heavy industry states. And yet the high-wage, heavy-industry state creates the greatest drain on Unemployment Compensation funds during a recessionary economic period.

IN SUMMARY

Again, let me thank you on behalf of the International Brotherhood of Teamsters for your consideration and attention. We endorse H.R. 14705 and urge its prompt passage insofar as it promotes the well being of working Americans. However, we feel that it is inadequate to pass H.R. 14705 as it now stands; therefore, H.R. 14705 should be amended so as to increase its coverage, establish realistic benefits and adopt the tax provision proposed by the Department of Labor. The amendments proposed by this testimony are offered as positive steps to achieve justice and efficiency in our Unemployment Compensation Program.

Thank you.

Senator ANDERSON. Thank you. Questions?

Senator BENNETT. No questions.

Senator HARRIS. No questions.

Senator ANDERSON. Thank you very much.

Senator BENNETT. Mr. Chairman, I suggest that you remind the witnesses again they have a 10-minute limit. The last two witnesses have run substantially over and we are not going to get through all nine unless the witnesses stay within their time.

Senator ANDERSON. The next witness, Mr. Kilbride.

STATEMENT OF R. T. KILBRIDE, AMERICAN RETAIL FEDERATION

Mr. KILBRIDE. Mr. Chairman, members of the Committee on Finance, I am R. T. Kilbride, corporate Federal and payroll tax manager, Montgomery Ward and Company, and appear here in behalf of the 29 national retail associations and 50 statewide associations of retailers comprising the American Retail Federation. Through its association membership, the federation represents approximately 800,000 retail establishments of all types and sizes.

The federation supports the need for constant review of our Federal-State system. We are glad that the administration and the Department of Labor recognize this. Your committee has before it H.R. 14705, which represents the action taken by the House of Representatives on the administration's recommendation for changes in Federal unemployment insurance statutes. While we prefer a bill more nearly approaching the bill which was considered by this committee in 1966 (H.R. 15119), following House passage, H.R. 14705 will on the whole, maintain the Federal-State relationship as it now exists. Although H.R. 14705 would be more preferable if certain provisions, particularly Federal standards, were eliminated, we recognize that legislation is a creature of compromise and we can support H.R. 14705 as a sound and reasonable compromise of conflicting views. However, we believe the bill could be improved if all of the following changes were adopted:

COVERAGE

The retail industry approves an extension of coverage of the Federal law to employers of one or more, as many States have already done. This extension of coverage should be done on a reasonable basis. The bill contains a provision extending coverage to employers of one or more employees in 20 weeks in a calendar year or with a quarterly payroll of $800. The federation suggests that a more realistic provision would cover an employer who employed one or more in 20 weeks, or who had a payroll of $1,500 a quarter. This coverage test would be more meaningful, since it would apply to employers who provide some measure of substantial employment and it would make it more likely that the tax on the wages paid could be returned as benefits to those whose wages were used as a measure of the tax. Nonetheless, the coverage extensions proposed by H.R. 14705 go far enough. Additional employment should not be covered.

FEDERAL STANDARDS

H.R. 14705 does contain five Federal eligibility standards which State laws must meet if their tax-paying employers are to have the benefit of the offset tax credit. While the federation supports H.R. 14705, it must emphasize that no overriding necessity has been shown for the adoption of these five Federal standards. The Federal-State system was designed to establish unemployment compensation systems in the States, giving to those States as much discretion and leeway as possible in order that they might best meet the problems pertaining to their individual States. Thus, while all of the proposed additional Federal standards represent laudable objectives, we do not believe that they should be included in the Federal law.

Here are the five standards and brief reasons why their adoption is unnecessary:

1. *Prohibition of the "double dip."*—Thirty-two States now effectively prohibit an individual from receiving compensation and filing again in his next benefit year without having worked in between. In those States which still permit this, the amount and duration of the second round of benefits is generally much lower and the number of claimants is not great. The trend in the States is to abolish the "double dip" and we believe that, with encouragement from the Labor Department, it can be abolished without the necessity of creating a new mandatory Federal standard.

2. *Prohibition against denying benefits to trainees.*—When the Ways and Means Committee put a similar provision in H.R. 15119 in 1966, only 22 States had a corresponding provision in their laws. Since that time, seven more States have adopted it. The trend is toward further legislation in this field. In addition, many training courses now provide allowances at least equal to unemployment compensation benefits. Many other courses are for the benefit of the hardcore unemployed, who undoubtedly would not be able to qualify for any meaningful benefit. Adoption of the prohibition against denying benefits to trainees by all States would be most desirable, but retailing does not consider it to be a national problem requiring Federal legislation.

3. *Prohibition against denial or reduction of benefits because an individual resides in another State.*—H.R. 15119 contained a similar provision. At that time, three States, Ohio, Alaska, and Wyoming reduced benefits when the claimant filed from, or resided in another State. Ohio has since eliminated this practice, leaving only two States with 0.2 percent of the total work force, still continuing it. This again is not a serious or a national problem justifying Federal legislative interference.

4. *Requirement that all States participate in arrangements for combining wages.*—We do not believe that there is any problem here at all. From the beginning, the States have been concerned about the rights of employees who moved from State to State, and have worked assiduously to protect the benefit rights of these workers. A basic plan for interstate payments has voluntarily been agreed to by every State, and more flexible and more liberal plans have also been voluntarily adopted by a very substantial majority of States.

5. *Prohibition against cancelling wage credits or benefit rights for causes other than misconduct, fraud, or disqualifying income.*—The two principal causes, aside from misconduct connected with work, fraud in connection with a claim, or receipt of disqualifying income, are voluntary quits and refusal of suitable work. At present, 18 States have provisions for cancellation or reduction in the case of voluntary quits and 15 for refusal to accept suitable work. However, it should be noted that of the 18 States having provisions for voluntary quits, only five require total cancellation and of the 15 States having provisions for refusal to accept suitable work, only four require total cancellation. In the others, the penalty is flexible and applied according to the facts of the individual case.

As the States have improved and increased their benefits, they have also tended to tighten up on the penalties to those who have deliberately contributed to their unemployment. We see nothing wrong in

this. On the contrary, we believe that it is salutory. The intent of the system is to assist the individual who loses his employment through no fault of his own.

Lastly, but most important, H.R. 14705 does not contain a Federal benefits standard, and the administration has not sought such a standard now. We oppose Federal benefit standards because their adoption would lead to the complete destruction of the Federal-State system as we now know it and its replacement by a completely federalized program. We support H.R. 14705, but we stress the absence of any compelling reason to intrude five Federal eligibility standards into the unemployment compensation system.

EXTENDED BENEFITS

It is most essential that a system of extended benefits be written into law. Past experience shows that the temporary extended benefit provisions enacted by Congress during two recession periods were not entirely adequate or effective. They came too late and lasted too long.

The system devised in H.R. 14705 proposes a system triggered in either on a State-by-State basis, or on a national basis, and triggered out in the same manner. This system is to be financed by the States and Federal Government on a 50–50 basis.

We believe that this system recognizes that recessions do not strike the entire country overnight. Their incidence is spotty, and often begins in widely separated States. A national trigger could begin extended benefit payments in some States long after they were needed. Conversely, the national trigger could continue extended benefit payments in States for a longer period than the State unemployment situation would warrant.

Although the cost of financing extended benefits would presumably be the same whether financed solely by the Federal Government or financed equally between the Federal Government and the States, we prefer the latter system. It would conform more closely with the present concept of a Federal-State system. In addition, it would give the States some flexibility in operation. They could levy the necessary tax increase on an experience rating basis if they so chose, or could supply the funds from general revenues if they found that preferable.

One provision of H.R. 15119 should certainly be included in an extended benefit program. This provision gave the States some leeway in the matter of eligibility for extended benefits, allowing them to require more attachment to the labor force than they would do in he case of regular benefits. Specifically, it would have permitted States to require 26 weeks of covered employment in a claimant's base period to make him eligible for the extended benefits. This provision would have allowed States to exclude, if they chose to do so, chronic exhaustees and seasonal workers who happened to exhaust benefits at the time the extended benefit program triggered in.

FINANCING

In his testimony before this committee, Secretary of Labor George P. Schultz proposed an increase in the amount of the taxable wages, or in other words, the tax base, to $4,800 in 1972 and to $6,000 in 1975. To retailing, this is an unwarrantable increase. We oppose it for two

reasons. First, because we believe that it would bring in far more revenue than needed, and second and more important, because it would upset the unemployment compensation revenue raising systems of the States. Each State—with the sole exception of Alaska—would be forced to make substantial increases in its tax base, by 100 percent in the case of 27 States and the District of Columbia.

The financing of administrative expenses, and the financing of the Federal share of the extended benefit program (particularly if this be borne equally by the State and the Federal Government), should not be done at the expense of the individual State financing plans. The States have been given the freedom to adjust their tax rates and their bases so as to meet their own individual problems. If they need more revenue for benefits, they can adjust their tax bases upwards at any time they see fit, and 22 States have already done so.

H.R. 14705 would increase the taxable wage base to $4,200 in 1972. While this still represents a large increase, we think that it is more equitable than the administration's proposal.

CONCLUSIONS

The federation supports H.R. 14705 as a reasonable and workable compromise, although we would prefer to have certain provisions altered or deleted. The coverage provisions of the bill are very desirable, but they should not be extended. We strongly endorse a provision for a system of extended benefits. However, we oppose raising the taxable wage base higher than the $4,200 amount provided for in H.R. 14705. Most important, we emphasize our continued opposition to Federal benefit standards.

Thank you very much for the opportunity to present retailings' views to you.

I think I covered it in 10 minutes.

Senator BENNETT. Nine.

Senator ANDERSON. Senator Harris?

Senator HARRIS. No questions, Mr. Chairman.

Senator BENNETT. No questions.

Senator ANDERSON. Thank you very much. Thank you for being on time.

Mr. KILBRIDE. Thank you very much.

Senator ANDERSON. Mr. Gulan.

STATEMENT OF JEROME R. GULAN, LEGISLATIVE DIRECTOR, NATIONAL FEDERATION OF INDEPENDENT BUSINESS

Mr. GULAN. Thank you, Mr. Chairman. I am sure I can proceed under the 10-minute rule here.

Our testimony today will be limited to that portion of this unemployment compensation bill which would replace the present four employees in 20 weeks in any calendar year test for coverage by a test of $300 or more in payroll quarterly. It is so limited because this is the only area in which we have a clear mandate from our members.

By substituting for the current coverage test of four employees in 20 weeks a new test of $300 or more in payroll in any quarter, it would blanket into the unemployment system an additional estimated 1,600,000 employees of small business.

Now, fully recognizing the security needs and desires of these employees—all quite understandable and legitimate—we think it only just to ask a question about the additional cost burdens which are possible. After all, it is acknowledged by experts in economics, and indicated in our continuing economic surveys, that small business is already undergoing a severe financial squeeze. We must all assent to the statement that a weakened goose cannot produce high-quality golden eggs—employment, wage, or securitywise.

In computing these cost burdens let us assume that newly covered employees will be averaging $4,800 yearly in earnings, and that newly covered employees will, in 1972, be required to pay into the unemployment compensation system an average 3.1 percent of payrolls subject to the unemployment compensation tax. This is an assumption because rates vary among the States and because experience rating does change the tax burden, and further because there is no certainty that these employees will be averaging $4,800 annually.

On this basis, however, the newly covered small business employers would have added to their costs, that year, for 1,600,000 employees, an additional burden totaling some $236,800,000 yearly, or an average of $148 additional per employee. Carrying forward these assumptions to 1974 and later, this additional burden could rise to $297 million, or an average of $186 per employee.

In the meantime, what is involved in the current repeal of the 7-percent investment credit, with no exception for small business? The results of our economic survey during 1967 furnish some indications.

In that survey we asked our members if they had purchased equipment during the past year, and whether in so doing they had taken advantage of the 7-percent investment credit. In the 0–3 employee category, which is the category which will be affected by the replacement of the present unemployment compensation coverage test, an average 36 percent of respondents indicated that they had purchased equipment during the preceding year. Of this number, just about 80 percent indicated that in so doing, they have taken advantage of the investment credit to the tune of an average tax saving of $199 each.

This is an advantage which was taken away from them at the same time that it was proposed to add to their costs by perhaps $148 to $186 yearly per employee.

And what of their financial position? Indications from our continuing economic surveys confirm observations made independently by prominent economists: Small business is undergoing an intensifying economic squeeze—and our surveys indicate that this squeeze is most severe in the very size category that this change in the unemployment compensation program would affect—those firms in the 0–3 employee category. As a strong suggestion of what is going on within the small business sector, let us turn to one of the questions in our current economic survey, that in which we ask how sales volume at time of query compares with the preceding year. The proportion of respondents answering higher has declined steadily from February 1969 to date. However, we see this phenomenon:

On the one hand a considerably larger proportion of firms with 50 or more employees reported, 1969 second quarter, sales higher than the preceding year, and this proportion has tended to increase, while on the other a considerably smaller proportion of firms in the 0–3 em-

ployee category reported during the same period sales higher than last year, and this proportion has tended to decline. This, again, tends to tie in with independently made observations of others—that the smallest of small firms are feeling the pinch most keenly.

It might be helpful to observe that in answering the forementioned question our members are not necessarily adjusting for the continuing price inflation which has taken place during the past year.

Gentlemen, on this statement we have made certain assumptions on the basis of which, we have arrived at certain numerical conclusions. In all honesty we must say, as we have implied clearly, that the conclusions may not be statistically valid. But this much we can say without fear of successful contradiction—that during the period of our observations it is true that Government has been adding to the cost burden of small business, and will continue to do so under H.R. 14705, and most especially to those smaller small businesses which are least able to get by and most in trouble now. This is being done against the backdrop of the official position, that stated in the wording of the Small Business Act of 1965, which declares a policy of encouraging small business growth.

We recognize the questions of equity involved. We can understand the pressures on all in Government, and on the members of this Committee. We recognize the many and diverse claims that are being made on those in Government. But at the same time, we do feel that in changing this coverage test, a decision will be made against small business—and one that will reflect unfavorably not only on small business, but necessarily also on its employment ability. For this reason, we oppose the proposed change in this coverage test.

Mr. Chairman, that concludes my statement, I believe, in the required time.

Senator ANDERSON. Thank you very much. Are there questions?

(Mr. Gulan's prepared statement follows:)

STATEMENT OF JEROME R. GULAN, LEGISLATIVE DIRECTOR, NATIONAL FEDERATION OF INDEPENDENT BUSINESS

The National Federation of Independent Business thanks the Committee for the opportunity to present testimony concerning Employment Security measures and their importance to the 5 million small businesses throughout the United States.

The Federation now represents almost 278,000 small and independent business and professional people in the country, or approximately one out of every 20 businesses.

Few people today would question the importance of small business in our economic mainstream, or the wisdom of helping to maintain and strengthen its renewing influence in the economy.

Our testimony today will be limited to that portion of this unemployment compensation bill which would replace the present 4 employees in 20 weeks in any calendar year test for coverage by a test of $300 or more in payroll quarterly. It is so limited because this is the only area in which we have a clear Mandate from our members.

Although the Federation has not polled its members on the particular provisions contained in H.R. 14705, we have polled repeatedly over the years on very similar proposals.

Mr. Chairman, and members of this Committee, on behalf of our members we would like to ask a simple question, and this is it: *"Is there a doctor in the house?*—specifically a physician to treat the schizophrenia that seems to have broken out in governmental attitudes toward small business?

For instance, as we understand it, and as our members understand it, the attitude of succeeding Administrations and Congresses, including the current Admin-

istration and Congress, toward small business is spelled out clearly in Section 202 of the Small Business Act of 1965, which reads, in part, as follows:

"The essence of the American economic system of private enterprise is free competition. Only through full and free competition can free markets, free entry into business, and opportunities for the expression and growth of personal initiative and individual judgement be assured. The preservation and expansion of such competition is basic not only to the economic well-being but to the security of this Nation. Such security and well-being cannot be realized unless the actual and potential capacity of small business is encouraged and developed. . . ."

Yet, gentlemen, within the past year we have seen done many things which absolutely contradict this fine expression of policy. Among these have been the gradual choking off of the ability of the Small Business Administration to assist in all phases of existing programs that would provide financial assistance to small business, repeal of the 7% Investment Credit which has been so useful in assisting the financing of small business modernizations made absolutely essential in order that by increasing productivity, these units might compensate for increased cost and thus remain competitive and now this proposal contained in H.R. 14705.

What would this phase of H.R. 14705 do? By substituting for the current coverage test of 4 employees in 20 weeks a new test of $300 or more in payroll in any quarter, it would blanket into the Unemployment system an additional estimated 1,600,000 employees of small business.

Now, fully recognizing the security needs and desires of these employees—all quite understandable and legitimate—we think it only just to ask a question about the additional cost burdens which are possible. After all, it is acknowledged by experts in economics, and indicated in our continuing economic surveys, that small business is already undergoing a severe financial squeeze. We must all assent to the statement that a weakened goose cannot produce high quality golden eggs—employment, wage, or security-wise.

In computing these cost burdens let us assume that newly-covered employees will be averaging $4,800 yearly in earnings, and that newly-covered employees will, in 1972, be required to pay into the Unemployment Compensation system an average 3.1 per cent of payrolls subject to the unemployment compensation tax. This is an assumption because rates vary among the States and because experience-rating does change the tax burden, and further because there is no certainty that these employees will be averaging $4,800 yearly.

On this basis, however, the newly-covered small business employers would have added to their costs, that year, for 1,600,000 employees, an additional burden totaling some $236,800,000 yearly, or an average $148 additional per employee. Carrying forward these assumptions to 1974 and later, this additional burden could rise to $297,000,000, or an average $186 per employee.

In the meantime, what is involved in the current repeal of the 7% Investment Credit, with no exception for small business? The results of our economic survey during 1967 furnish some indications.

In that survey we asked our members if they had purchased equipment during the past year, and whether in so doing they had taken advantage of the 7% Investment Credit. In the 0–3 employee stratification (which is the stratification which will be affected by replacement of the current Unemployment Compensation coverage test), an average of 36 percent of respondents indicated that they had purchased equipment during the preceding year. Of this number, just about 80 percent indicated that in so doing, they have taken advantage of the Investment Credit to the tune of an average tax saving of $199 each. This is an advantage which was taken away from them at the same time that it was proposed to add to their costs by perhaps $148 to $186 yearly per employee.

And what of their financial position? Indications from our continuing economic surveys confirm observations made independently by prominent economists: small business is undergoing an intensifying economic squeeze—and our surveys indicate that this squeeze is most severe in the very size category that this change in the Unemployment Compensation program would affect—those firms in the 0–3 employee category. As a strong suggestion of what is going on within the small business sector, let us turn to one of the questions in our current economic survey, that in which we ask how sales volume at time of query compares with last year. The proportion of respondents answering higher has declined steadily from February, 1969, to date. However, we see this phenomenon:

On the one hand a considerably larger proportion of firms with 50 or more employees reported, 1969 Second Quarter, sales higher than a year earlier, and this proportion has tended to increase, while on the other a *considerably smaller*

proportion of firms in the 0–3 employee category reported during the same period sales higher than last year, and this proportion has tended to *decline*. This, again, tends to tie in with independently made observations of others—that the smallest of small firms are feeling the pinch most keenly.

It might be helpful to observe that in answering the forementioned question our members are not necessarily adjusting for the continuing price inflation which has taken place during the past year.

Gentlemen, in this testimony we have made certain assumptions on the basis of which we have arrived at certain numerical conclusions. In all honesty we must say, as we have implied clearly, that the conclusions may not be statistically valid. But this much we can say without fear of successful contradiction—that during the period of our observations, it is true that government has been adding to the cost burden of small business, and will continue to do so under H.R. 14705, and most especially to those smaller small businesses which are least able to get by and most in trouble now. This is being done against the backdrop of the official position, that stated in the wording of the Small Business Act of 1965, which declares a policy of encouraging small business growth.

We recognize the questions of equity involved. We can understand the pressures on all in government, and on the Members of this Committee. We recognize the many and diverse claims that are being made on those in Government. But we do feel that in changing this coverage test, a decision will be made against small business—and one that will reflect unfavorably not only on small business, but necessarily also on its employment ability. For this reason, we oppose the proposed change in this test. In conclusion, however, we are not so naive as to believe that our point of view will necessarily carry. In such case, we would suggest a compromise along the line so often opted for by our members in their The Mandate votes, and it is this: that if the Congress does decide for this change, it make an amendment to the law requiring that employees pay a fair share of the tax burden.

Unemployment compensation is a benefit for employees—it aims to protect them against want while they are out of jobs and seeking new positions. It is only right that they should pay at least part of the taxes that support the program, just as they do in the Social Security program.

On behalf of our members, we thank you.

Senator ANDERSON. Mr. McCallister.

STATEMENT OF FRANK McCALLISTER, CHAIRMAN, NATIONAL SHARECROPPERS FUND; ACCOMPANIED BY JOHN WILLIAMS, LEGISLATIVE REPRESENTATIVE

Mr. MCCALLISTER. Thank you, Mr. Chairman, members of the committee.

Mr. Chairman, let me say first of all that I regret that the preceding chairman of the National Sharecroppers Fund cannot be with you this morning, Dr. Frank Graham. He used to be a Member of this august body and was one of the most favorite Senators to sit in the U.S. Senate but he has had to retire because he is not well and I just succeeded him as chairman of the National Sharecroppers Fund a few months ago.

I also want to start off by endorsing the testimony and supporting the testimony of Congressman Sisk, of the AFL–CIO, and of the Brotherhood of Teamsters. I think they made very valid statements which should be given careful consideration by the members of this committee.

I had the privilege of attending a manpower conference conducted by Senator Harris in Oklahoma and it was made very clear there that the farmworkers, because of automation and changing technology, are the most disadvantaged part of our work force and we really should give them a hand up and let them have the same benefits at least that the other workers have in our society in 1970.

Senator ANDERSON. I appreciate your comment on Dr. Graham. He sat beside me in the Senate for many years.

Mr. MCCALLISTER. A wonderful man. I think Senator Douglas said he was the only saint that ever sat in the Senate. I could not vouch that there are not other saints but at least Paul Douglas said he was a saint.

Mr. Chairman, the National Sharecroppers Fund is pleased to have this opportunity to express our views on H.R. 14705. Our organization has been concerned with the problems of farm labor for 33 years, and from my own personal experience also, I have become deeply aware of the needs of farmworkers. Although the concept of unemployment insurance is accepted in the United States, both for its economic wisdom and for its expression of an advanced social conscience, Congress has not yet included under its coverage this essential, yet needy segment of America's work force. I am speaking, of course, of America's agricultural workers.

The National Sharecroppers Fund, because of its concern with farm labor, has requested to testify before this committee to strongly urge that H.R. 14705 be modified to include farmworkers. Four years ago we appeared before the House Ways and Means Committee in favor of the extension of the coverage of the Federal Unemployment Tax Act to include agricultural workers, and last fall we, again, submitted testimony to that committee in support of H.R. 12625—the Administration's original unemployment insurance bill.

The fact that agricultural workers are excluded from H.R. 14705 is a serious omission. Agricultural workers are today, as they were 4 years ago, specifically excluded from coverage under State systems of unemployment insurance everywhere in the United States except for Hawaii, California, and North Dakota.

Most industrial workers have, for some time, enjoyed the benefits of this basic legislation as well as protection in such areas as minimum wage guarantees, regulations on child labor, protection of the right to collective bargaining, et cetera. Agricultural workers, on the other hand, have been excluded from this protective legislation. In recent years, the Fair Labor Standards Act has been extended to include them, but it becomes clear that unemployment insurance is essential if the depressed condition of the farm laborer is to be at all improved.

We are supporting the original administration proposal contained in H.R. 12625 that would cover 5 percent of employing farms which have four workers in 20 weeks. These farms provide approximately 30 percent of all farm jobs, or employment for about 425,000 farmworkers.

Over the years, various arguments have been made opposing the inclusion of agricultural workers under the coverage of unemployment compensation. One of these arguments is that the cost of coverage is impractically high. In support of this argument, opponents of coverage have pointed out the high rate of agricultural unemployment. For example, in 1967, the average number of days worked in agriculture by noncasual agriculture workers was only 142. (U.S. Department of Agriculture, Hired Farm Working Force of 1967). We would counter this argument on two grounds. First of all, as we see it, this statistic points out the desperate need of coverage rather than any reason for avoiding coverage. Farmworkers are the most economically depressed group in the country today. Although agricultural

wages have been rising in recent years, they are still far below that of other industries. Department of Labor figures show that in 1968 the average hourly wage for agricultural farmworkers (without room and board) was $1.41. This is compared with an average hourly wage of $3.05 for all manufacturing workers. Even workers in laundries and drycleaning establishments, which have traditionally paid low wages, received 50 cents more per hour than agricultural workers. On such a wage, particularly with inflation as it is today, it is impossible to save any money, and therefore, periods of unemployment mean periods of tremendous economic hardship. Unemployment insurance is an absolute necessity to help farm families live through their frequent periods of unemployment.

Secondly, while the cost of covering agricultural workers will be higher than the average cost of covering all other workers presently covered, it will not be significantly higher. The 1969 report made by the Subcommittee on Migratory Labor of the United States Senate revealed that "studies of Arizona, Connecticut, New York, and Nebraska actually indicate lower costs for the coverage of regular year-round agricultural employees than for all nonagricultural workers." The report went on to state, however, that the costs of extending the law to seasonal farmworkers would be somewhat higher than for other elements of the general work force but would still be kept within reasonable range.

Another argument used by opponents of the coverage of farmworkers is that it is not possible because of difficulties in recordkeeping and in administration. This, again, is not true. Under the proposed legislation, coverage would be extended to workers on large farms only. These farms are already covered by the provisions of minimum wage and social security for which the farmers must keep records.

If H.R. 14705 were modified to include the President's original recommendations for agricultural workers, unemployment insurance would be extended to approximately 425,000 workers.

Senator ANDERSON. Will you stop just a second, please? That is a live quorum.

Senator BENNETT. Let us finish this witness.

Senator ANDERSON. Go ahead now. It is a live quorum on the Senate floor.

Mr. MCCALLISTER. Do you want to see if they want to go? I will be through in just a minute.

Senator ANDERSON. All right.

Mr. MCCALLISTER. This is 30 percent of the 1.3 million wage and salary agricultural workers in America. However, only about 5 percent of all of the farms would be covered by this proposal. These are the farms or "agricultural businesses" as they are more properly called, that employ four or more workers in each of 20 weeks in the year. These are the largest agricultural businesses, often corporate giants, that can certainly afford the small additional time and expense that would come with extended coverage of unemployment insurance. Small family farmers who do their own labor with the help of family members and perhaps one or two hired hands would not be involved.

Another important point concerns the necessity of unemployment insurance being covered by a Federal law. Unemployment insurance

must not become the pawn of competition between States for the sale of farm produce.

We would, therefore, urge the modification of H.R. 14705 to include farmworkers as they were included under H.R. 12625. We would also support the other proposal considered by the House Ways and Means Committee to cover farms which have eight workers in 26 weeks; however, this is certainly a less acceptable alternative.

No worker is more essential to America's welfare than the agricultural worker. Yet, no worker has been more neglected than the agricultural worker. He is an essential element in providing this Nation with food and clothing, yet too often, through no fault of his own, he must see his children go without sufficient food and adequate clothing. It is essential that legislation be provided to assist the agricultural worker in breaking out of this cycle of poverty and deprivation, and the modification of H.R. 14705 would be an important step in attaining this goal.

Now, Mr. Chairman, I am accompanied by Mr. John Wilson, who is the legislative representative of the National Sharecroppers Fund in Washington and if you have any questions we will be glad to answer them.

Senator ANDERSON. Are there any questions?

Senator HARRIS. I was just going to—Mr. Chairman, this is on the last page, "We would, therefore, urge the modification of H.R. 14705 to include farmers as they were included under H.R. 12625."

That was the House bill that was not adopted in the Ways and Means Committee?

Mr. MCCALLISTER. That is right.

Senator HARRIS. And that is four workers for 20 weeks?

Mr. MCCALLISTER. Right.

Senator HARRIS. You make a very good and persuasive argument. We appreciate your coming.

Mr. MCCALLISTER. Thank you very much, Senator. Glad to see you both. Thank you very much.

Senator ANDERSON. Thank you very much.

Mr. Hightower? I apologize for the——

Mr. HIGHTOWER. That is OK, Senator.

STATEMENT OF JIM HIGHTOWER, COORDINATOR, FRIENDS OF FARM WORKERS

Thank you, Mr. Chairman, for this opportunity to testify. My name is Jim Hightower, coordinator of the Friends of Farm Workers. In the interest of time I am going to skip over my testimony hitting only the highlights. I am concerned with only one point—the possibility of extending the unemployment compensation program to cover farmworkers.

There has been some dialog with this committee on the potential cost of extending the unemployment compensation program to farmworkers. We might put that cost in more proper perspective if we briefly examine the impact of subsidies that the Federal Government has poured into corporate agriculture. Just this month President Nixon transmitted his economic report to the Congress. In it he points out that since the 1930's the Government has made direct commodity payments to farmers and has engaged in production controls and other

activities that have entailed "substantial budgetary costs." He notes that "direct payments alone were about $3.75 billion in 1968." And as Senator John Williams, of this committee, emphasized in 1968, "these payments are not for food produced or for services rendered but, rather are payments not to cultivate the land."

Since the 1930's, then, the Federal Government has handed billions and billions of dollars over to these businessmen in order to take millions and millions of acres out of production. Agribusinessmen are paid handsomely to eliminate jobs, but farmworkers, who have lost those jobs, have not even been granted unemployment compensation.

That brings us to this hearing, where this committee has the chance to take this small step for farmworkers. It is not enough to consider budget figures and national statistics to properly consider whether or not to extend coverage. It is essential at least to glance at the objective of the whole program—what unemployment compensation might mean to an individual farmworker. A 1966 study by the California State Employment Security Agency offers some insight.

This study found that if a widespread, unemployment compensation program had been in effect for farmworkers, the average payment could have been $443.75 over 12½ weeks. To a farmworker who suddenly found himself out of a job, that mean $35.50 a week for 12½ weeks. Clearly that is not an enormous amount of money—it may even be considered a joke compared to the hundreds of thousands of dollars that his agribusiness employer received to take land out of production. But it might be enough money to provide the very basics of life, and it might buy enough time to get another job. As I understand it, that is what the unemployment compensation program is all about. It seems a meager public investment for such a vital result.

Without unemployment compensation, however, that farmworker and his family are without an interim income. His status changes from temporarily unemployed to desperately impoverished. Thousands of these farmworkers are forced to swallow pride and attach themselves to welfare. Thousands more are forced to flee to the alien environments of inner cities—places where they are both unneeded and unwanted.

It is essential that we begin to meet the needs of farmworkers where they are. Unemployment compensation is one small program that could begin to help. I notice that the program has paid benefits of $50 billion in its history. I see no credible reason for continuing to exclude farmworkers from a program that they clearly need and that clearly is adaptable to their needs.

Of all laborers, farmworkers suffer most from job insecurity. For these Americans, unemployment compensation is a very real need. It is simple justice that those who pick the crops receive the same coverage granted those who process, deliver, and sell those crops. This organization most strongly urges the Senate Finance Committee to provide unemployment compensation to those who need it most—America's farmworkers.

Thank you.

Senator ANDERSON. Thank you. Questions?

Senator HARRIS. Mr. Chairman, I just want to say I appreciate your testimony very much, Mr. Hightower. Do you have any idea what the coverage is in California?

Mr. HIGHTOWER. No, sir, I do not.

Senator HARRIS. The law there does not exclude coverages of farmers in unemployment insurance but it must not be very broad.

Mr. HIGHTOWER. No. Not nearly as broad as the study contemplated. These figures contemplate a program of widespread coverage. I will be happy to submit this study to the committee.

Senator HARRIS. I presume we must have it. Why do you not do that anyway?

Mr. HIGHTOWER. All right.

Senator HARRIS. Thank you.

Senator ANDERSON. Thank you very much.

(The California study referred to and Mr. Hightower's prepared statement follow:)

FRIENDS OF FARMWORKERS,
Washington, D.C., February 25, 1970.

HON. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: During my testimony to the Senate Committee on Finance on H.R. 14705 on February 17, Senator Harris asked me to submit for the record the California research report from which I obtained certain data that I presented. The data appears on page 4 of my statement (page 76 of the booklet printed by the Committee).

Enclosed is a copy of the California report. The specific figures I used concerning the amount of benefits an unemployed farm worker would receive in California may be found on page 8 Table A of the report.

Please let me know if I may be of further help to the Committee.

Sincerely,

JIM HIGHTOWER.

CALIFORNIA UNEMPLOYMENT INSURANCE PROGRAM

ESTIMATED COST OF EXTENDING UNEMPLOYMENT INSURANCE COVERAGE TO FARM WORKERS

This report presents estimates of potential unemployment insurance costs and experience if coverage were extended to California farm workers under the rules and with the same benefits that are applicable to currently covered workers. It is based on a questionnaire survey of workers with 1965 earnings on California farms and is primarily a technical description of the data and the way they were used to prepare estimates.

An additional series of reports is being prepared, addressed to the composition and characteristics of the California farm labor force, using other data collected during this survey.

Summary

If farm workers had been covered by unemployment insurance during calendar years 1965, they would have received an estimated $72.5 million in benefit payments as a result of their farm earnings and labor force experience in that year.

Migrant workers would have drawn larger amounts of benefits, on the average, than those who did not migrate.

Workers with both farm and nonfarm earnings would have been less costly than those with only farm earnings, since only part of their benefits would have been attributed to their farm earnings.

Design of the study

A sample of 3,488 farm workers was drawn from wage records reported for 1965 under the California Disability Insurance program for farm workers not covered by the unemployment insurance program. This consisted of two strata. The first was a one percent, random sample of workers with farm earnings of $500 or more, selected by the use of the last two digits of their social security numbers. The second stratum was a random 0.3 percent sample of those with farm earnings of $100 to $499, selected on the same basis. Workers with farm earnings below $100 were excluded from the sample.[1] (See Table 1.)

[1] Certain computations were made using employer wage records for this group to include in the final cost estimates. See Appendix A for method.

A questionnaire was mailed to the California employers of each worker in the sample, requesting weekly work and wage information for all periods of employment in 1965 and, among other data, the workers' latest address. These questionnaires were sent both to farm employers subject only to the Disability Insurance provisions of the California law, and to unemployment-insurance-subject employers.

The second phase of the survey was an attempt to locate and interview the selected workers. Those who were interviewed were asked detailed questions about their patterns of employment and unemployment, the type of work they performed by crop, their education, their housing, and their family and personal characteristics. In order to estimate the cost of unemployment insurance coverage, data were secured from both employers and workers as to wages and days of work for each week of the year. For each week in which the worker did not work full time he was asked questions that disclosed his potential eligibility for unemployment insurance benefits.

The data collected in this survey pertain to calendar year 1965. The use of data covering only one twelve-month period to estimate the cost of unemployment insurance coverage involves certain assumptions. Under California law, a claim for unemployment insurance benefits involves employment and unemployment experience over a two-and-one-half-year period. A claimant's eligibility and the amount of his award are determined by his earnings during a twelve month base period; between the base period and the benefit year there is a lag period of from four to almost seven months. The 52-week benefit year begins on Sunday of the first week of the claim, and, after a one-week waiting period, the claimant may then be entitled to benefits for any week he is unemployed until he exhausts his benefit rights or his benefit year expires. For this study, earnings during calendar year 1965 were regarded as base period earnings, and the spells and duration of unemployment experienced in 1965 were also assumed to be those of the benefit year. The main assumption underlying such an approach is that farm activities follow a repetitive seasonal pattern and the supply of labor remains about the same, so that the record of a single year can be surrogate for both base period and for the benefit year, at least for workers with earnings of $720 or more.

The study was designed to investigate the employment patterns of farm workers under existing conditions; it does not try to measure any changes that might result from the introduction of unemployment insurance coverage, owing to such factors as the incentive to earn qualifying wages ($720), the possibility of adding farm earnings to nonfarm earnings to reach qualifying wages, the incentive not to leave the labor force between periods of employment since benefits would be available, and the possibilities afforded an employer of possible changes in employer hiring practices and the use of partial benefits to maintain his work force.

Results of Data Collection

About 84 percent of the employer questionnaires were completed and returned, however, for 92 percent of the workers in the sample at least one or more of their employers responded.

Worker interviews were conducted from September 1966 to June 1967. Of the total sample of 3,488 workers with 1965 farm wages reported for disability insurance only, 2,028 or 58 percent were interviewed. (See Table 1a.)

It was not possible to locate and interview the entire sample, and differences in the level of response of identifiable groups of workers indicate biases. About 55 percent of the workers with only farm earnings were interviewed, compared with a response rate of 67 percent from those with both farm and nonfarm earnings. The probability of locating nonmigratory workers for interview was greater than that of interviewing migratory workers. In addition, the success in finding workers for interview differed with the amount of their earnings. Among workers with only "nonsubject" farm earnings (i.e., subject for disability but not for unemployment insurance), the response rate ranged from 35 percent of those who earned $100 to $499, up to 91 percent of those who earned $5,000 or more in 1965. (See Tables 2 and 3.)

A comparison of the data obtained from the wage record file and those collected from employers made considerable information available about the characteristics of the workers who were not interviewed.

Eligibility Status: Earnings

The amount of "nonsubject" California farm earnings, together with any earnings already subject to the unemployment insurance taxes, were known from the Department's wage record file for every worker in the sample. Therefore, eligibility for unemployment benefits could be determined (on the basis of the $720 minimum earning requirement) and unemployment benefit award computations could be made for all workers in the sample, regardless of whether they were interviewed or not. In a few cases, however, the interviews disclosed Federal earnings, civilian or military, which would enter into a claim computation, and some errors in the reporting of SSA account numbers were identified which resulted in the consolidation of farm wages reported by employers under two separate account numbers into the account of a single wage earner.

The computations for workers with both farm and nonfarm earnings were made on an "added cost" basis, in order to measure the amount of additional benefits that would result from farm coverage. The earnings subject to State unemployment coverage were always considered first in computing eligibility and benefit awards. If subject wages were less than $720 and the addition of nonsubject farm wages made the claim valid, then all benefits payable under the claim were attributed to farm coverage. If subject wages were $720 or more, however, and if the addition of nonsubject farm wages resulted in increasing the benefit award of the claim, farm coverage would have been responsible for only the additional benefits payable. If the addition of farm wages increased the benefit award, it might have increased either the weekly benefit amount, or the maximum potential duration, or both. For example, the addition of farm earnings might have raised the weekly benefit amount by $2 and the potential duration of benefits by two weeks, from 12 to 14 weeks; in such a case, farm coverage would have been responsible for $2 out of each weekly payment the claimant received, but if payments were made beyond the 12th week, farm coverage would have been responsible for all benefits paid for the 13th and 14th week.

The distribution of workers with both farm and nonfarm earnings, and total earnings of $720, was adjusted for the stratification of the sample; the numbers of those with farm earnings ranging from $100 to $499 were expanded to the one percent level before they were added to those with higher farm earnings. (See Table 4.) When the sample of workers with both farm and nonfarm earnings was adjusted to the one percent level, 47 percent were eligible on the basis of their nonfarm earnings, 32 percent were eligible on the basis of added farm earnings, and 21 percent were ineligible because their total earnings were less than $720. Comparable calculations for workers with only farm earnings show 53 percent with earnings of $720 or more and 47 percent with earnings less than $720.

These figures, of course, do not include workers whose farm earnings were under $100 in 1965 since they were excluded from the sample, whether or not they had nonfarm wages.

The effect of the lag-period eligibility provision (which limits the use of lag-period wages to qualify for benefits in a second benefit year) cannot be determined from sample data; adjustments to take this factor into account are described at a later point in this report.

Eligibility Status: Nonmonetary

The field interviews provided information regarding the labor force status of the workers during periods when they were not employed during 1965. It was recognized that, if unemployment insurance benefits had been available to farm workers, and if they had understood the provisions of the law, their behavior with respect to seeking work and being available for work would have been different from what it was during 1965 when such benefits were not available. In interpreting and processing the questionnaires, therefore, the following assumptions were made:

Reasoning by analogy from the fact that many female cannery workers and those engaged in packing fruits and vegetables draw benefits during the off-season under the present law, it was assumed that female farm workers would also draw benefits if they were entitled to them. About 14 percent of the workers in the sample with earnings of $720 or more were women.

Again reasoning by analogy, it was assumed that farm workers would file for partial and part-total benefits to supplement their part-time earnings during certain seasons of the year, as workers in apparel and other nonfarm industries now do. About 58 percent of the workers with only farm earnings and earnings of $720 or more had at least one week of partial or part-total unemployment.

It was also assumed that Mexican-American farm workers would normally file claims when they were unemployed, if benefits were available to them. The assumption seemed reasonable because a recent study of claimants filing regular unemployment insurance claims showed that 12.9 percent were in this ethnic group. There is no evidence of any cultural characteristic that would tend to inhibit claim filing for unemployment insurance (such as attitudes toward illness and the treatment of illness, which are partly cultural and partly economic in nature, that apparently are responsible for underutilization of the disability insurance program by farm workers).

The importance of this assumption is indicated by the fact that about 44 percent of the workers who were interviewed and had earnings of $720 or more were Mexican-Americans and about 67 percent of those with such earnings who were not interviewed had Spanish surnames.

The sample data show that many Mexican-Americans spend much of their time between farm jobs, and during the slow season, in Mexico. This practice makes cost estimating difficult. A worker residing in a border town such as Tijuana could (and some visitors might) meet the legal requirement that a claimant be able and available for and seek work; those in the interior of Mexico could not claim benefits. It was assumed that if unemployment insurance benefits were available, such workers would continue to visit or return to Mexico, but that some would shorten the time spent in Mexico.

Tables 5 and 6 present data regarding the labor force status of workers with only farm earnings of $720 or more. About two-thirds of these workers experienced one or more weeks of full unemployment, while 58 percent had one or more weeks of partial unemployment. About 61 percent were in the labor force, either employed or unemployed, each week of calendar year 1965. About 22 percent had earned at least $20 a week in each of the 52 weeks in the year.

Claimant Characteristics

Tables 7 to 11 present data regarding the workers with only farm earnings of $720 or more who would have received at least one benefit payment had coverage been in effect. No adjustment could be made in these tables for the lag-period eligibility provision, for nonfiling, or for disqualification.

About 72 percent of all workers with only farm earnings of $720 or more would have been entitled to receive unemployment compensation had they filed a claim, except for the possibility of disqualification for some reason or other. The proportions are 92 percent for migrant workers and about 65 percent for those who did not migrate. Migrant workers constitued about 40 percent of those who would have drawn benefits.

Approximately 27 percent of those who would have received benefits would have exhausted their awards.

The average amount of benefits for compensated claimants would have been $474; it would have been $537 for migratory workers and $433 for those who did not migrate. Migratory workers would have had both longer compensated durations and higher average weekly benfits than nonmigratory workers.

Some 22 percent of those who would have received one or more payments would have been awarded the minimum $25 weekly benefit amount, while four percent would have had the maximum $65 benefit. (See Table 10.) Approximately 53 percent compensable claimants would have been awarded the maximum 26 weeks potential duration. (See Table 11.)

Preliminary Estimate of Benefits

The procedure followed in estimating the amount of benefits that would be added by covering farm workers was first to prepare an estimate of the dollar amount of benefits that each worker interviewed would receive and then, by a weighted expansion of these estimates, compute a preliminary estimate of the total for all workers. After this was done, the total was adjusted by preparing overall estimates of the effect of the lag-period eligibility requirement, for non-filing and delayed filing, and for disqualifications. None of these three factors could be evaluated on an individual basis from the data given in the questionnaires.

It was found that both the cost of unemployment insurance benefits (Table 12) and the proportion of workers interviewed (Table 2) varied with the amount of farm earnings and with migratory status, and these variables were used to compute the weighted expansion of the amount of benefits. The difference, however, between weighting by earnings alone (10 weights) and by earnings and migratory status together (20 weights) was only an increase of three percent.

The data in Table 12, consisting of average benefit *costs per worker*, must be distinguished from the figures of average *cost per claimant* shown in Tables 7, 8 and 9. By relating benefit costs to eligible workers (those earning $720 or more) it was possible to develop information that is useful for actuarial evaluations and projections.

Workers who migrate are, on the average (unweighted), twice as costly as those who do not migrate; however, only 31.5 percent of the workers with farm earnings of $720 or more were identified as migrant. The cost of benefits for the sample of workers with only farm earnings was obtained by weighting on the basis of data in the last two columns of Table 12 and the data given in Table 2. This raised the average cost per worker from $305 to $347. The cost increase from the unweighted to the weighted average reflects only the adjustments for lower response rates by workers in many of the high cost cells compared with those by workers in the low cost cells.

The weighted totals presented in Table 12 are consistent with the weighted totals shown in Tables 7, 8, and 9 which were obtained by a similar weighting process. In either case the preliminary estimate benefit cost for workers with only farm earnings is $63.4 million. About $28.5 million of this total, or 45 percent, is attributed to migratory workers.

Table 13 expresses the preliminary estimate of benefits attributed to workers with only farm earnings as a percentage of their total farm earnings. Since migratory workers account for only 25 percent of farm wages, the relative difference in cost rates between migratory and nonmigratory workers is much greater than that between average cost per worker shown in Table 12. The weighted totals in Table 13 are consistent with the weighted totals in Table 12, since the same weights were used in each case, and estimated gross benefits are $63.4 million in each case. The cost rates presented in Table 13 are different from those customarily computed for program evaluation in that, because of the limitations of the sample, the benefits are related to wages that are, in reality, base period wages; cost rates usually relate the benefits paid in a calendar year to wages paid during the same calendar year, which would make the rates slightly lower than those shown in Table 13.

The average cost of benefits per worker for those who had both farm and nonfarm earnings in 1965 are presented in Table 14. The data should be considered in relation to the figures shown in Tables 3 and 4. About 67 percent of the workers in the sample in this group were interviewed. Some 60 percent of the total eligibles (workers with total farm and nonfarm earnings of $720 or more) were eligible on the basis of their nonfarm earnings, and the benefits added to such claims by the addition of farm earnings accounted for only about 18 percent of the total benefits that those claimants would have received. The preliminary estimate of the amount of benefits added by farm coverage to those already eligible on the basis of their nonfarm earnings is $5.5 million. For those with insufficient nonfarm earnings but enough additional farm earnings to establish a valid claim, the estimate of gross benefits is $20.1 million. Each of these two estimates was obtained by a separate weighting process.

The preliminary estimate of total added benefit payments amounts to $89.0 million in a year like 1965, of which $63.4 million, or 71 percent, are attributed to claimants with farm earnings only and $25.6 million, or 29 percent, to those with both farm and nonfarm earnings. These estimates were adjusted as shown below.

Estimate of Net Benefits

Despite the detailed information obtained from workers who were interviewed, some of the data needed to determine eligibility and beneficiary status could not be derived from the questionnaires, but had to be estimated from other sources. The preliminary estimates of benefit costs and number of claims were adjusted for three factors (see the following table):

(*a*) An adjustment was made for the lag-period eligibility requirement which limits the use of lag-period wages to qualify for benefits in a second benefit year. The effect of the lag-period requirement could not be determined from sample data, since these were for only a single calendar year. It was estimated that two percent of all unemployed with at least $720 in earnings would be ineligible under this provision, a rate slightly higher than that for nonfarm workers.

(*b*) An adjustment was made for workers who would not file for benefits although entitled to them, or who would delay filing. It was estimated that 23 percent of the unemployed eligibles would delay filing for one or more months,

and that an additional seven percent would not claim any benefits. These figures are somewhat higher than estimates for present coverage. During the first year or two under a new program nonfiling and delayed filing could be much higher than these estimates, but the cost estimates presented here are intended to describe the situation when the program is in full effect and workers have had experience with the claim process.

(*c*) An adjustment was made for claimants who would be disqualified. It was assumed that 20 percent of the farm claimants would be subject to some kind of disqualification, compared with about 17 percent of the claimants under present coverage. The actual effect on farm claimants of the various disqualification provisions now in the law cannot be known until coverage is in effect, decisions are made on specific claims by claims examiners able to probe for pertinent facts in a way not possible during a survey interview, and test cases come before referees and the Appeals Board. Additionally, it is not possible to speculate on the extent to which, once they have experience with the requirements of the law, farm workers can or will alter present patterns of changing jobs, seeking work, etc., in order to adjust to those requirements.

TABLE A.—PRELIMINARY ESTIMATE AND NET BENEFIT PAYMENTS ATTRIBUTABLE TO FARM EARNINGS

Item	Total	Workers with only farm earnings	Workers with both farm and nonfarm earnings	
			Eligible on nonfarm earnings [1]	Made eligible by farm earnings
1. Preliminary benefit payments (millions)	$89.0	$63.4	$5.5	$20.1
2. Adjustments:				
(a) For claimants not eligible under lag quarter rule of secs. 1277 and 1277.5 (millions) (minus)	$1.8	$1.3	$.1	$.4
(b) For workers who do not file or who delay filing for benefits (millions) (minus)	$10.4	$7.6	$.5	$2.3
(c) For claimants who are disqualified (millions) (minus)	$4.6	$3.4	$.3	$.9
(d) For claimants with farm earnings less than $100 [2] (millions) (plus)	$.3		$.1	$.2
3. Net benefit payments (millions)	$72.5	$51.1	$4.7	$16.7
4. Cost rate on (percent):				
(a) 1965 taxable farm wages	10.9			
(b) 1966 taxable farm wages	10.1			
5. Claimants drawing at least 1 payment	199,000.0	116,000.0	47,500.0	35,500.0
(a) Average number of full payments received	10.3	12.4	[3] 2.3	14.0
(b) Average weekly benefit	$35.30	$35.50	[3] $7.70	$33.60

[1] Cost of benefits paid to claimant which are added by the inclusion of farm earnings in base period.
[2] See app. B.
[3] Weekly average amount of benefits and full payments added by inclusion of farm earnings in the base period. Combined average weekly benefit amount is $43.40 for 12.8 weekly payments.

Economic Trends After 1965 That Could Affect Cost of Farm Coverage

The agricultural labor force is in a period of transition and, although the sample study was limited to one year, analysis of the data suggests the possible effects of changes in the labor force. The trend toward increased mechanization of farm operations would tend to decrease the cost of unemployment insurance coverage, to the extent that mechanization reduces the number of different workers employed and, most important, reduces peak needs for migratory workers who are more costly in terms of unemployment insurance benefits than nonmigratory workers. The trend toward higher farm wages taken by itself would, in the short run, tend to raise the cost of unemployment insurance benefits. On the other hand, higher wages could make farm labor more attractive, and workers might tend to seek more and longer periods of employment, and nonfarm workers could be more likely to supplement their nonfarm earnings with some farm earnings; this would tend to reduce the cost of unemployment insurance benefits in both the farm and in the presently covered nonfarm sectors. The trends toward mechanization and higher wages cannot alter the basic seasonality of most farm activities, however, so agriculture will always be a relatively high cost industry with respect to unemployment insurance benefits.

Appendix

A. Supplementary Sample

A supplementary study was made to measure the effect of the addition of small amounts of farm earnings to the earnings of nonfarm workers. This involved a one percent sample of workers with farm earnings of less than $100 and total earnings of $720 (the minimum qualifying amount) to $3,380 (the amount needed to receive the maximum award). No attempt was made to interview this sample of 272 workers. The analysis consisted of computing the amount that would be added to the benefit award by the addition of farm earnings, if they were subject to the Code, and estimating the resulting increase in benefit payments. It was estimated that this group of workers who were excluded from the main study because their farm earnings were less than $100, would have received not more than $300,000 in benefits attributable to farm earnings if those earnings had been covered. This item of cost appears in Table A as item 2-d.

B. Location and Interview of Sample Workers

All the workers in the sample had social security account numbers ending in digits "45". A list of the workers to be interviewed, showing name and social security account number, was prepared and distributed to the Farm Labor Service offices, and also to Unemployment Insurance offices in rural areas, and to Service Centers in metropolitan areas, so that workers could be easily identified as being either in the sample or not in the sample.

Location of the workers in the sample began with the addresses supplied by the workers' 1965 employers. In addition, as 1966 quarterly wage reports were received (data for the first three quarters were available before the end of the survey), the workers' 1966 employers were identified and contacted for information about the workers' whereabouts. Most of the workers who were located were found by using the information obtained from their 1966 employers. Efforts to reach workers through publicity or by writing letters to individuals were not very productive, nor were attempts to locate workers by searching the active files in local offices or service centers. Farm employers cooperated by giving information to farm labor representatives or by responding to mailed questionnaires but they did not, in general, take an active part in locating the workers. Some workers were found through the file of drivers' licenses maintained by the California Department of Motor Vehicles.

The field interviews were conducted by personnel of the Farm Labor Service; both permanent and seasonal personnel were used. They were selected to include a substantial proportion capable of carrying out interviews in Spanish.

Training sessions for those selected to interview the workers were held in September 1966. An intensive effort was made to locate and interview the workers selected for the sample during the fall and winter months of 1966-1967, and interviewing continued, on a reduced scale, through June 1967.

Before a worker was interviewed, all weekly wage and employment data collected from his 1965 employers were transcribed onto his questionnaire in order to stimulate the recall of his work experience in that year. This part of the interview was thus narrowed down to what the worker did during the weeks he was not employed on a California farm or in employment presently covered by unemployment insurance.

Most of the interviews were carried out at the worker's residence and at a prearranged time, although some were made on the jobsite, in local offices, or in other places. A payment of $3.00 per interview was a factor in persuading the worker to set a time and place for the interview. The payment created no administrative problems--each worker signed a receipt for the $3.00, and the interviewer included this in his State travel expense claim.

With the cooperation of agencies in other states, some workers with out-of-state residence were interviewed at their homes. The 76 workers who were interviewed in another state accounted for about half of those for whom a complete out-of-state address was obtained. Plans were made to send interviewers into Mexico, but permission to enter Mexico for this purpose could not be secured from the Mexican authorities. Complete Mexican addresses were known for about 100 of the workers who were not interviewed, so that if interviewers had been allowed into Mexico, a significant additional number could have been located and interviewed.

Of the 1,460 workers in the sample who were not interviewed, 36 were reported to have died, 53 were said to be in military service, and 42 were located but refused to respond. One reason for failure to locate many of the workers was that they had little or no earnings in California agriculture or in covered employment in 1966. A separate study of continuity in the farm labor force for the years 1965, 1966 and 1967 is being prepared in an attempt to measure the extent and nature of turnover among these workers.

C. MIGRANT STATUS

Migratory workers were defined for purposes of this report as those who worked in more than one area, or in an area distant from their residence. Areas were defined, for this study, by use of a contiguous area concept. An area might be only part of a county (East or West Riverside, for example) or it might comprise, for any one worker, a combination of two or three contiguous counties in which he could work without migrating (Sacramento, San Joaquin, and Solano, for example). Account was taken of the size of the county, the distances involved, and natural barriers such as mountains. A worker living in a border town, such as Yuma, Mexicali, or Tijuana, and working only in a contiguous California county was defined as nonmigratory; on the other hand, a worker residing out of state at some distance from the border was a migrant, even though he worked in one California county.

Expansion of the Data

It was possible to interview only 58 percent of the workers in the sample, and the response was not evenly distributed throughout the sample, but rather, exhibited wide variation among various classifications, indicating a biased selection. (See Tables 1a, 2, and 3.)

A weighted expansion was used to compensate to some extent for the bias introduced by nonresponse. This was feasible because the data available from the Department's wage and employer files and from the survey information collected from employers could be used to measure the response rate for various groups or categories of workers, and supply sample parameters to which data obtained from interviews could be expanded.

The weighting system that was used here consisted of dividing the sample of respondents into relatively small strata and expanding each stratum to the number known to be in the stratum of the original sample. The basic assumption was that respondents in a particular strata were more nearly representative of the nonrespondents in that strata than those in the data collected taken as a whole, so that the bias would be substantially reduced. No method is available, however, to measure how much of the bias has been eliminated, and none of the standard statistical tests of reliability is appropriate.

The design of a weighting system involves a selection of the variables with respect to which the greatest possible accuracy is desired. For purposes of estimating the cost of unemployment insurance benefits, workers with total wages of $720 or more were divided into the following three groups; those with only farm earnings, those with both farm and nonfarm earnings who would become eligible because of their farm earnings, and those with both farm and nonfarm earnings who are eligible on the basis of their nonfarm earnings alone. This classification was adopted because, for purposes of analyzing the cost of benefits and preparing legislative estimates, as accurate an estimate of benefit costs as possible was needed for each of these three groups.

The cost of benefits for those with only farm earnings was weighted by annual farm earnings (10 groups) and by mobility status (2 groups), or a total of 20 different values. This differential expansion resulted in a cost figure 14 percent larger than the cost obtained by a simple unweighted expansion. The difference between weighting by earnings alone (10 weights) and by earnings and mobility status (20 weights) was, however, only 3.2 percent.

Benefit costs for each of the two groups of workers with both farm and nonfarm earnings were weighted by annual farm earnings. Weighting these two groups separately yielded an estimate of total benefits 3.6 percent higher than that obtained by weighting as a single group. Separate weighting of these two groups was more efficient than weighting by migratory status, since among workers with both farm and nonfarm earnings the difference in response rate between those who migrated and those who did not migrate was smaller than that among those with only farm earnings. (Compare Tables 2 and 3.)

This set of weights was designed to estimate the cost of unemployment insurance benefits which is the subject of this report. For use with the survey of the characteristics of the farm labor force, which will be published in a separate series of reports, a different weighting system was devised. The weights adopted for the latter purpose included six crop classifications, two mobility status groups, and 13 earnings groups or a total of 156 different values. Of the parameters available, these three were judged to be the most appropriate for the analysis of the farm labor force. As a methodological check, this second set of weights was applied to unemployment insurance benefit costs and the result was a total cost (preliminary estimate) 2.8 percent less than that obtained by the first system. The reason why the cost was lowered was that the second system, by averaging certain expansion factors used in the first system, increased the cost of benefits for workers with both farm and nonfarm earnings by 15 percent while lowering the cost of benefits for workers with only farm earnings by 10 percent.

Variations in the two weighting systems, therefore, would not drastically change the overall totals computed from the sample, but would substantially change the value of the components of the total estimate.

TABLE 1.- DESIGN OF SAMPLE OF WORKERS WITH FARM EARNINGS IN 1965

Annual farm earnings	Estimated number of workers	Percent in sample	Number in sample
Less than $100	256,000	0	0
$100 to $499	196,400	0.3	589
$500 or more	289,900	1.0	2,899
Total	742,300		3,488

TABLE 1A.—NUMBER AND PERCENTAGE DISTRIBUTION OF FARM WORKER SAMPLE, BY TYPE OF EARNINGS AND NUMBER INTERVIEWED

Item	All workers	Workers with only farm earnings	Workers with both farm and nonfarm earnings
Total number of workers in sample	3,488.0	2,527.0	961.0
Percentage	100.0	100.0	100.0
Number interviewed	2,028.0	1,383.0	645.0
Percent interviewed	58.1	54.7	67.1
Number not interviewed	1,460.0	1,144.0	316.0
Percent not interviewe	41.9	45.3	32.9

TABLE 2.—WORKERS WITH ONLY FARM EARNINGS--NUMBER AND PERCENT INTERVIEWED BY ANNUAL FARM EARNINGS AND MIGRATORY STATUS-- UNADJUSTED SAMPLE DATA [1]

	Workers in sample			Nonmigratory workers			Migratory workers		
Annual farm earnings	Total	Number interviewed	Percent interviewed	Total	Number interviewed	Percent interviewed	Total	Number interviewed	Percent interviewed
$100 to $499	404	141	34.9	315	125	39.7	89	16	18.0
$500 to $599	153	78	51.0	107	52	48.6	46	26	56.5
$600 to $719	144	55	38.2	101	44	43.6	43	11	25.6
$720 to $999	269	120	44.6	178	84	47.2	91	36	39.6
$1,000 to $1,499	298	141	47.3	191	99	51.8	107	42	39.3
$1,500 to $1,999	236	116	49.2	144	75	52.1	92	41	44.6
$2,000 to $2,499	170	87	51.2	90	53	58.9	80	34	42.5
$2,500 to $2,999	162	91	56.2	95	61	64.2	67	30	44.8
$3,000 to $3,499	152	105	69.1	104	82	78.8	48	23	47.9
$3,500 to $3,999	127	95	74.8	92	77	83.7	35	18	51.4
$4,000 to $4,499	108	90	83.3	85	76	89.4	23	14	60.9
$4,500 to $4,999	101	80	79.2	85	72	84.7	16	8	50.0
$5,000 and over	203	184	90.6	187	171	91.4	16	13	81.2
Total	2,527	1,383	54.7	1,774	1,071	60.4	753	312	41.4

[1] Sample consists of 1 percent of workers with farm earnings of $500 or more and .3 percent of those with farm earnings from $100 to $499.

TABLE 3.—WORKERS WITH BOTH FARM AND NONFARM EARNINGS—NUMBER AND PERCENT INTERVIEWED BY ANNUAL FARM EARNINGS AND MIGRATORY STATUS--UNADJUSTED SAMPLE DATA [1]

Annual farm earnings	Workers in sample			Nonmigratory workers			Migratory workers		
	Total	Number interviewed	Percent interviewed	Total	Number interviewed	Percent interviewed	Total	Number interviewed	Percent interviewed
$100 to $499	185	117	63.2	127	83	65.4	58	34	58.6
$500 to $599	84	53	63.1	55	38	69.1	29	15	51.7
$600 to $719	88	64	72.7	62	49	79.0	26	15	57.7
$720 to $999	145	92	63.4	83	54	65.1	62	38	61.3
$1,000 to $1,499	160	113	70.6	91	64	70.3	69	49	71.0
$1,500 to $1,999	95	63	66.3	58	40	69.0	37	23	62.2
$2,000 to $2,499	76	45	59.2	43	28	65.1	33	17	51.5
$2,500 to $2,999	46	33	71.7	29	23	79.3	17	10	58.8
$3,000 to $3,499	32	23	71.9	16	13	81.2	16	10	62.5
$3,500 to $3,999	14	11	78.6	8	8	100.0	6	3	50.0
$4,000 to $4,499	12	11	91.7	9	8	88.9	3	3	100.0
$4,500 to $4,999	8	6	75.0	6	4	66.7	2	2	100.0
$5,000 and over	16	14	87.5	15	14	93.3	1	0	0
Total	961	645	67.1	602	426	70.8	359	219	61.0

[1] Sample consists of 1 percent of workers with farm earnings of $500 or more and 0.3 percent of those with farm earnings from $100 to $499.

TABLE 4.—WORKERS WITH BOTH FARM AND NONFARM EARNINGS--BY ANNUAL FARM EARNINGS AND ELIGIBILITY STATUS [1]

Annual farm earnings	Workers in sample	Total eligible [1]	Eligible on nonfarm earning	Eligible on farm earning	Total not eligible
$100 to $499:					
Unadjusted [2]	185	110	94	16	75
Adjusted [2]	617	367	314	53	250
$500 to $599	84	58	34	24	26
$600 to $719	88	77	42	35	11
$720 to $999	145	145	82	63	0
$1,000 to $1,499	160	160	76	84	0
$1,500 to $1,999	95	95	34	61	0
$2,000 to $2,499	76	76	29	47	0
$2,500 to $2,999	46	46	21	25	0
$3,000 to $3,499	32	32	9	23	0
$3,500 to $3,599	14	14	5	9	0
$4,000 and over	36	36	14	22	0
Total:					
Unadjusted [2]	961	849	440	409	112
Adjusted [2]	1,393	1,106	660	446	287

[1] Eligibility requirement of $720 in 1965 earnings farm earnings, nonfarm earnings or the combination of farm and nonfarm earnings. No adjustment made for the lag-period eligibility requirement.

[2] Sample consists of 1 percent of workers with farm earnings of $500 or more and 0.3 percent of those with farm earnings from $100 to $499. The adjustment inflates those in the $100 to $499 group to the 1 percent level.

TABLE 5.—WORKERS WITH ONLY FARM EARNINGS: PERCENTAGE DISTRIBUTION BY NUMBER OF WEEKS OF FULL UNEMPLOYMENT, PARTIAL UNEMPLOYMENT, AND WEEKS OUT OF LABOR FORCE IN 1965 FOR WORKERS WITH FARM EARNINGS OF $720 OR MORE [1]

(In percent)

Number of weeks in 1965	Weeks of full unemployment	Weeks of partial unemployment	Weeks out of the labor force
None	32.8	42.3	61.4
1 to 5	12.8	40.4	10.2
6 to 10	12.4	12.4	9.9
11 to 15	11.9	2.9	6.4
16 to 20	12.8	.6	3.2
21 to 25	8.2	.9	2.9
26 to 30	3.9	.2	2.5
31 to 40	4.8	.1	2.9
41 to 52	.4	.2	.6
Total	100.0	100.0	100.0

[1] Sample data adjusted for nonresponse.

TABLE 6.—WORKERS WITH ONLY FARM EARNINGS: PERCENTAGE DISTRIBUTION FARM EARNINGS BY NUMBER OF WEEKS EMPLOYED WITH EARNINGS OF $20 OR MORE IN 1965 FOR WORKERS WITH FARM EARNINGS OF $720 OR MORE[1]

[In percent]

Annual farm earnings	Number of weeks with earnings of $20 or more				
	Total	9 weeks or less	10 to 19 weeks	20 to 51 weeks	52 weeks
Total	100.0	2.6	19.9	55.9	21.6
$720 to $999	14.8	2.1	11.3	1.4	0
$1,000 to $1,999	29.4	.5	8.2	19.7	1.0
$2,000 to $2,999	18.0	0	.4	16.5	1.1
$3,000 to $3,999	15.3	0	0	11.2	4.1
$4,000 to $4,999	11.4	0	0	4.9	6.5
$4,000 and over	11.1	0	0	2.2	8.9

[1] Sample data adjusted for nonresponse.

TABLE 7.—WORKERS WITH ONLY FARM EARNINGS WHO WOULD BE ENTITLED TO COMPENSABLE UNEMPLOYMENT BY ANNUAL FARM EARNINGS AND CLAIM DATA

Annual farm earnings	Percent with no compensable unemployment	Percent with compensable unemployment	Workers with compensable unemployment				
			Percent of total	Percent exhausting their benefits	Average amount of benefits	Average weekly benefit payment	Average full weeks of benefits
$720 to $999	21.7	78.3	16.0	71.3	$360	$26.17	14.0
$1,000 to $1,499	13.4	86.5	19.6	54.1	514	27.40	18.8
$1,500 to $1,999	6.0	94.0	16.8	20.2	542	31.54	17.2
$2,000 to $2,499	13.8	86.2	11.2	12.0	547	39.65	13.8
$2,500 to $2,999	9.9	90.1	11.1	1.2	483	43.83	11.0
$3,000 to $3,499	28.6	71.4	8.3	1.3	501	48.79	10.3
$3,500 to $3,999	35.8	64.2	6.2	1.6	416	54.14	7.7
$4,000 to $4,999	45.6	54.4	4.5	0	335	57.76	5.8
$4,500 to $4,999	62.5	37.5	2.9	0	341	62.85	5.4
$5,000 and over	77.7	22.3	3.4	0	283	64.35	4.4
Total (weighted)	28.0	72.0	100.0	26.9	474	35.10	13.5

[1] Workers with $720 in earnings in 1965 and sufficient unemployment or partial unemployment to receive at least 1 benefit payment, if coverage were in effect. No adjustment made for the lag-quarter eligibility provision, for nonfiling, or for disqualifications.

TABLE 8.—NONMIGRANT WORKERS WITH ONLY FARM EARNINGS WHO WOULD HAVE BEEN ENTITLED TO COMPENSABLE UNEMPLOYMENT[1] BY ANNUAL FARM EARNINGS AND CLAIM DATA

Annual farm earnings	Percent with no compensable unemployment	Percent with compensable unemployment	Workers with compensable unemployment				
			Percent of total	Percent exhausting their benefits	Average amount of benefits	Average weekly benefit payment	Average full weeks of benefits
$720 to $999	23.8	76.2	16.8	71.9	$364	$26.01	14.0
$1,000 to $1,499	16.2	83.8	19.8	55.4	513	27.12	18.9
$1,500 to $1,999	9.3	90.7	16.2	19.1	535	30.94	17.3
$2,000 to $2,499	20.8	79.2	8.8	9.5	520	37.39	13.9
$2,500 to $2,999	14.8	85.2	10.0	0	424	41.35	10.2
$3,000 to $3,499	32.9	67.1	8.7	1.8	446	46.37	9.6
$3,500 to $3,999	42.9	57.1	6.6	0	345	52.88	6.5
$4,000 to $4,499	50.0	50.0	5.3	0	260	56.50	4.6
$4,500 to $4,999	69.4	30.6	3.2	0	275	63.67	4.3
$5,000 and over	80.1	19.9	4.6	0	245	64.66	3.8
Total (weighted)	35.5	64.5	100.0	27.1	433	33.27	13.0

[1] Workers with $720 or more in earnings in 1965 and sufficient unemployment or partial unemployment to receive at least 1 benefit payment, if coverage were in effect. No adjustment made for the lag-quarter eligibility provision, for nonfiling, or for disqualifications.

TABLE 9.—MIGRANT WORKERS WITH ONLY FARM EARNINGS WHO WOULD BE ENTITLED TO COMPENSABLE UNEMPLOYMENT[1] BY ANNUAL FARM EARNINGS AND CLAIM DATA

Annual farm earnings	Percent with no compensable unemployment	Percent with compensable unemployment	Workers with compensable unemployment				
			Percent of total	Percent exhausting their benefits	Average amount of benefits	Average weekly benefit payment	Average full weeks of benefits
$720 to $999	16.7	83.3	14.3	70.0	$370	$26.45	14.0
$1,000 to $1,499	7.1	92.9	18.7	51.3	515	28.00	18.4
$1,500 to $1,999	0	100.0	17.4	22.0	554	32.57	17.0
$2,000 to $2,499	2.9	97.1	14.7	15.2	581	42.57	13.6
$2,500 to $2,999	0	100.0	12.7	3.3	586	47.40	12.4
$3,000 to $3,499	13.0	87.0	7.9	0	652	54.09	12.0
$3,500 to $3,999	5.6	94.4	6.2	5.9	601	56.13	10.7
$4,000 to $4,499	21.4	78.6	3.4	0	592	60.33	9.8
$4,500 to $4,999	0	100.0	3.0	0	524	60.80	8.6
$5,000 and over	46.2	53.8	1.7	0	463	63.57	7.3
Total (weighted)	7.9	92.1	100.0	26.5	537	37.54	14.3

[1] Workers with $720 or more in earnings in 1965 and sufficient unemployment or partial unemployment to receive at least 1 benefit payment if coverage were in effect. No adjustment made for the lag-quarter eligibility provision, for nonfiling, or for disqualifications.

TABLE 10. WORKERS WITH ONLY FARM EARNINGS WHO WOULD BE ENTITLED TO COMPENSABLE UNEMPLOYMENT[1] BY WEEKLY BENEFIT AMOUNT AND CLAIM DATA

Weekly benefit amount	Percent with no compensable unemployment	Percent with compensable unemployment	Workers with compensable unemployment			
			Percent of total	Percent exhausting their benefits	Average amount of benefits	Average full weeks of benefits
$25	12.2	87.8	21.9	53.5	$443	17.7
$26 to $29	12.2	87.8	10.7	35.4	439	16.0
$30 to $34	19.1	80.9	14.7	23.6	422	13.1
$35 to $39	33.6	66.4	12.5	12.7	424	11.4
$40 to $44	30.2	69.8	11.8	8.9	446	10.5
$45 to $49	37.2	62.8	9.7	6.6	476	10.0
$50 to $54	38.5	61.5	6.6	5.1	445	8.3
$55 to $59	54.7	45.3	3.8	3.4	486	8.3
$60 to $64	47.1	52.9	4.0	8.1	524	8.2
$65	68.2	31.8	4.3	7.3	631	9.7
Total (weighted)	28.0	72.0	100.0	26.9	474	13.5

[1] Workers with $720 in earnings in 1965 and sufficient unemployment or partial unemployment to receive at least 1 benefit payment, if coverage were in effect. No adjustment made for the lag-quarter eligibility provision, for nonfiling, or for disqualifications.

TABLE 11.—WORKERS WITH ONLY FARM EARNINGS WHO WOULD BE ENTITLED TO COMPENSABLE UNEMPLOYMENT[1] BY WEEKS OF POTENTIAL DURATION AND CLAIMS DATA

Item	Percent with no compensable unemployment	Percent with compensable unemployment	Workers with compensable unemployment				
			Percent of total	Percent exhausting their benefits	Average amount of benefits	Average weekly benefit payment	Average full weeks of benefits
Weeks of potential duration:							
12 to 15	27.9	72.1	11.5	65.9	$363	$32.97	11.0
16 to 20	17.1	82.9	18.5	73.5	490	29.74	16.5
21 to 25	12.2	87.8	17.1	37.0	594	34.09	17.4
26 weeks	39.7	60.3	52.9	4.8	430	39.72	10.8
Total (weighted)	28.0	72.0	100.0	26.9	474	35.10	13.5

[1] Workers with $720 in earnings in 1965 and sufficient unemployment or partial unemployment to receive at least 1 benefit payment, if coverage were in effect. No adjustment made for the lag-period eligibility provision, for nonfiling, or for disqualifications.

TABLE 12.—AVERAGE COST OF BENEFITS PER WORKER INTERVIEWED AND WITH FARM EARNINGS OF $720 OR MORE[1] INTERVIEWED WORKERS WITH ONLY FARM EARNINGS

Annual farm earnings	Total unweighted for nonresponse	Nonmigratory workers	Migratory workers
$720 to $999	$286.73	$277.39	$308.53
$1,000 to $1,499	444.58	430.43	477.93
$1,500 to $1,999	509.60	485.51	553.68
$2,000 to $2,499	471.20	412.00	563.47
$2,500 to $2,999	435.43	361.30	586.17
$3,000 to $3,499	357.77	299.15	566.78
$3,500 to $3,999	267 29	197.12	567.50
$4,000 to $4,499	182.26	130.09	465.43
$4,500 to $4,999	128.05	84.01	524.38
$5,000 and over	62.95	48.78	249.38
Total, unweighted for nonresponse	304.79	247.28	493.54
Total, weighted for nonresponse	347.25	279.39	494.82

[1] Benefits not adjusted for the lag-period eligibility provision, for nonfiling, or for disqualifications.

TABLE 13.—COST OF BENEFITS[1] AS A PERCENTAGE OF FARM WAGES[2] INTERVIEWED WORKERS WITH ONLY FARM EARNINGS

Annual farm earnings	Total unweighted for nonresponse	Nonmigratory workers	Migratory workers
Less than $720	0	0	0
$720 to $999	33.31	32.11	36.15
$1,000 to $1,499	35.85	34.56	38.93
$1,500 to $1,999	29.51	28.05	32.20
$2,000 to $2,499	20.91	18.33	24.91
$2,500 to $2,999	15.72	12.99	21.36
$3,000 to $3,499	10.95	9.16	17.36
$3,500 to $3,999	7.01	5.23	14.95
$4,000 to $4,499	4.27	3.07	11.13
$4,500 to $4,999	2.70	1.77	11.19
$5,000 and over	.90	.69	3.85
Total, unweighted for nonresponse	8.71	6.54	19.09
Total, weighted for nonresponse	10.80	7.89	19.84

[1] Benefits not adjusted for the lag-period eligibility provision, for nonfiling, or for disqualifications.
[2] Sample cost rates relate benefits based on 1965 farm earnings to total farm earnings in 1965.

TABLE 14.—INTERVIEWED WORKERS WITH BOTH FARM AND NONFARM EARNINGS AVERAGE COST OF BENEFITS PER WORKER INTERVIEWED WITH EARNINGS OF $720 OR MORE[1]

Annual farm earnings	Benefits due to addition of farm earnings: Total, unweighted for nonresponse	Claimants eligible on farm earnings	Claimants eligible on nonfarm earnings	Total benefits, claimants eligible on nonfarm earnings	Percent due to addition of farm earnings
$100 to $499	$68.55	$276.89	$40.97	$483.44	8.5
$500 to $599	249.45	457.06	81.38	517.05	15.7
$600 to $719	184.43	383.87	45.42	413.21	11.0
$720 to $999	240.05	402.55	157.48	574.00	27.4
$1,000 to $1,499	324.81	498.98	134.50	510.87	26.3
$1,500 to $1,999	395.32	569.36	112.50	374.96	30.0
$2,000 to $2,499	372.36	555.44	97.72	300.00	32.6
$2,500 to $2,999	404.03	541.11	239.53	520.67	46.0
$3,000 to $3,499	374.30	489.81	110.29	288.57	38.2
$3,500 to $3,999	348.45	575.17	76.40	233.80	32.7
$4,000 to $4,499	196.91	256.83	125.00	208.80	59.9
$4,500 to $4,999	108.17	84.25	156.00	173.00	90.2
$5,000 and over	95.50	116.78	57.20	123.00	46.5
Total, unweighted for nonresponse[2]	220.18	449.07	83.42	469.77	17.8
Total, weighted for nonresponse[1]	223.02	449.66	83.60	471.33	17.7

[1] Benefits not adjusted for the lag-period eligibility provision, for nonfiling, or for disqualifications.
[2] Total are also adjusted for stratification which inflates those in the $100 to $499 group from the 0.3 percent to the 1.0 percent level.

STATEMENT OF JIM HIGHTOWER, COORDINATOR FOR THE FRIENDS OF FARM WORKERS

Thank you Mr. Chairman and Members of the Committee for this opportunity to present the views of Friends of Farm Workers on H.R. 14705. My name is Jim Hightower, Coordinator for Friends of Farm Workers.

(Friends of Farm Workers is a very loose coalition of individuals, located both in Washington and across the country, who are concerned about legislative issues that affect the lives of America's farm workers. The organization does not pretend to represent farm workers, but we do seek to inform ourselves and to articulate a farm-worker viewpoint on issues that otherwise would be without such a viewpoint.)

I am concerned with only one issue in the legislation before you. That is the possibility of extending the unemployment compensation program to cover farm workers. The Department of Agriculture's Economic Research Service reports that the 1968 hired farm working force consisted of "about 2.9 million different persons." This statistic includes every type of farm worker in virtually every part of the nation—from hired hands and sharecroppers to seasonal workers and migrant families.

These people have been described in report after report. They are our "harvest of shame;" they are the original and true "silent" American, "forgotten" American, and "invisible" American; they are most certainly "the people left behind." As farming commercialized, captured the benefits of technology, and garnered political strength, it was able to achieve a control over its work force that is unique in American business. Through agribusiness, the government has developed policies to deal with the economics of agriculture, but they have failed to consider the disinherited of agriculture.

There has been some dialogue with this Committee on the potential cost of extending the unemployment compensation program to farm workers. We might put that cost in more-proper prospective if we briefly examine the impact of subsidies that the federal government has poured into corporate agriculture. Just this month President Nixon transmitted his Economic Report to the Congress. In it he points out that since the 1930's the government has made direct commodity payments to farmers and has engaged in production controls and other activities that have entailed "substantial budgetary costs." He notes that "direct payments alone were about $3.75 billion in 1969." And as Senator John Williams emphasized in 1968, "these payments are not for food produced or for services rendered but, rather are payments not to cultivate the land."

As you all know too well, this enormous handout has not gone to those of great need. One journalist, Robert Sherrill, has reported that "about half this money is pocketed by the farmers who need it least—those in the top 15 percent income bracket."

Since the 1930's, the federal government has handed billions and billions of dollars over to these businessmen in order to take millions and millions of acres out of production. Coupled with mechanization (which the federal government also subsidized) this economic policy works directly against the needs of the farm worker. Agribusinessmen are paid handsomely to eliminate jobs, but farm workers are not even granted unemployment compensation.

That brings us to this hearing, where this Committee has the chance to take this small step for farm workers. The Secretary of Labor has testified on the national need and the feasibility of bringing these benefits at least to the workers on the largest farms. In the House Ways and Means Committee, Chairman Mills and Mr. Byrnes were advocates of covering some farm workers. And none other than Governor Reagan has stood up to say that the states and even the growers see the need for extending coverage to farm workers.

Allow me to offer another perspective on this issue. It is not enough to consider budget figures and national statistics. To properly consider whether or not to extend coverage, it is essential at least to glance at the objective of the whole program—what unemployment compensation might mean to an individual farm worker. A 1966 study by the California State Employment Security Agency offers some insight.

This study found that if a wide-spread, unemployment compensation program had been in effect for farm workers, the average payment could have been $443.75 over 12½ weeks. To a farm worker who suddenly found himself out of a job, that means $35.50 a week for 12½ weeks. Clearly that is not an enormous amount of money—it may even be considered a joke compared to the hundreds of thousands of dollars that his agribusiness employer received to take land

out of production. But it might be enough money to provide the very basics of life, and it might buy enough time to get another job. As I understand it, that is what the unemployment compensation program is all about. It seems a meager public investment for such a vital result.

Without unemployment compensation, however, that farm worker and his family are without an interim income. His status changes from temporarily unemployed to desperately impoverished. Thousands of these farm workers are forced to swallow pride and attach themselves to welfare. Thousands more are forced to flee to the alien environments of inner cities—Los Angeles, Denver, El Paso, Chicago, Cleveland, Washington, and other places where they are un-needeeded and un-wanted.

It is essential that we begin to meet the needs of farm workers where they are. Unemployment compensation is one small program that could begin to help. I notice that the program has paid benefits of $50 billion in its history. I see no credible reason for continuing to exclude farm workers from a program that they clearly need and that clearly is adaptable to their needs.

Of all laborers, farm workers suffer most from job insecurity. For these Americans, unemployment compensation is a very real need. It is simple justice that those who pick the crops receive the same coverage granted those who process, deliver, and sell those crops. This organization most strongly urges the Senate Finance Committee to provide unemployment compensation to those who need it most—America's farm workers.

Thank you.

Senator ANDERSON. Mr. Triggs.

STATEMENT OF MATT TRIGGS, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. TRIGGS. Good morning, Mr. Chairman, Senator Harris.

As you will note from our written statement, although we do have a policy on a number of the issues before the committee we have chosen to deal with only one of these issues. This is the one that most witnesses have spoken of this morning in some detail, the coverage of farmworkers.

It is our view that the basis of the Secretary's proposal, and I guess that is the proposal before the committee, is impractical and unworkable. In our written statement we present factual data in support of this view.

The first point we make is that most farm employment is temporary and casual. In 1968 nearly 70 percent of all the people who worked in agriculture worked less than 75 days for all farm employers. Only 30 percent worked 75 days or more in the year. The surprising thing is that farm employment is becoming even more casual, more temporary, than has been true in the past.

In section 2 of our written statement we note that most of the people who work as hired workers in agriculture are not a part of the Nation's regular work force. Two-thirds of them are students, housewives, unemployed persons, or members of farm families working on other farms.

Now, this is just not the kind of employees that the unemployment compensation programs were designed to fit. I do not think they do fit. Their inclusion would result in excessive claims.

It is the seasonal nature of agriculture, and the character of the employment, that results in the unworkability of the usual approach to unemployment insurance.

One of the inherent results of farmworker coverage on the basis proposed by the Secretary, to a work force that for the most part is only casually and temporarily employed, and which consists of people who are not a regular part of the Nation's work force, is that costs of benefits would run extremely high. I would like to read a few paragraphs from our statement on that point.

Approximately 70 percent of the farm labor force worked less than 75 days a year and would not have sufficient base employment to be eligible for benefits even if the employers of such workers were covered.

Approximately 19 percent of the farm labor force worked 75 to 249 days a year. Virtually all of these workers would be eligible for benefits if employed by covered employers and would draw maximum or close to maximum benefit. By maximum benefits we do not mean necessarily in term of amount. We mean in terms of duration. These are temporary workers. Almost all of them would be eligible for insurance benefits.

Approximately 11 percent of the farm labor force works 250 days or more a year. These may properly be termed permanent employees. Even in this case the ratio of benefits to revenues would be high. Tens of thousands of farmers employ a few farmworkers on a 12-month basis, even though they may really need them for only 8 to 10 months during the year.

Now, if the economics of the situation are changed so that it is to the mutual advantage of the employer and employee that such employees be laid off in the winter months, it is inevitable that this will occur and become a common practice.

In addition, it should be noted that the ratio of benefits to payrolls would be substantially increased by the fact that thousands of workers who now seek farm employment in other States or in other parts of the same State would have substantially less incentive to do so.

The only State with meaningful experience that I think would be helpful in an endeavor to understand the impact of extending coverage to farmworkers is North Dakota. The North Dakota unemployment insurance program for farmworkers is voluntary, is administered so as to exclude coverage of seasonal farmworkers. Despite this important exclusion, during the 9 years of the program's operation, benefits have averaged 12.8 percent of taxable payrolls. It would certainly appear reasonable that if seasonal workers were also covered, the ratio of benefits to payrolls would be substantially higher.

Now, witnesses have belittled this North Dakota experience. Of course, this experience does not prove very much, except it throws up a caution flag--that maybe we need to know more than has yet been presented about the impact of the extension of the coverage to farmworkers. We suggest that we do need an objective study by a nonpolicymaking organization.

Now, there has been some confusion as to what Governor Reagan's position is. This morning Representative Sisk said that the Governor of California has publicly called upon the Congress to enact unemployment legislation covering farmworkers. Well, what does Governor Reagan propose? I am going to read a quotation that was set forth in Secretary Shultz' testimony. According to Secretary Shultz, Governor Reagan said:

In this connection I call on Congress to establish legislation in the field of unemployment insurance for year-round farm employment in all States and

believe this should be accomplished without federalizing the system. I recognize the very difficult problems of financing and administering unemployment insurance for casual farm employment, but let us nor let this delay any longer unemployment insurance coverage for full-time employees in all States.

Now, this is not what is in the administration's proposal. This is a fundamentally different proposition than that presented to the Congress by Secretary Shultz. I do not believe that Governor Reagan's comments can properly be used as an argument in support of Secretary Shultz' proposal. On the contrary, it supports a fundamentally different proposal—and that is coverage of permanent farmworkers, basing coverage on the nature of the work experience of the worker rather than on the nature of the employment of workers by the employer.

Certainly, we do not know very much about what farm labor coverage would mean. Would benefits be 15 percent of payrolls? Or 50 percent? Or what? There really is not much factual data to support any conclusion. The California report that farm coverage would result in a $30 million deficit annually does not include the additional costs that would result from the program itself in the form of reduced annual employment and reduction of incentive to seek new employment as summarized above. There needs to be an objective study by an agency with no policy position or preconceived ideas of what we do know as a result of studies and experience to date, and the experience in other industries with at least some degree of comparability with agriculture.

In section 4 of our written statement we have reviewed the unique administrative problems. They should not be underrated. They are difficult if coverage was extended to farmworkers, particularly because so many farmworkers work for a series of employers in two or more States. In some situations they even work for virtually a different employer every day, in those cases where the local day haul program has been highly developed.

Now, I do not say that the problems in agriculture will be unique in character. All of these problems are encountered in the present program to some degree. But they would be unique in terms of the number of occurrences, and in terms of the multiple complications in particular cases. And I would suggest that as of now we simply do not know—no one has any conception based on any careful analysis of the administrative complications involved or how expensive the costs of unraveling such complications might be.

I would like to conclude with a short quotation from the final paragraph of our written statement.

We recognize that the arguments we have set forth in our statement do not apply with equal force to seasonal and permanent workers. Periodically farmers in farm organizations have looked at the question of covering permanent farmworkers with unemployment insurance. If a workable program could be developed, there would be some advantage to farmers in such coverage. In 1969, at the request of our delegate body the previous fall, a pro and con review of the coverage of permanent workers was sent to State farm bureaus for use in their policy development program last fall. Again, at our annual meeting last December our delegate body urged further study. But the study given to this problem in the respective States, and that includes

California, has not resulted in the development of any practical approach to the problem. Certainly, and particularly we do not believe that the proposals which have been presented to this committee are workable.

Thank you, sir.

Senator WILLIAMS (now presiding). Thank you, Mr. Triggs. Any questions?

Senator BYRD (now presiding). Senator Williams? Senator Bennett?

Senator BENNETT. No questions.

Senator BYRD. Thank you, Mr. Triggs.

(Mr. Triggs' prepared statement follows:)

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION, PRESENTED BY MATT TRIGGS, ASSISTANT LEGISLATIVE DIRECTOR

SUMMARY STATEMENT

The American Farm Bureau Federation supports the following principles relating to federal unemployment compensation statutes:

1. Provisions for the adjustment of employer premiums to reflect employer experience in stabilizing employment should be continued.
2. State responsibility to determine eligibility and benefits should be preserved.
3. Coverage of temporary, seasonal and casual employment of farm workers would be impractical.

Since many witnesses will testify relative to the first two points, and since so far as we know we will be the only witness to testify concerning the third point, we will limit our testimony to the latter.

We must oppose the proposals presented to this Committee by the Secretary of Labor, which we believe would be unworkable, for the following reasons:

1. Most farm employment is temporary and seasonal

In 1968, 2,919,000 persons worked one or more days as hired farm workers.

44.5% of these worked less than 25 days for all farm employers and averaged 10 days of such employment per worker.

69.6% worked less than 75 days for all employers.

Only 30.4% worked 75 days or more for all farm employers.

Farm employment is becoming even more casual than in past years. This trend is indicated by the fact that the average number of days worked by hired employees in agriculture is declining.

Supporting statistical data are set forth in Appendices B, C, and D.

2. Most farm labor is not regularly attached to the labor force

In 1968, 65% of all farm workers were students, housewives, retired people, unemployed persons, or people working on their own farms when not working as hired farm workers.

Statistical information concerning the non-attachment of most farm workers to the regular work force is set forth in Appendix E.

3. Benefit claims in relation to covered employees would be excessive.

Approximately 70% of the farm labor force works less than 75 days a year and would have insufficient base employment to be eligible for benefits even if the employers of such workers were covered.

Approximately 19 percent of the farm labor force works 75–249 days a year. Virtually all of these workers would be eligible for benefits if employed by covered employers, and would draw maximum or close to maximum benefits.

Approximately 11 percent of the farm labor force work 250 days or more a year. These workers may properly be termed permanent employees. Even in this case the ratio of benefits to revenues would be high. Tens of thousands of farmers employ a few farm workers on a 12-month basis, even though they may really need them for only 8–10 months during the year. If the economics of the situation are changed so that it is to the mutual advantage of the employer and employee that such employees be laid off in the winter months, it is inevitable that this will become a common practice.

In addition it should be noted that the ratio of benefits to payrolls would be substantially increased by the fact that thousands of workers who now seek farm employment in other states (or in other parts of the same state) would have less incentive to do so.

The only state with meaningful experience that would be helpful in an endeavor to understand the impact of extending coverage to farm workers is North Dakota.

The North Dakota unemployment insurance program for farm workers is voluntary—and is administered so as to exclude coverage of seasonal farm workers.

Despite this important exclusion, during the 9 years of the program's operation benefits have averaged 12.8% of taxable payrolls.

It would appear that if seasonal workers were also covered the ratio of benefits to payroll would be substantially higher.

The North Dakota experience is summarized in Appendix F of our written statement.

4. Multi-state farm workers would present a difficult administrative problem

A substantial percentage of the hired farm labor force consists of migrants who work for a series of employers in two or more states. Such multi-state employment would necessitate, in each case where benefits are claimed, the accumulation of information necesary to determine:

The number of days of employment for each employer in the various states in which the employee has worked;

The gross earnings from each such employer;

Which employers are covered and which are not covered;

Whether the worker has cumulative work experience from covered employment by the series of employers to qualify him for benefits;

The amount and duration of benefits;

The state law which should be applicable in the determination of eligibility, the amount of payments, and the duration of payments;

The division of benefit payments and administrative costs among the states; and

Which state should handle the payment of benefits.

Supplemental problems include these: Many farm workers are illiterate and itinerant, and may be difficult to locate; they often use two or three names, for a variety of reasons; in some cases payrolling is on a family rather than an individual basis; there is a substantial "day-haul" operation in agriculture under which workers may work for different employers almost every day; in many cases farm workers are employed and payrolled by crew leaders rather than the farmer; and much farm labor employment is for only 2 or 3 hours per day.

These are not problems unique to agriculture. But we submit that the number and complexity of these problems in agriculture far exceeds those in any other industry and would involve uniquely difficult administrative problems.

No real study has been made that would throw any light on the impact of farm worker coverage on state funds and state programs. With the exception of the North Dakota data, all that are available are a few casual observations by persons who are not necessarily objective observers.

It would appear that substantially more information concerning the effects of farm worker coverage than has been provided should be available before consideration is given to such coverage.

We recognize that the arguments set forth above do not apply with equal force to seasonal and permanent workers. Periodically farmers and farm organizations have looked at the question of covering permanent farm workers with unemployment insurance. If a workable program could be developed, there would be advantages to farmers in such coverage. In 1969, at the request of our delegate body the previous fall, a "pro and con" review of the coverage of permanent workers was sent to State Farm Bureaus for use in their policy development program last fall. Again, at our annual meeting in 1969, our delegate body urged further study of this proposal. But the study of the problem given to the issue in the respective states has not resulted in the development of any practical approach to the problem. Certainly we do not believe the proposals presented to this Committee are workable.

Appendix A.—Farm Labor Employment

The employment of hired farm workers is declining as illustrated below:

Year:	*Annual average basis*
1930	3, 190, 000
1940	2, 679, 000
1950	2, 325, 000
1960	1, 885, 000
1969	1, 170, 300

Appendix B.—Average Period of Employment

The average number of days of employment of the farm labor force is declining, as illustrated below:

Year	Total number employed during year	Average annual employment	Percent of full employment
1956	3, 575, 000	1, 953, 000	55
1960	3, 693, 000	1, 885, 000	51
1964	3, 370, 000	1, 604, 000	48
1968	2, 919, 000	1, 213, 000	42

Appendix C.—The Seasonality of Farm Labor Employment

The major reason for the temporary employment of most farm workers is, of course, the seasonal nature of farming.

The scope of the variation in employment (on a national basis) is indicated below for 1968 from USDA "Farm Labor" reports:

	Thousands of hired farmworkers
January	665
February	732
March	876
April	1, 046
May	1, 282
June	1, 709
July	1, 892
August	1, 811
September	1, 569
October	1, 378
November	970
December	672

Thus the number of farm workers employed in the peak month of July is nearly three times the number employed in January.

The variations in most states will be sharper than for the United States as a whole.

On individual farms the seasonal variation will be even sharper. On many farms no workers are hired during the winter months, but 20–40 workers may be hired during the harvest period.

Appendix D.—Duration of Employment

Employment in agriculture is uniquely temporary, casual, short term. This is illustrated by the following data from "The Hired Farm Working Force of 1968", published by the U.S. Department of Agriculture:

Duration [1]	Number of workers in group	Number [2]
Less than 25 days	1,299,000	10
25 to 74 days	731,000	45
75 to 149 days	308,000	108
150 to 249 days	256,000	200
250 and over	324,000	312

[1] Duration of unemployment of hired farmworkers for all farmer employees.
[2] Average number of days of employment in agriculture of workers in group.

Appendix E.—Attachment of Farm Workers to the National Work Force

Of the total of 2,919,000 persons who did some farm work during 1968 about two-thirds are very loosely attached to the Nation's hired work force, if at all. "The Hired Farm Working Force of 1968" reports the chief activity of such workers as follows:

	Number	Percent of total
Keeping house	449,000	15.4
Attending school	1,107,000	37.9
Other nonlabor force	170,000	5.8
Farmers or farm family	134,000	4.6
Unemployed	37,000	1.3
Total nonlabor force	1,897,000	65.0
Employed on farms	649,000	22.2
Employed nonfarm	373,000	12.8
Total in labor force	1,022,000	35.0
Grand total	2,919,000	100.0

Appendix F.—North Dakota Experience

The only state with any significant experience with the coverage of farm workers by unemployment insurance is North Dakota.

The North Dakota statute permits voluntary coverage of workers employed by farmers on approval of the state agency administering the program.

The state agency will not approve applications for farmers producing seasonal crops. Even though this eliminates seasonal workers, and even though the payroll tax has varied between 5.82 and 6.63 percent, benefits paid to covered farm workers have been over twice tax collections.

The North Dakota experience with respect to such farm workers is summarized below:

	Number of units	Total taxable payroll	Tax rate (percent)	Total tax paid	Total benefits paid	Ratio—benefits to income	Benefits—percent of payroll
1960	89	$216,776	5.95	$12,901	$12,226	0.95	5.6
1961	118	236,235	6.15	14,527	30,853	2.12	13.0
1962	162	361,341	5.82	21,017	36,324	1.73	10.1
1963	153	344,324	5.85	20,150	55,329	2.75	16.1
1964	136	324,790	5.83	18,924	52,519	2.78	16.2
1965	134	265,756	6.63	17,633	40,328	2.29	15.1
1966	135	352,332	6.16	21,696	44,056	2.03	12.5
1967	127	358,554	6.01	21,560	44,387	2.06	12.4
1968	120	377,263	6.31	23,820	46,595	1.97	12.4

Cumulative experience 1960–68

Payroll	$2,837,371
Tax paid	172,228
Benefits paid	362,427
Ratio—Benefits to cost (percent)	2.11
Benefits, percent of payroll (percent)	12.8

If a program in North Dakota where most farm employment is comparatively stable, covering essentially permanent workers only, and at an exceedingly high tax rate—will not balance out—it is obvious that the enactment of farm labor coverage as proposed would involve a heavy drain on state funds.

Senator BYRD. The next witness is Dr. Arthur M. Ross, vice president, University of Michigan. Dr. Ross is accompanied by Milton C. Denbo, counsel, American Council on Education.

STATEMENT OF DR. ARTHUR M. ROSS, VICE PRESIDENT, UNIVERSITY OF MICHIGAN; ACCOMPANIED BY MILTON C. DENBO, COUNSEL, AMERICAN COUNCIL ON EDUCATION

Dr. Ross. Mr. Chairman, members of the committee, I am Arthur M. Ross, vice president for State Relations and Planning at the University of Michigan, and I am appearing today on behalf of the American Council on Education; a voluntary, nongovernmental body which is the principal coordinating agency for 1,538 colleges and universities and associations of higher education. Other organizations of higher education, a list of which is appended hereto, as appendix B, join in the support of the po-ition I shall express. I wish to add that I am not apppearing on behalf of the University of Michigan itself.

We support the provisions of the House bill, basically because we recognize the responsibilities of educational institutions to provide protection for their employees against bona fide unemployment. The bill provides that each educational organization will be given the right to choose either to pay contributions under the normal contribution procedure or to reimburse the State for benefits attributable to service in the organization's employ—the so-called self-insurance provisions. This contrasts sharply with the bill of several years ago which would have imposed a higher burden on institutions of higher education because it related cost to the experience of industry generally rather than to the experience of the academic community itself. Under the current bill, there will be unemployment insurance costs only if the employee becomes unemployed, files a claim for unemployment insurance, is found to meet all the conditions of eligibility, and does, in fact, receive compensation.

The American Council on Education in 1965 and again this past year in a statement presented to the House Ways and Means Committee, requested an exemption from coverage for faculty and other professional research and administrative personnel employed by institutions of higher education. The bill as passed by the House in 1969 does contain this exemption. We presently recognize, however, that changing employment conditions in the academic world call for a reevaluation of our former position. I might say parenthetically that this reevaluation has been made in great depth by the Commission on Federal Relations of the American Council, which includes a good many long experienced and distinguished presidents of universities, such as Father Hesburgh of Notre Dame, Dr. Brewster of Yale, President Arthur Flemming of Macalester, and other highly experienced and noted individuals.

I wish to state, therefore, that we believe it appropriate to delete from H.R. 14705 the provision which exempts individuals employed in an

instructional, research or principal administrative capacity from the requirement of coverage for employees of State and nonprofit institutions of higher education. Since the extent of unemployment is low among such personnel, deletion of the exemption need not add significantly to the costs of the organization.

By covering those who are genuinely unemployed the bill is equitable in that it would place unemployed workers in the enumerated categories in nonprofit educational institutions within a protected category available to most employees in the American economy. We agree that in terms of simple equity, occupational exclusion is undesirable because it would deny to those in the excluded categories the unemployment insurance protection enjoyed by their counterparts in private industry. We recognize that an instructional, research or administrative employee, whose contract has not been renewed at the end of the contractual period, is in no different position than any other individual whose job has been terminated, and that he should receive the benefits that accrue to individuals of his status.

However, there is one distinctive characteristic of the contractual employment relationship between the instructor, researcher or administrative employee and the institution, which in our judgment requires a special statutory provision not now in the bill. Frequently the employee is employed pursuant to an annual contract at an annual salary, but for an active work period of 9 rather than 12 months. It is also common for an institution, as a matter of convenience, to pay employees during the time that the college is actually in session, dividing the full year's salary, for example, into 9ths or 10ths and paying them in the months from September through May or June, inclusive. These annual salaries are intended to cover periods such as the summer when the employees may be relieved of formal assignments. During these periods the employment relationship continues and the employee has been compensated for a full year. We believe that in this typical situation the employee should not be considered unemployed during the summer periods, a semester break, a sabbatical period or similar periods during which the employment relationship continues.

H.R. 14705 contains a provision which deals with the summer period by allowing State laws to provide the extent to which benefits based on services to an institution of higher education shall not be payable during the summer vacation period. The provision, however, is permissive in nature only and not mandatory on the States and does not aid in solving the ultimate problem, as separate battles over this very issue would have to be fought in the legislatures of the 50 States.

If, as we advocate, unemployment insurance coverage is to be extended to teaching and associated research and administrative personnel, explicit language should be inserted into the act to make it plain that such personnel are not regarded as unemployed during those periods of academic recess when they, paid on an annual basis, remain on the rolls of a college or university, but are not necessarily required to perform services on the employer's premises.

Appended hereto as appendix A is suggested statutory language which we believe would aid in solving the problem of extending protection to those instructional, research and administrative employees who may become genuinely unemployed. It is my understanding, Mr.

Chairman, that Secretary of Labor Shultz concurs in the desirability and appropriatenes of this clarifying proviso.

We would also like to request that the student exclusion contained in the House bill be retained. An additional group of "employees"—student spouses—should also continue to be excluded from coverage. Both the institution and the student spouse recognize that the spouse's employment is in no sense permanent employment. Often the student's spouse is only temporarily in the labor market. When the student graduates, both he and his spouse move elsewhere and undertake to pursue a conventional existence there. A failure to exclude the spouse from coverage could lead to many unjustified, although technically valid claims for compensation. We, therefore, respectfully request that section 106 of H.R. 14705 be retained.

Mr. Chairman, as our appendix shows, the other educational organizations, apart from the American Council on Education, which join in this testimony, include the American Association of Junior Colleges, the American Association of University Professors (as to faculty), the Association of American Universities, the National Association of State Universities and Land Grant Colleges, and the National Catholic Educational Association.

Thank you. I shall be glad to answer any questions.

Senator ANDERSON (now presiding). Any questions?

Thank you, very much.

(Appendixes to Dr. Ross' statement follow:)

APPENDIX A

1. Delete Section 3309(b)(4).

2. Insert a new paragraph 6(A) in section 3304(a) of the Internal Revenue Code as amended which would read as follows:

(6)(A) compensation is payable on the basis of service to which section 3309(a)(1) applies, in the same amount, on the same terms, and subject to the same conditions as compensation payable on the basis of other service subject to such law; except that, with respect to service in an instructional, research, or principal administrative capacity in an institution of higher education to which section 3309(a)(1) applies, compensation shall not be payable based on such service for any week commencing during the period between two successive academic years (or, when the contract provides instead for a similar period between two regular but not successive terms, during such period) to any individual who has a contract to perform services in any such capacity for any institution of higher education for both such academic years or both such terms.

APPENDIX B

The following Organizations join in the foregoing testimony of the American Council on Education:

American Association of Junior Colleges
American Association of University Professors (as to faculty)
Association of American Universities
National Association of State Universities and Land-Grant Colleges
National Catholic Educational Association

Senator ANDERSON. We will meet at 10 o'clock tomorrow morning here.

(Whereupon, at 11:40 a.m., the hearing was recessed, to reconvene at 10 a.m., Wednesday, February 18, 1970.)

UNEMPLOYMENT COMPENSATION

WEDNESDAY, FEBRUARY 18, 1970

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

The committee met, pursuant to recess, at 10 a.m., in room 2221, New Senate Office Building, Hon. Clinton P. Anderson, presiding.

Present: Senators Anderson, Gore, Byrd, Jr., of Virginia, Williams of Delaware, Bennett, Fannin, and Hansen.

Senator ANDERSON (presiding). Mr. Hubbard, NAM. And will the witnesses please stay inside their 10 minutes.

Senator BENNETT. Mr. Chairman, before Mr. Hubbard begins, I think it might be well to remind the witnesses that we are going to have to leave soon after 11 o'clock because we have got a vote which could be two votes, and that might make it difficult for us to get back. So, I hope nobody will go beyond the 10 minutes. We would like to get through as many witnesses as we can during the time we have.

Senator ANDERSON. I have a statement that Senator Mondale prepared for the committee. Without objection, it will be printed at this point in the record. And I also have three or four telegrams that I suggest be put in the record.

(The statement and telegrams referred to follow:)

STATEMENT OF HON. WALTER F. MONDALE, A U.S. SENATOR FROM THE STATE OF MINNESOTA, AND CHAIRMAN, MIGRATORY LABOR SUBCOMMITTEE

Mr. Chairman and members of the Committee, I thank you for the opportunity to present testimony on H.R. 14705, the Employment Security Amendments of 1969. I urge that this bill be amended by extending coverage to farmworkers.

Farmworkers are now excluded from our Nation's unemployment compensation scheme. They are similarly excluded, or at best only minimally included, in practically every major piece of social and worker benefit legislation that we have ever enacted into law. Congress created, and has perpetuated, a system that treats farmworkers as second class citizens with respect to legal protections most Americans take for granted:

. . . Sometime in the second half of 1970, a State employment security agency will pay a worker who has become unemployed the 50 billionth dollar in unemployment insurance benefits which have been paid since the unemployment insurance payments began in 1936. Farmworkers have not received a single penny of the $50 billion.

. . . In 1969 alone, more than 4 million persons received over 2 billion dollars in unemployment insurance payments, but no farmworkers received benefits in 1969.

. . . Workers in some 58 million jobs, 77 percent of all jobs in the United States, are protected by an unemployment insurance program against total loss of wages during spells of unemployment. H.R. 14705 would cover 4.5 million additional jobs, bringing the total coverage to 84 percent of all jobs. Another 10 percent of all jobs are uncovered State and local government jobs. Every major job classification in private industry is covered by unemployment insurance, except farmwork. But, farmworkers remain excluded.

Regrettably, the House Bill before you perpetuates the exclusion of 1.3 million jobs in agriculture. Clearly the exclusion of certain workers from a program in which the preponderance of their fellow workers share, is inequitable, discriminatory, unjustified, and a contradiction of this Nation's commitment to justice and dignity.

There is presently no rational basis for the continued exclusion of farmworkers. The history of administration of this universal social insurance program demonstrates that previously raised objections have no merit. At one time this admitted inequity was justified on the theory that farm employers would have difficulty in maintaining records and filing reports. But this has evaporated in the face of reporting requirements pursuant to Social Security legislation and the Fair Labor Standards Act. Where coverage under that legislation exists, administrative burdens have not been cited as preventing adequate administration of the law.

Also, some contended that exorbitant costs made coverage impossible, and at best justified more studies and research. We now have the studies and research into the cost of farmworker coverage to farm employers and the State unemployment insurance funds. As early as ten years ago research was completed showing costs which at the highest are not particularly greater than in other industries, and some of the studies indicated costs that are far less than those experienced by many other industries. In fact, it has been argued, coverage under this act may save the farmer money by increasing the stability of the work force and reducing the costs of recruitment and turnover.

The purpose of unemployment compensation is to provide an orderly method of offsetting the effects of unemployment to the individual and the community. It enables nondeferable living expenses to be met without having the recipient rely on meager savings or community welfare or charity; consumer purchasing power is preserved. Since benefits are paid by State unemployment agencies, the unemployment insurance system keeps the unemployed in touch with job opportunities.

The migrant agricultural worker clearly needs the benefit of a program directed toward these objectives. Most often the migrant worker is unemployed through no fault of his own; weather, crop conditions, oversupply of labor created through faulty recruiting and market information difficulties, and crop mechanization that creates geographical gaps in work opportunities.

My proposal is not a partisan effort. Members of both parties have supported coverage for farmworkers. President Nixon urged limited farmworker coverage in his Message to the Congress of July 8, 1969. Senator George Murphy, a member of the Migratory Labor Subcommittee, has recommended coverage. The ranking Republican and Democrat members of the House Ways and Means Committee argued, in vain, for coverage in Committee sessions. Governor Ronald Reagan of California has appealed to the Congress to extend unemployment insurance coverage to full-time farmworkers, and Secretary of Labor Schultz spoke strongly for large farm employer coverage in his testimony before you earlier this month. I hope this progressive, bipartisan commitment to justice for farmworkers will be extended to other fields.

Finally, Mr. Chairman, and members of this distinguished Committee, I say "Let's do it". Let's not leave ourselves in the irrational position of having again to say to the people that work so hard to harvest our crops, that "we are going to perpetuate your second class citizenship". Let's not even put ourselves in a position of going only part way by extending coverage to only a few farmworkers.

Let's not perpetuate the second class treatment of our fellow Americans. Our Nation is rich and bountiful in promise and potential. No great sacrifice is involved in granting full unemployment insurance coverage to farmworkers. Let's do it.

[Telegram]

COLUMBUS, OHIO, *February 17, 1970.*

CLINTON P. ANDERSON,
Senate Finance Committee,
Washington, D.C.:

The Ohio Chamber of Commerce, an organization broadly representative of the business community in Ohio is presenting oral testimony to the Senate Finance Committee, February 18, relative to unemployment compensation (H.R. 14705).

Our spokesman, Paul P. Henkel of Union Carbide Corporation and a member of our social legislation committee, will urge your committee to: (1) reject the

administration's proposal for further increasing the taxable wage base; (2) defeat the proposed attempts to add Federal benefit standards.

We are not convinced that any increase in the taxable wage base is necessary. We believe that sufficient funds to maintain the administrative costs of the program can best be handled by increasing the Federal tax rate. The experience in Ohio is a case in point. Our U.C. Trust Fund was near bankruptcy in 1962. Employers supported a plan to substantially increase tax rates for the purpose of creating additional needed revenues. As a result, the balance of our trust fund is presently at an all-time high.

Sizeable wage increases imposed by the Federal Government would require a complete overhaul of what has proven to be a responsible solution to Ohio's financing situation. If you feel it absolutely essential to raise the taxable wage base, we encourage you to seriously consider the House version as a reasonable position.

We urge your rejection of attempts to include a Federal benefit standard. U.C. benefits were raised in 35 States in 1969 by State legislative action or as a result of "escalator" provisions adopted in prior years. We believe this record is deserving of support and encouragement by the Federal Government. Annual sessions of State legislatures will make State systems even more responsive to needed changes in this program.

We sincerely appreciate your consideration of our viewpoints.

PAUL J. DAUGHERTY,
Executive Vice President,
Ohio Chamber of Commerce.

[Telegram]

DEL MONTE CORP.,
San Francisco, Calif., February 17, 1970.

Senator CLINTON P. ANDERSON,
U.S. Senate, Washington, D.C.:

Urge that Senate Finance Committee permit no amendments to H.R. 14705 which would extend unemployment compensation to farm workers. Seasonal unemployment on farms is not an economically fundable insurance risk. If more public assistance is to be made available to seasonal farm workers it should be done under programs not associated with unemployment compensation insurance programs identified under H.R. 14705.

R. G. LANDIS,
Group Executive Vice President.

[Telegram]

SAN FRANCISCO, CALIF., *February 16, 1970.*

Hon. CLINTON P. ANDERSON,
Finance Committee, U.S. Senate,
Washington, D.C.:

Strongly urge adoption of H.R. 14705 without extension of coverage to agricultural workers. If it is determined that it is in the national interest to provide assistance to unemployed agricultural labor at times when jobs are not available in agriculture, such assistance should be provided by a program supported by public funds.

M. C. ALEVENGER,
Executive Vice President,
Canners League of California.

Senator ANDERSON. Mr. Hubbard.

STATEMENT OF RUSSELL H. HUBBARD, JR., REPRESENTING THE NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. HUBBARD. Mr. Chairman, my name is Russell Hubbard, Corporate Employee Relations, Employee Benefits with General Electric Co. in New York City.

I welcome and appreciate the opportunity to appear before this committee on behalf of the National Association of Manufacturers. I serve NAM as a member of the employee benefits committee, which has the principal responsibility for covering and making policy recom-

mendations on the major issues relating to both private and public employee benefit programs including unemployment compensation.

We recognize that the legislation now being considered by this committee had its origin in the 89th Congress. It has been the subject of extensive hearings and study in both the House and the Senate. In view of this background and recent action by the House of Representatives, we believe that H.R. 14705 is a satisfactory bill representing a compromise of widely divergent views.

NAM believes that H.R. 14705 would improve and strengthen the Federal-State unemployment compensation program. Therefore, we urge passage of the measure without substantial change.

NAM in the past has testified in considerable detail on each of the provisions of this proposed legislation. This is not our primary objective here today. However, we believe it is appropriate to make certain observations on key provisions of the bill as it now appears.

COVERAGE

NAM believes that the unemployment compensation system should cover only those individuals who have a substantial attachment to the work force. We believe that H.R. 14705 is realistic in extending coverage to include employers having one or more employees in each of 20 weeks in a year or who have a quarterly payroll of $800. In our view, the administration's bill did not contain an adequate measure of work force attachment.

FEDERAL ELIGIBILITY STANDARDS

H.R. 14705 contains four of the six eligibility standards proposed in the administration bill. While the setting of eligibility standards by Federal law is, in our view, inconsistent with the basic design of the Federal-State unemployment compensation system, we believe it would be inappropriate to single out this aspect of the bill as a satisfactory compromise bill.

Evaluated on their merits, however, the six proposals are sound, and we would endorse their adoption by each of the States as a part of their program.

NAM subscribes to the concept that a State system should not permit the double dip, for example, or deny benefits to an individual who is enrolled in a State-approved training program. We believe, furthermore, that unemployment compensation benefits should not be paid to strikers thus requiring an employer to subsidize a strike against himself. This practice is a grossly unfair distortion of the purposes of unemployment compensation.

Of course, as a General Electric employee, I cannot refrain from adding that our recently concluded 14-week strike against the company proved beyond any doubt the urgent need to repeal these provisions in New York and Rhode Island. These unfair and undesirable provisions served only to prolong the settlement of the strike and represent, we feel, the most unfair interference on the part of the State in the free collective bargaining process.

JUDICIAL REVIEW

We believe that the provisions in H.R. 14705 on judicial review, which give a State the right to appeal a finding of the Secretary of Labor, is a desirable change.

EXTENDED UNEMPLOYMENT COMPENSATION BENEFITS

In previous testimony NAM has supported the creation of a permanent program providing for extended benefits during periods of high unemployment. We continue to support this program.

Of course, differences of opinion as to the best means of accomplishing this objective will continue to exist. H.R. 14705 represents a compromise approach to which we are willing to subscribe even though a case could be made in favor of 100 percent State financing, instead of the proposed 50–50 Federal-State financing. Also, many might logically contend that the recession trigger points set by the bill are unrealistically low. However, in the interest of expeditious treatment of the bill we do not recommend such changes.

WAGE BASE AND TAX RATE

The Federal-State unemployment compensation system is, for all intents and purposes, financed solely by payroll taxes paid by employers. Employers endorse this method of financing the program and subscribe to the principle of adequate financing of benefits at the State level through experience rating as well as adequate financing of the costs of administration at the Federal level.

The Department of Labor has demonstrated that additional revenue is needed to finance the costs of administration. It is also evident that additional revenue will be needed to pay for the extended benefit program.

H.R. 14705 proposes to raise the needed revenue by a combination of:

(*a*) an increase in the net Federal Unemployment Tax from 0.4 percent of covered payroll to 0.5 percent beginning January 1, 1970; and

(*b*) an increase in the taxable wage base from the present $3,000 of annual earnings to $4,200 effective January 1, 1972.

On balance, we subscribe to these provisions. However, we believe it is still important to emphasize that the best and most equitable way of obtaining additional revenue is through an increase in the tax rate. It is our firm belief that the increases in the wage base actually produce less, rather than more, equitable distribution of costs among employers.

CONCLUSION

We strongly urge the support and early enactment of H.R. 14705. We believe that it represents a reasonable reconciliation of many different interests.

Thank you.

Senator ANDERSON. I think that is a very good statement on your part.

Senator BENNETT. No questions.
Senator ANDERSON. Thank you very much.
Mr. Hibbard.

STATEMENT OF RUSSELL L. HIBBARD, REPRESENTING THE CHAMBER OF COMMERCE OF THE UNITED STATES; ACCOMPANIED BY WILLIAM P. McHENRY, JR., OF THE NATIONAL CHAMBER'S STAFF

Mr. HIBBARD. Mr. Chairman, members of the committee, my name is Russell Hibbard. I am a member of the personnel staff of General Motors Corp., Detroit, Mich. I serve as director of unemployment and workmen's compensation. I am speaking on behalf of the Chamber of Commerce of the United States. I have for several years been a member of the national chamber's committee concerned with the Federal-State unemployment compensation system.

Accompanying me is William P. McHenry, Jr., of the national chamber's staff, who serves as committee executive of the unemployment compensation committee.

With your permission, I would like to summarize my prepared statement and submit our complete statement for inclusion in the record of this hearing.

Senator ANDERSON. Without objection, that will be done.

Mr. HIBBARD. Thank you.

The National Chamber very much appreciates this opportunity to make known the views of business on H.R. 14705. This bill, as passed by the House of Representatives, would make a number of important and, on balance, constructive changes in our nationwide system of unemployment compensation. The National Chamber supports the bill in its present form. We do have reservations about its use of Federal compulsion to reach some of its objectives; but we are subordinating our concern on this score in order to support the bill and thereby hopefully contribute to its early passage.

We continue, in principle, to favor improvements in State laws by State action. We believe progress made in that way will be more stable and better adapted to local needs and resources. We support the bill on its merits—on balance, as a package. Therefore, we should note that any amendments which would upset the balanced nature of the bill—such as more Federal controls over State legislative action—would require reconsideration of the National Chamber's support for the bill as a whole.

The National Chamber's position on the main provisions of H.R. 14705 can be summarized as follows. We give our unqualified support to four of the major features of the bill. These are:

(1) A jointly financed Federal-State extended benefits program to operate in times of severe unemployment.

(2) More adequate provision for revenue to finance extended benefits and employment security administrative expenses.

(3) Provision to relieve the unemployment tax of the burden of supporting Government programs which are unrelated to unemployment insurance.

(4) Provision for Federal court review of Department of Labor's decisions as to the conformity of State laws and administration with the Federal law.

In addition, there are three major features of the bill which we are accepting only because of the merits of the bill in its entirety. These are:

(1) Enactment of five new Federal standards to govern the eligibility rules under State unemployment compensation laws.

(2) Increasing the Federal taxable wage base to $4,200 without freeing the States from the necessity of following suit.

And (3), forcing the States to extend their coverage to small employers and to some employment now excluded.

We have discussed these seven major provisions in our prepared statement. Rather than to take your time now to summarize what we said there, I should like to comment briefly on some of the changes in H.R. 14705 which have been proposed to your committee.

You have been asked to reject the methods chosen by the House for increasing the yield of the Federal unemployment tax. The House adopted a permanent increase of one-tenth of 1 percent in the net Federal tax effective at once; and, it added an increase in the taxable base to $4,200 to take effect later. The Secretary of Labor has proposed that the net tax rate be reduced to the present level, four-tenths of 1 percent, after 2 years, with the base then being increased in two steps to $4,800 and then to $6,000.

It is clear from the projections available, and as a matter of fact from the Secretary's testimony on February 5th, that this revision is not needed to meet the costs of the program for the foreseeable future.

The Secretary said he proposes it in the interests of improving the equity of distributing the cost burden of the program among employers.

Since the reason for change is so stated, we believe that this committee should let itself be guided by the opinions of employer taxpayers as to which is, in fact, the fairer way to raise the needed additional revenue. The employers and employer organizations represented by the national chamber strongly prefer a tax-rate increase over a tax-base increase. They especially ask that the State legislatures be left free to determine how best to distribute the State unemployment compensation tax burdens among employers.

We do not rest our case on that point, however. We challenge the assumption underlying this whole equity argument that high annual earnings of employees go hand in hand with high unemployment benefit costs. In our prepared statement you will find compelling evidence to support the commonsense conclusion that people who work the year round will have higher annual incomes than those who work only part of the year. Consequently, a tax-base increase tends to have much more impact proportionately on the tax costs of an employer who provides year-round work than it has on a seasonal employer. This is true even though the seasonal employer may pay somewhat higher wage rates.

We support the House bill as it stands because the tax-base increase is moderate and it is combined with a rate increase; but we could not acquiesce in any further increase in the tax base—especially if no action were taken to free the States from the necessity of following the Federal lead.

There has also been considerable discussion of adding provisions to the bill which would establish Federal control of basic elements of the State benefit formulas. The national chamber believes that

the States should frequently review their benefit formulas to make sure that they are keeping pace with the relevant economic trends. Whenever such review shows that benefits have fallen below reasonable and locally accepted criteria they should act promptly to restore them to accepted levels.

But, on the other hand, the National Chamber is vigorously opposed to the Federal Government stepping into this field of State discretion. There is no evidence that the enactment of Federal standards to govern the States in these matters would level out existing interstate differences in benefit costs. Benefit levels and benefit costs vary from State to State in line with differing wage levels and differing costs of living. To my knowledge no benefit standard has ever been seriously proposed which would iron out the differences in benefit levels that are the result of variations in wages and prices in different sections of the country.

Benefit costs also vary from State to State because of differences in the frequency and severity of unemployment. For example, unemployment compensation in Alaska pays out at the rate of $191.70 per year per worker covered by its law while the average payout per covered worker in Virginia is $9.21. Yet, to conform with the standards formula of two-thirds of the State's average weekly wage, for example, Virginia would have to raise its maximum benefits only $24 while Alaska with its already higher costs would have to raise its maximum by $69.

Senator ANDERSON. Is that because of the climate up there in Alaska?

Mr. HIBBARD. It is due in large part to the seasonality of employment due to the wide variations in weather conditions.

We are very much opposed to incorporating benefit standards in the Federal Unemployment Tax Act. We hope you will decide not to encumber this constructive and timely bill by adding such a controversial provision to it at this time.

In summary, the national chamber believes H.R. 14705 is generally a constructive bill. It steers a middle course among widely divergent views as to the changes needed at this time to improve and modernize certain features of the Federal Unemployment Compensation Act in the best way available immediately to bring about those changes. It is our hope that the bill can be passed in the Senate without damaging amendments, thereby achieving promptly the needed improvements in the Federal-State employment security program.

Thank you, Mr. Chairman.

Senator BENNETT. No questions.

Senator ANDERSON. Thank you very much.

Mr. HIBBARD. Mr. Chairman, in his testimony before this committee on February 5th, the Secretary made reference to some comparisons of the costs for benefits of certain industry units and size groups of employers. Rather than take your time at this time, I would like the privilege, if I may, of submitting a memorandum indicating some pertinent information arising out of the operation of the Michigan law bearing on the question of what size of employers are involved in the highest benefit costs and their industry classifications.

Senator ANDERSON. Without objection, we will be glad to have that information.

(The memorandum referred to and Mr. Hibbard's prepared statement follow:)

Effects of a Taxable Wage Base Increase on the Equitable Distribution Among Employers of Unemployment Compensation Benefit Costs

Testimony presented to the Senate Finance Committee on H.R. 14705 by the U.S. Department of Labor on February 5, 1970, may have left the impression that the present taxable wage base of $3,000 favors large employers, in durable goods manufacturing industries, at the expense of smaller employers in "more competitive" industries. It has been argued (1) that the cost impact of a taxable wage base increase would be greater for employers in durable goods manufacturing; and (2) that benefit payment expense is greater for durable goods manufacturers than for other employers. Consequently, according to the argument financing all costs through an increase in the taxable wage base will be "equitable" because it will produce the most revenue from the employers whose operations cause the most benefit payments.

This argument may be applied to the taxes imposed to finance the new extended benefits program or to the taxing formulas of state laws.

EXTENDED BENEFIT COSTS

The federal share of the cost of extended benefits will be financed by the application of a uniform tax rate to whatever taxable wage base is finally adopted. If there is a genuine concern about the equity of the distribution of the tax costs of extended benefits, then the most accurate and direct way of allocating the cost of extended benefits is through a system of experience rating similar to those in effect under state laws. The impact of a tax base increase can never be as accurate or equitable as experience rating of tax rates in apportioning the cost of benefits among employers.

The House of Representatives made a giant stride toward improving the equity of distributing the cost of extended benefits by providing that the states should bear 50% of the cost of extended benefits. H.R. 14705 also makes provisions for state as well as national "triggers" to put the extended benefits into effect. This federal-state arrangement (1) assures that each state's share in the cost of extended benefits will be more nearly proportionate to the benefits it derives, and (2) permits the states to apply the principle of experience rating to taxes they levy to finance extended benefits.

STATE BENEFIT COSTS

Michigan's operating data show that there is not a concentration of employers who do not pay their own way under the law either among the large firms or among firms engaged in durable goods manufacturing.

The Michigan Employment Security Commission is required by law to maintain a running account of each employer's experience with tax payments and benefit withdrawals. If the cumulative account balance for an employer is a deficit, "red" balance, that means that the employer has not paid the full cost of benefits for his employees, and that his benefit costs have been subsidized in part by the unemployment fund.

These operating statistics show that the largest employers are not the largest factor in the deficit balance situation. Out of about $108 million in deficit account balances existing on June 30, 1969, $33.2 million (30.7%) were in the accounts of 13,500 employers whose business was inactive or who had annual taxable payrolls of less than $10,000—in other words, small employers.

In contrast, for the large firms, there was a total of only $9.6 million (8.9%) in negative balances in the accounts of the 55 employers whose taxable payrolls exceeded $1 million per year.

According to Michigan data, the assumption that manufacturing industry is the major source of deficit balances is also without foundation.

In Michigan, employers engaged in manufacturing enterprises had 58.3% of the taxable payrolls of all employers covered by the law. However, manufacturing concerns accounted for $18.7 million out of $108 million in deficit balances—only 17.3%. For purposes of comparison, the contract construction industry had only 6.6% of the total of all taxable payrolls in the state, but construction employers accounted for $43.1 million—39.8% of all the deficit balances.

Within the broad category of "manufacturing", durable goods employers were less of a factor in the negative balance problem than non-durable goods manufacturers.

The 3 durable goods sub-classes having the largest amount of negative balances accounted for 27.2% of the total deficit balances in the manufacturing industry. The 3 non-durable goods classifications having the most deficit balances accounted for 47.5% of the total of all deficit account balances of employers in the manufacturing industry.

CONCLUSION

The assumptions on the basis of which it has been contended that raising the taxable wage base would result in more equitable distribution of the cost of unemployment benefits among employers do not square with operating data.

A good system of employer experience rating will do a much better job of relating each employer's unemployment tax payments to the benefit payments received by his employees; and experience rating applies under all the state laws now.

PREPARED STATEMENT OF RUSSELL L. HIBBARD FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES

My name is Russell L. Hibbard. I am a member of the Personnel Staff of General Motors Corporation, Detroit, Michigan, where I have charge of staff activities relating to Unemployment and Workmen's Compensation. I am speaking on behalf of the Chamber of Commerce of the United States. I have for several years been a member of the National Chamber's Committee concerned with the federal-state unemployment compensation system.

Accompanying me is William P. McHenry, Jr. of the National Chamber's staff, who serves as Committee Executive of the Unemployment Compensation Committee.

The National Chamber very much appreciates this opportunity to make known the views of business on H.R. 14705. This bill, as passed by the House of Representatives, would make a number of important and, on balance, constructive changes in our nation-wide system of unemployment compensation.

In general, we are in accord with the substance of the changes in the unemployment compensation.

In general, we are in accord with the substance of the changes in the unemployment compensation system which would be brought about by passage of H.R. 14705 in its present form. The House bill uses federal sanctions to compel the state legislatures to make many of these changes in their laws. We believe it would have been better policy to encourage the states to make the desired changes without federal compulsion. Nevertheless, we give our support to the bill, in its present form, as a reasonable and balanced approach to the recognized need for change.

In doing this, we want to make it clear that the National Chamber continues to favor improvements in the state unemployment compensation laws by state action. We favor retention of control over the substance of unemployment compensation laws by the state legislatures. If changes should be made in the present bill which add any other standards for state legislative action, or make the state action already required by the bill unreasonable and excessive, such action may undermine the basis for our support of the bill in its present form, and force us to oppose it.

SUMMARY OF CHAMBER POSITION

The major provisions of the bill to which we give our unqualified support are:

(1) The federal-state extended unemployment compensation program.

(2) More adequate provision for revenue to finance extended benefits and the costs of administration of unemployment compensation and the employment service.

(3) Recognition that some manpower functions now financed through the federal unemployment tax should more properly be handled as a general cost of government.

(4) Provision for court review of Labor Department decisions as to the conformity of state laws with federal requirements.

Those features of H.R. 14705 which conflict with our positions relative to federal control over state unemployment compensation legislation are those which would:

(1) enact five new standards for state legislation concerning requirements of eligibility for unemployment benefits.

(2) force the states to raise their taxable wage bases, whether or not such increases are needed to maintain state unemployment benefit funds.

(3) force the states to extend their tax coverage to small business and other groups.

We propose to comment, briefly, on the major features of H.R. 14705.

EXTENDING THE DURATION OF UNEMPLOYMENT COMPENSATION BENEFITS

For some years, the National Chamber has favored the enactment of suitable *permanent* provisions for the payment of extra weeks of benefits in periods when unemployment rates are high.

The provisions in H.R. 14705 which call for such a permanent, standby, extended benefits plan have been carefully worked out. They would create a constructive and satisfactory program.

We are in accord with the provisions for "triggering" the extended benefits into operation in individual states, as well as nationally. State triggers would do a better job of meeting the needs of the unemployed who exhaust their benefits than a single national trigger.

State sharing in the cost of the extended benefits is a necessary corollary of the provision for triggering the program into operation in individual states. It also has the advantage of giving the states a considerable range of choice of revenue sources to finance the states' share of the program costs.

FINANCING EXTENDED BENEFITS AND ADMINISTRATIVE COSTS

In the Chamber's testimony before the Ways and Means Committee, we expressed a strong preference for a tax rate increase—rather than a tax base increase—as the means through which to finance the federal share of extended benefits and administrative costs. From the standpoint of fluctuations in federal revenue for administration, a rate increase is superior. A base increase will cause revenue to fluctuate inversely to the needs of the program.

We further urged that, if a taxable wage base increase were utilized to produce all or part of the required revenue, the Federal Unemployment Tax Act should be amended so that the states would not be forced to conform their tax bases to the federal base. We pointed out that state unemployment tax rates average much higher than the federal rate, so that the cost impact of carrying the federal base over into the state laws would be much greater.

The House materially improved on the original bill's taxing provisions. A tax rate increase was adopted and the tax base increase carried by the original bill was (a) deferred for two years and (b) limited to 40 per cent of the increase originally proposed. Moreover, the House bill recognizes that many functions performed by the employment service should not be charged against federal unemployment tax revenues.

The National Chamber still maintains its preference for changing the tax rate rather than the tax base. However, we consider the provision for a tax base increase provided in H.R. 14705 to be much more acceptable than that contained in H.R. 12625.

Revenues Under H.R. 14705 Would Be Adequate

Additional Federal unemployment tax revenues are needed to finance the federal share of the cost of the extended-duration unemployment benefits and to defray the costs of administering the state and national employment security and manpower programs once the effects of accelerating collections of the unemployment tax to a quarterly basis have dissipated.

H.R. 14705 proposes to raise the net federal unemployment tax rate from 0.4 per cent to 0.5 per cent for calendar years 1970 and 1971. The bill retains the 0.5 per cent rate and also raises the federal taxable wage base from $3,000 to $4,200 effective January 1, 1972. As Table 1 on the following page shows, projected revenues under H.R. 14705 will meet projected costs for at least the next six years. In fact, by the end of Fiscal Year 1975, there will be a cumulative surplus in excess of $700 million.

According to the Chairman of the House Ways and Means Committee, the Secretary of Labor asked for a higher taxable wage base than the $4,200 provided by H.R. 14705. The Committee turned down this request because:

"We did not think it was necessary for us to do it (raise the base above $4,200) now or in the foreseeable future, to provide funds for the administrative costs of the program. We think that this would take us at least to the

1975 fiscal year. We can then look at the situation, rather than saying now that on January 1, 1975, or January 1, 1974, we will increase the base. The Congress can look at the facts before it, rather than for us to deal with the situation on a speculative basis."

fiscal year. We can then look at this situation, rather than saying now that on January 1, 1975, or January 1, 1974, we will increase the base. The Congress can look at the facts then before it, rather than for us to deal with the situation on a speculative basis." [1]

Appraising the "Equity Argument"

In his testimony before your Committee, Secretary Shultz urged that the House-passed bill be amended to terminate the rate increase at the end of 1971 and thereafter to substitute the tax base increase—to $4,800 in 1972 and $6,000 in 1975—which was in the original bill (H.R. 12625). Secretary Schultz inferred that an increase in the wage base for the federal unemployment tax was not needed for revenue purposes. When Senator Williams asked him, "Why raise it, if there is not revenue involved?", Secretary Shultz replied: "The basic reason for raising it is to provide greater equity among employers."

TABLE I.—COMPARISON OF ESTIMATED FEDERAL UNEMPLOYMENT TAX COLLECTIONS WITH COSTS FOR EXTENDED BENEFITS AND ADMINISTRATION UNDER H.R. 14705, FISCAL YEARS 1970-75

[Amounts in millions]

	1970	1971	1972	1973	1974	1975
Federal tax collections	$740	$970	$1,035	$1,290	$1,345	$1,395
Extended benefits costs	14	194	177	129	135	140
Administrative costs	691	790	849	880	974	1,079
Total costs	705	984	1,026	1,009	1,109	1,219
Surplus	35	−14	9	281	236	176
Surplus carried forward from prior fiscal year	.....	35	21	30	311	547
Cumulative surplus	35	21	30	311	547	723

Source: Committee on Ways and Means, Employment Security Amendments of 1969 Report 91-612, 91st Cong., 1st sess., table 4, p. 37.

There seem to be two main aspects of the argument that the continuance of the $3,000 ceiling on annual wages subject to state unemployment taxes would be inequitable. One of these is that, with the $3,000 base, the so-called "effective rate of tax",—is higher for a "low-wage" employer than it is for a "high-wage" employer. The other aspect of the equity argument is that, under existing state unemployment compensation laws, the maximum rate of tax does not produce enough revenue from high-cost employers to cover the cost of protecting their employees. As a result, the most stable employers are taxed more than it costs to cover their employees under the law; and their excess taxes are used to subsidize the costs of the high-cost employers.

The concept of an "effective rate of tax" has no real substance or significance under state unemployment compensation laws. All state laws use the principle of experience rating to distribute among employers the cost of insuring their employees. Between minimum and maximum limits set by each state legislature, every employer is called upon to pay for the cost of providing unemployment benefit protection for his own employees. So long as the employer's experience is not so good or so bad as to make him subject to the minimum or maximum tax rate set by the legislature of his state, his tax costs are determined by the cost of paying benefits to his employees. Any difference in costs between such employers is the result of differing benefit experience and not of the wage base used for assessing unemployment taxes.

The second point in the equity argument involves only those employers who are at the minimum or the maximum tax rate. The argument is that the range in the revenue producing capacity of the experience rating tax schedules is unduly limited by the $3,000 tax base. Raising the base, it is said, will increase the revenue-producing capacity of the maximum tax rates provided under experi-

[1] See Remarks of Wilbur D. Mills, *Congressional Record*, November 13, 1969, p. H10832.

ence rating and thus relieve the most stable employers of some of the taxes they must now pay to subsidize the benefit costs of the most unstable employers.

This argument is not valid. While raising the base will increase somewhat the tax yield from the most unstable employers, it will also increase the tax taken from the *most stable* employers. The percentage increase in taxes will be greatest for those employers who put the least burdens on the fund. This is true because employees who work the year around will have higher annual earnings than those who are less steadily employed. This is self-evident and has also been established by state research studies.

Inadequate maximum tax rates are indeed a serious problem in many states. The way to solve this problem is by raising the maximum tax rate under the state law, not by raising the base. Raising the maximum tax rate will produce added revenue only from the presently subsidized employers. Raising the base will also increase stable employers' tax payments; and it will do so by a greater percentage than for the most unstable employers.

In this connection, we should probably note that the National Chamber does not share the view, expressed by Secretary Shultz during the House hearings, as follows:

> ". . . The States which do not need to increase their revenue at the time the higher wage base becomes effective—and under present conditions the latter group would be the majority—can adjust their tax rate schedules so as to continue to collect approximately the same amount they now collect . . ."

The unemployment compensation laws of 27 states provide for automatic conforming increases (without any legislative action) when the federal tax base is increased. There is a possibility of legislation offsetting the tax base increase by a reduction in tax rates;—but the actual chances of such legislation being enacted in these states is obviously quite remote.

Even in the states where legislative action is required to conform the state tax base to the federal tax base it is not probable that taxpayers will be able to persuade their legislatures to forego the unemployment fund revenue thus made available, by lowering their tax rates. As a practical matter, such offsetting adjustments are not likely to be made when the state increases its tax base under federal compulsion.

In the National Chamber's testimony before the Committee on Ways and Means, the reasons for opposing a taxable wage base increase were related in greater detail. This portion of the National Chamber's testimony is reproduced as the Appendix to this statement.

JUDICIAL REVIEW

Section 131 would grant to the states the right to judicial review of the Secretary of Labor's decisions dealing with state unemployment compensation programs.

The National Chamber strongly supports giving states access to the federal courts for review of decisions of the Secretary of Labor concerning the conformity of state law, or of its administration, with existing federal requirements.

NEW FEDERAL ELIGIBILITY STANDARDS

H.R. 14705 would establish five new "standards", relating to conditions which claimants for unemployment benefits must or must not be required to meet as conditions of eligibility for such benefits. These new standards would: (1) prohibit the states from paying claimants a second round of benefits without requiring intervening employment, (2) prohibit the states from denying benefits to claimants because they are engaged in approved vocational training, (3) prohibit the states from denying or reducing benefit payments to claimants because they left the state, (4) require the states to participate in an interstate compact, approved by the U.S. Department of Labor, under which the benefit rights of individuals who travel from state to state in the course of their employment will be more nearly equivalent to those of individuals who work in only one state and (5) prohibit complete cancellation of a claimant's benefit entitlement except for specified disqualifying acts.

As the National Chamber testified before the Ways and Means Committee, we are generally "in sympathy with the objectives of these provisions", but "we are opposed, in principle to federal compulsion."

This continues to be our position on these provisions, considered in and of themselves. The action they would require of the states is not intrinsically objectionable. It is the element of compulsion that disturbs us. We in no way depart from our basic position that the discretion to determine the substantive provisions of unemployment compensation laws should remain with the state legislatures.

FEDERAL BENEFIT STANDARDS

Although H.R. 14705 does not propose to institute federal control over the levels of benefits under the state unemployment compensation laws, the Ways and Means Committee considered and rejected such a provision for incorporation in H.R. 14705. The questioning of the Secretary of Labor by some members of this Committee on February 5 revealed that there is same interest in adding benefit standards to the House bill.

The position of the National Chamber concerning state action to maintain proper benefit levels is reflected in the following statement adopted by the Unemployment Compensation Committee: "There is a need for continuing state legislative review of benefit levels under state laws, and for increases in maximum benefits where such payments are found to have lagged behind reasonable and locally accepted standards of adequacy."

We would vigorously oppose the addition of any provisions to H.R. 14705 which would compel the states to set their weekly benefit rates on the basis of a federally-prescribed formula.

CONCLUSION

H.R. 14705 is a generally constructive bill steering a middle course among widely divergent views as to the changes needed at this time to improve and modernize certain features of the federal-state unemployment insurance program and is the best way to bring about those changes. If, however, the bill should be so changed as to upset the balance of interests it now embodies, the Chamber will have to re-evaluate the bill as a whole and consider whether the changes that have been made are such as to force the National Chamber to swing from support for, to opposition to, the bill as a whole.

It is our hope that the bill can be passed without damaging amendments, thereby achieving promptly the needed improvements in the federal-state employment security system.

APPENDIX

Analysis of Reasons for Preferring a Tax Rate Increase Over Tax Base Increase

We recommend that Congress finance the federal share of the cost of extended benefits, and whatever added revenue is needed for administration, through an increase in the net federal unemployment tax rate. Raising the federal taxable wage base is a much less desirable course to follow because of its adverse impact on state taxes and on the equity of the distribution of tax burdens among employers.

IMPACT ON STATE TAXES

Raising the federal taxable wage base will, under present law, force the states to follow suit, whether or not they need or want to do so. Failure to conform the state base to the federal base would result in loss of available offset credit against the federal tax. This would represent an unconscionable penalty upon employers in that state.

Some states have fully adequate reserves and do not need a tax base increase. They should not be forced to follow the federal lead. Other states may need more revenue-producing capacity but may prefer to develop it through an increase in the maximum tax rate under experience-rating. Other states may wish to use both methods in combination.

Average state unemployment tax rates range between multiples of twice to 5 or 6 times the net federal unemployment tax rate. Increasing the state tax bases to conform to the federal tax base, therefore, would in most states have several times the impact on employers' state unemployment tax liability than it would have on their liability for federal unemployment taxes.

The impact of a federally-imposed tax base increase would vary widely between states. Variations would reflect three major differences—namely, wage rates, stability of employment and differing experience-rating formulas.

DIFFERENCES DUE TO WAGE LEVELS AND STABILITY OF EMPLOYMENT

A tax base increase would obviously fall most heavily on a state where average wages were high and year-round employment is the rule. It is a fair question whether there is a rationale to justify assessing the lion's share of the mounting cost of administration and of the cost of extended benefits against those states which have more nearly year-round employment at high wages for the members of their work force. A flat rate assessment, by way of an increase in the net federal unemployment tax rate, would be a more equitable way to go because it will produce a more even and rational distribution of the increased tax burden on employers.

DIFFERENCES DUE TO VARYING TAX FORMULAS

The experience-rating formulas which are used by the state in establishing employers' unemployment tax rates from year to year may be vastly different in the way they react to an increase in the taxable wage base.

In most states, an employer's annual tax liability is determined under the so-called "reserve-ratio" system. Under this plan, all taxes paid by an employer are credited to his account; and all benefits paid to his former employees and chargeable to him are deducted from the balance in his account. The result is a balance which fluctuates from year-to-year. It can be "negative" as well as positive.

In the "reserve-ratio" states, the balance in the employer's account as of an annual "computation date" is divided by his most recent annual taxable payroll to produce the reserve ratio. The employers' tax rate for the coming year is then assigned by reference to a statutory table of reserve ratio brackets and tax rate.

In the "reserve-ratio" states, therefore, raising the taxable wage base would raise an employer's taxable payroll, reduce the employer's "reserve ratio" and raise his tax rate. In these states, there would be a double cost impact. The employer's tax rate would be increased, and his rate would be applied to a higher taxable payroll as well.

EFFECT OF TAX-BASE INCREASE IN "REPLENISHMENT" STATES

In contrast to these "reserve ratio" states, there is a smaller group of states whose tax structure is keyed to maintaining a fixed fund level by replenishment of benefit expenditures rather than the maintenance of reserves in a definite relation to the quantity of exposure to the unemployment risk. In these "replenishment" states, the formula is geared to produce tax rates equalling benefit cost rates. The simplest of these formulas is the "benefit ratio" formula, in which the total amount of benefits paid to an employer's employees within the past three years is divided by his taxable payroll for the past three years. Subject to statutory limits, the quotient is the employer's unemployment tax rate for the coming year.

Under the replenishment-type laws, an increase in taxable payrolls resulting from a wage base increase tends to reduce the unemployment tax rate enough to offset the effects of applying the tax rate to a higher taxable payroll.

COMPARISON OF EFFECTS UNDER THE TWO STATE FORMULAS

In the "replenishment" states, taxes are increased for a few years, until three full years of taxable payroll on the expanded base are available to be included in the formula's divisor used in calculating rates. This is a one-time cost which is never recovered, but which goes to enlarge the balance of the state's unemployment fund.

In the reserve-ratio states, the effect is both more complex and more severe. As noted earlier, the immediate effect of increasing the base is to raise the employer's tax rate as well as increasing the payroll base to which the rate is applied. These higher rates will continue until the employer has increased the balance in his experience rating account in the state fund to the point where he can qualify for a tax rate which, when applied to his expanded taxable payroll, will equal his benefit cost rate.

Since the benefit cost rate is also a percentage of taxable payroll, the benefit cost rate will go down when the taxable payroll is increased. Consequently, a lower tax *rate* (than before the wage base increase) must be attained before tax payments are in equilibrium with benefit costs. Under the reserve ratio experience rating system, to attain a lower tax rate, an employer must build up his

account balance to a higher percentage of his annual taxable payroll. This means, in sumary, that in a reserve ratio state, before an employer's tax costs can drop to what they were before a tax base increase, he must not only increase his balance in the state fund to the same percentage of his larger taxable payroll as it was of his former taxable payroll but he must, in addition, build his account balance up to a higher percentage of his annual taxable payroll than was required on the lower taxable wage base.

To illustrate how these divergent impacts occur, we have prepared the attached Tables which show how the cost impact of a tax base increase would vary, for identical employers, in selected states. In the reserve ratio states such as Arkansas, Michigan, New York, and Ohio, the cumulative cost of increasing the tax base to $4,800 would range from about $12,000 in Michigan (which already has a $3,600 tax base) to about $43,000 in New York. On the other hand, the cumulative increase over the same period in Texas, a "benefit ratio" state, would be a little over $2,000.

PERMANENT COSTS FROM A TAX BASE INCREASE

It has been argued that the impact of a tax base increase on employers' state unemployment tax costs will be transitory, because unemployment tax rates have a strong tendency to gravitate into balance with unemployment benefit cost rates. This argument is at best only partly valid; and in some areas it breaks down completely.

Many employers are assigned state unemployment tax rates which are fixed by the statute and do not respond to their own experience with unemployment benefit payments. This occurs in the following situations: (1) where the law sets a minimum tax rate at a level above what the employer's experience would justify under the rating formula; (2) where the law sets a maximum tax rate at a level below that called for by the employer's unfavorable benefit experience; and (3) where the law imposes a flat tax rate on all employers to supplement the revenue produced by the experience rating formula of the law. Under any one of these situations, the tax-increase effects of a taxable wage base increase are permanent, and *not* transitory.

DIFFERENTIAL IMPACT OF TAX BASE INCREASE ON INDIVIDUAL EMPLOYERS

These permanent tax burdens are not fairly distributed among employers, because a tax base increase in larger increases in taxable payroll for stable employers than for unstable employers. The effect is thus directly counter to individual employer experience-rating.

A 1964 study in New York State showed that adopting a $4,800 tax base would increase the burden of flat rate, "subsidiary" contribution payable by less than 26 per cent, on the average, for those employers who have not been paying their own way under the law due to their constantly fluctuating employment. On the other hand, the burden of this flat rate tax would increase by almost 44% for the employers who have the least unemployment. Consequently, individual employer experience rating would be weakened because stable employers would pay a larger share of the tax increase than employers who are already costing the fund more than they contribute in taxes.

The results of this New York study are summarized in the following table.

Size of balance (Account balance as percent of payroll) :	*Percent increase in taxable payroll*
Less than 0%	25.7
0% but less than 5%	30.9
5% but less than 6.5%	34.2
6.5% but less than 8.0%	34.3
8.0% but less than 9.5%	37.1
9.5% but less than 11.0%	38.1
11.0% but less than 12.5%	40.4
12.5% or more	43.8

Source: New York State Department of Labor, Division of Employment, "A Study of the Tax Base Under the New York State Unemployment Insurance Law," June 1964, tables 11 and 12, pp. 22–23.

CONCLUSIONS AS TO IMPACTS ON STATE TAXES

The foregoing analysis demonstrates that the effects of a tax base change under state unemployment compensation laws are complicated and likely to be inequitable. The impact on states will vary significantly with variations in wage rates and in stability of employment, and with the type of experience rating formula used in the state. The impact on employers within a state will also be erratic and inequitable, and it will tend to redistribute the cost of the program to the benefit of high cost employers and to the detriment of low cost employers.

If a state should decide to increase its tax base without outside compulsion, it would have the opportunity to make suitable compensating changes in its tax formula which can ameliorate or even eliminate these undesirable effects. But if the states were forced to increase their tax bases by federal action, these adjustments are not likely to be made, for lack of time and opportunity to work them out and sell them to the state legislature.

Impact on Federal Taxes.—Much the same reasons which indicate against increasing the taxable base under state laws also apply to increasing the wage base for the federal tax.

The federal tax is a flat tax against all employers. Consequently, increasing the base for the federal tax has the same inverse incidence on states and on employers as we have described in regard to flat tax rates under state laws.

If the Congress should decide to produce additional federal unemployment tax revenue by raising the federal tax base, it should recognize that, in so doing, it is embarking on a policy of increasing the tax cost (for the purpose of administering unemployment insurance and paying extended benefits) most for the employers who impose the least burdens on the system and least for those employers whose irregular operations impose the greatest burdens on the program.

COMPARATIVE IMPACT, ON IDENTICAL EMPLOYERS, OF INCREASING THE TAXABLE WAGE BASE TO $4,800 IN ARKANSAS, ILLINOIS, MICHIGAN, NEW YORK, OHIO, AND TEXAS

Assumptions:

(a) Identical employers in each of the 5 states. In each state, each employer has 300 hourly-rate employees who work 50 weeks per year and earn $80 per week. In addition, in each state, each employer has 33 employees on a salary basis who earn more than $4,800 per year.

(b) Taxable Payroll under existing State law taxable wage base:

Arkansas ($3,000 base)	$1,000,000
Michigan ($3,600 base)	1,200,000
New York ($3,000 base)	1,000,000
Ohio ($3,000 base)	1,000,000
Texas ($3,000 base)	1,000,000

(c) Taxable Payroll, in each state, on the $4,800 base, $1,358,400—300 employees at $4,000, plus 33 employees at $4,000.

(d) Each employer has a level annual benefit cost of $11,000.

(e) No change occurs in the factors entering into the determination of tax rates under the state law except for the increase in the tax base to $4,800.

SUMMARY OF CUMULATIVE EFFECTS OF ADOPTING A $4,800 TAXABLE WAGE BASE ON AN EMPLOYER'S TAX COSTS UNDER SELECTED STATE UNEMPLOYMENT COMPENSATION LAWS

[Cumulative cost increase (rounded to nearest $1,000)]

State:	
Arkansas	$37,000
Michigan (now has $3,600 base)	11,000
New York	48,000
Ohio	37,000
Texas*	2,110

*Texas is one of the states with the "replenishment" approach to benefit financing. The other states shown have "reserve ratio" experience rating.

CALCULATIONS OF CUMULATIVE COSTS

1. Arkansas

Since the employers benefit cost rate is 1.1% ($11,000÷$1 million), his tax rate has stabilized at 1.1%—a rate which just offsets his annual benefit costs and maintains his account balance at $75,000, or 7.5% of his annual taxable payroll. (A 7.5% account balance produces a 1.1% tax rate under the law's schedule of tax rates.)

When the taxable wage base is increased to $4,800, this employer's annual taxable payroll goes up to $1,358,400.

To achieve again the equilibrium between credits and charges to his account, this employer must build up his account balance from $75,000 to an amount which will produce a reserve ratio (on the new, higher base) which yields a tax rate (on the new base) which in turn will equal his benefit cost rate (also on the new base).

1. Benefit Cost Rate on $4,800 base—$11,000÷$1,358,400=0.8%.

2. Tax rates most nearly corresponding to cost rate—0.7% and 0.9%.

Note: Since the law does not provide a tax rate exactly equal to the cost rate, the employer's annual tax rates will fluctuate between 0.7% and 0.9% and will average 0.8% over the years.

3. Reserve Ratios Required for 0.7% and 0.9% tax rates. For 0.7% rate, 8½% reserve ratio required. For 0.9% rate, 8% reserve ratio required.

4. Size of Required Reserves on the New Base—8% x $1,358,400=$108,672—8½% x $1,358,400=$115,464.

5. Weighted Average of Required Reserves on New Base—$111,728.

6. Required Increase in Average Reserve Balance (Cumulative Cost)—Between $111,728—75,000=$36,728.

Note: The Arkansas law gives the employer a one-time, irrevocable option to have his reserve ratio calculated on the basis of his most recent annual taxable payroll or on the basis of his average annual taxable payrolls for several recent years. The foregoing figures would be valid in either cases, but the period of time required to reach the final cumulative figure would be longer if the employer had elected to have an average payroll used.

2. Michigan

Michigan's present taxable wage base is $3,600, so the employer's current annual taxable payroll is $1,200,800 instead of $1,000,000 as in the other states cited.

The employer's benefit cost rate is .92% ($11,000÷$1,200,800). His tax rate has stabilized at an average of .92%, fluctuating between 0.9% and 1.1% from year to year. (Of the above tax rates only 0.8% and 1.0% respectively are credited to the employer's account. The remainder is a flat rate tax applicable to all employers.)

To attain tax rates of 0.9% and 1.1%, the employer's account must have a reserve ratio of 7% and 6.7% respectively; and these percentages amount to $84,000 and $80,400. The weighted average of these figures is $83,640.

When the taxable wage base is increased to $4,800 this employer's annual taxable payroll goes up to $1,358,400.

To achieve again the equilibrium between credits and charges to his account, this employer must build up his account balance from a range between $80,400 and $84,000 to an amount which will produce a reserve ratio (on the new, higher base) which will yield a tax rate (on the new base) which in turn will equal his benefit cost rate (also on the new base).

1. Benefit cost rate on $4,800 base—$11,000÷$1,358,400=0.81%.

2. Tax rates (exclusive of flat tax rate) most nearly corresponding to cost rate—0.8% and 1.0%.

3. Reserve ratios required for those tax rates—7.0% and 6.7%.

4. Reserve balances required for those tax rates—$95,088 and $91,013.

5. Weighted average of required balances—$94,844.

Increase in amount of average required balance—$11,244.

3. New York

The employer's current benefit cost rate is 1.1% ($11,000÷$1,000,000). His tax rate has stabilized at an average of 1.1% (exclusive of the flat-rate "subsidiary" contribution assessed against all employers covered by the New York law) by fluctuating between 1.0% and 1.2% from year to year.

To attain tax rates of 1.0% and 1.2%, the employer's account must have a reserve ratio of 11% and 10.5%, respectively; and these percentages amount to $110,000 and $105,000. The weighted average of these figures is $107,500.

When the taxable wage base is increased to $4,800, this employer's annual taxable payroll goes up to $1,358,400.

To achieve again the equilibrium between credits and charges to his account, this employer must build up his account balance from a range between $105,000 and $110,000 to an amount which will produce a reserve ratio (on the new, higher base) which will yield a tax rate (on the new base) which in turn will equal his benefit cost rate (also on the new base).

1. Benefit cost rate on $4,800 base—$11,000÷$1,358,400=0.81%.
2. Tax rates (exclusive of flat tax rate) most nearly corresponding to cost rate—0.8% and 1.0%.
3. Reserve ratios required for those tax rates—11.5% and 11%.
4. Reserve balances required for those tax rates $156,216 and $149,424.
5. Weighted average of required balances—$155,876.

Increase in amount of average required balances—$48,376.

4. Ohio

The employer's current benefit cost rate is 1.1%. His tax rate has stabilized at 1.1%. To attain a tax rate of 1.1%, the employer's account must have a reserve ratio of 7.5%; and this reserve ratio requires an account balance of $75,000.

When the taxable wage base is increased to $4,800, this employee's annual taxable payroll goes up to $1,358,400.

To achieve again the equilibrium between credits and charges to his account, this employer msut build up his account balance from $75,000 to an amount which will produce a reserve ratio (on the new, higher base) which will yield a tax rate (on the new base) which in turn will equal his benefit cost rate (also on the new base).

1. Benefit cost rate on $4,800 base—0.81%.
2. Tax rates most nearly corresponding to cost rate—0.7% and 0.9%.
3. Reserve ratios required for those tax rates—8.5% and 8.0%.
4. Reserve balances required for those tax rates—$115,464 and $108,672.
5. Weighted Average of Required Balances—$111,728.

Increase in amount of Average Required Balances —$36,728.

5. Texas

A. Annual Tax Cost, Existing Law:

Annual benefit charges	$11,000
Average annual taxable payroll	1,000,000
Benefit ratio ($11,000÷$1,000,000)	1.1%
Tax rate	1.0%
Tax cost	$10,000

B. Tax Cost, first year on $4,800 base:

Annual benefit charges	$11,000
Average annual taxable payroll	1,000,000
Benefit ratio	1.10%
Tax rate	1.0%
Tax cost	$13,584

C. Tax Cost, second year on $4,800 base:

Annual benefit charges	$11,000
Average annual taxable payroll	1,119,467
Benefit ratio	0.98%
Tax rate	0.8%
Tax cost	$10,867

D. Tax Cost, third year on $4,800 base:

Annual benefit charges	$11,000
Average annual taxable payroll	1,238,933
Benefit ratio	0.89%
Tax rate	0.7%
Tax cost	$9,509

E. Tax Cost, fourth and subsequent years on $4,800 base:

Annual benefit charges	$11,000
Average annual taxable payroll	1,358,400
Benefit ratio	0.81%
Tax rate	0.6%
Tax cost	$8,150

SUMMARY OF TAX COSTS

Year	Present base	$4,800 base	Difference
1st	$10,000	$13,584	+$3,584
2d	10,000	10,867	+867
3d	10,000	9,509	−491
4th	10,000	8,150	−1,850
Total difference			2,110

Senator ANDERSON. Mr. Henkel.

STATEMENT OF PAUL P. HENKEL, CHAIRMAN OF THE SOCIAL SECURITY COMMITTEE OF THE COUNCIL OF STATE CHAMBERS OF COMMERCE; ACCOMPANIED BY WILLIAM R. BROWN, ASSOCIATE RESEARCH DIRECTOR, COUNCIL OF STATE CHAMBERS OF COMMERCE

Mr. HENKEL. Mr. Chairman, members of the committee, thank you for the opportunity of permitting the Council of State Chambers of Commerce to appear at this hearing.

My name is Paul Henkel and I am manager of payroll taxes for the Union Carbide Corp., but I appear here today as chairman of the Social Security Committee of the Council of State Chambers of Commerce. I am testifying for the member State chambers of commerce listed at the end of this statement who have specifically authorized me to represent them on this occasion. Accompanying me is William R. Brown, associate research director of the Council of State Chambers of Commerce.

We appear today to express general support for H.R. 14705 despite the fact that we have serious reservations and objections to a few of its provisions. Our reservations and objections concern:

1. The increase in the Federal unemployment compensation taxable wage base to $4,200 in 1972;
2. The inclusion of Federal benefit eligibility standards.

FEDERAL-STATE EXTENDED BENEFIT PROGRAM

It is a pleasure to express our support of the objective of H.R. 14705 to establish a permanent program of extended unemployment benefits. We are pleased that the administration has accepted the House-passed version of a jointly financed Federal-State financed extended benefit program. We also are pleased that the Interstate Conference of Employment Security Agencies overwhelmingly favors this type of extended benefit program.

Our position on H.R. 14705 is similar to that which we took before this committee in 1966 on H.R. 15119. That bill, too, would have established a Federal-State extended benefit program during periods of high unemployment. But, as the chairman of this committee observed in opening the current hearings, there was a deadlock between the House-Senate conferees after the Senate amended the House-passed bill. We would hope that the Senate will accept the House bill without major amendment and thus preclude another deadlock.

FINANCING PROVISIONS

Although we support the establishment of the Federal-State extended benefit program, we wanted the Federal portion thereof to be financed by an increase in the Federal unemployment tax rate. In our statement to the House Ways and Means Committee, we opposed an increase in the Federal unemployment taxable wage base. As a matter of principle, we still do. We recognize, however, that the $4,200 taxable wage base proposed in H.R. 14705 is a reasonable middle ground between the employer's position and the administration's position. (Initially, the administration bill, H.R. 12625, proposed a $4,800–$6,000 taxable wage base.)

The administration orignally pressed for a $6,000 taxable wage base on the ground that it was necessary to finance a 100-percent federally financed extended benefit program. Although the administration now concedes that such a program should or could be financed on a 50-percent Federal, 50-percent State basis, it nevertheless attempts to continue to justify the need for a $6,000 taxable wage base. The logic in this escapes us.

On pages 3 and 5 of our written statement which was reproduced on pages 127 through 129 of the printed record of these hearings, we have included several arguments that have already been mentioned by preceding witnesses and in order to conserve this committee's time we will not dwell on these arguments. However, we would wish to point out, (1) we do not agree with the theoretical case for a $6,000 taxable wage base that Dr. Shultz made in his testimony. We disagree with his underlying asumptions and conclusions and are convinced that his theory promotes rather than eliminates inequities.

(2) We do not agree with Dr. Shultz' contention that it is inequitable to require an employer in a low-wage industry or State to pay a higher effective tax rate.

(3) We do not agree with Dr. Shultz' contention that the decreasing proportion of taxable payrolls to total payrolls produces inequitable results and prevents State experience rating from accurately reflecting differences in employers' assigned tax rates.

There has been a sharp distinction between the nature and purpose of Federal and State unemployment taxes. We strongly emphasize that this distinction should be maintained to the greatest extent possible. The Federal unemployment compensation tax has been used solely to pay administrative costs. Any relationship between the taxable wage base and total wages paid to employees has nothing to do with raising money to defray administrative costs.

We think a head tax or a "per employee" tax is a fair and convenient mechanism for raising administrative money. It is nothing more. It certainly costs no more to administer the unemployment compensation claims and to provide job referral services to a high-paid claimant than it does to provide the same service to a low-paid claimant.

We wish to point out that the administration proposes to increase the social security taxable wage base to $9,000 in 1971. As you know, the employer social security tax rate is scheduled to increase from 4.8 percent to 5.2 percent in 1971. It is our view that the Congress must take these increases into consideration while deciding upon the changes in and the costs of Federal-State unemployment compensation programs.

We have attached to our statement table I, which compares on a cost per employee basis the present and proposed status of both social security unemployment compensation. The State unemployment compensation tax cost on the table has been computed at the standard 2.7-percent tax rate. The rate assigned to most new employers. Admittedly that rate could be lower. It could be one-tenth of 1 percent. But it also could be higher. For example, 4 percent.

We think this table brings to light, first, the hidden or "iceberg" effect of the changes in the Federal unemployment taxable wage base on State unemployment compensation tax costs and, second, the total impact of payroll taxes which is to all employers and which should be to the Congress a matter of serious concern.

We think the table demonstrates the reasonableness of H.R. 14705 in contrast to H.R. 12625, the initial administration bill.

It is undeniable that in the past Congress has come to expect opposition from employers and business associations to proposed social insurance tax increases and social welfare changes. Our reaction, however, has been compelled by excessively liberal and costly proposals. We have come forward today in support of H.R. 14705 even though employers and State chambers of commerce are not entirely satisfied with the House-passed version of the bill. We reiterate our view that it represents a fair and reasonable accommodation of conflicting viewpoints.

We urge that there be no further substantive amendments to H.R. 14705, particularly an increase in the taxable wage base beyond $4,200 and the inclusion of Federal weekly benefit standards.

Thank you.

Senator ANDERSON. Thank you.

Questions?

Senator WILLIAMS. No questions.

Senator ANDERSON. Thank you very much.

(Mr. Henkel's prepared statement follows:)

PREPARED STATEMENT OF PAUL P. HENKEL ON BEHALF OF THE COUNCIL OF STATE CHAMBERS OF COMMERCE

I am Paul P. Henkel. I am Manager of Payroll Taxes for the Union Carbide Corporation, but I appear here today as Chairman of the Social Security Committee of the Council of State Chambers of Commerce. I am testifying for the member state chambers of commerce listed at the end of this statement who have specifically authorized me to represent them on this occasion. Accompanying me is William R. Brown, Associate Research Director of the Council of State Chambers of Commerce.

We appear today to express general support for H.R. 14705 despite the fact that we have serious reservations and objections to a few of its provisions. Our reservations and objections concern:

(1) the increase in the Federal Unemployment Compensation taxable wage base to $4200 in 1972;

(2) the inclusion of Federal benefit eligibility standards.

FEDERAL-STATE EXTENDED BENEFIT PROGRAM

It is a pleasure to express our support of the objective of H.R. 14705 to establish a permanent program of extended unemployment benefits. We are pleased that the Administration has accepted the House-passed version of a jointly financed Federal-State financed extended benefit program. We also are pleased that the Interstate Conference of Employment Security Agencies overwhelmingly favor this type of extended benefit program.

Our position on H.R. 14705 is similar to that which we took before this Committee in 1966 on H.R. 15119. That bill, too, would have established a Federal-

State extended benefit program during periods of high unemployment. But, as the Chairman of this Committee observed in opening the current hearings, there was a deadlock between the House-Senate conferees after the Senate amended the House-passed bill. We would hope that the Senate will accept the House bill without major amendment and thus preclude another deadlock.

FINANCING PROVISIONS

Although we support the establishment of the Federal-State extended benefit program, we wanted the Federal portion thereof to be financed by an increase in the Federal unemployment tax rate. In our statement to the House Ways and Means Committee, we opposed an increase in the Federal unemployment taxable wage base. As a matter of principle, we still do. We recognize, however, that the $4200 taxable wage base proposed in H.R. 14705 is a reasonable middle ground between the employers' position and the Administration's position. (Initially, the Administration bill, H.R. 12625, proposed a $4800–$6000 taxable wage base.)

The Administration originally pressed for a $6000 taxable wage base on the ground that it was necessary to finance a 100% Federally-financed extended benefit program. Although the Administration now concedes that such a program should or could be financed on a 50%-Federal, 50%-State basis, it nevertheless attempts to continue to justify the need for a $6000 taxable wage base. The logic in this escapes us.

Secretary of Labor Shultz did not contend in his testimony before this Committee that an increase in the taxable wage base above $4200 would be necessary to finance the Administration's proposals. Rather, the major argument advanced by him was that a $6000 wage base would provide greater "equity" among employers. Although Dr. Shultz has made a "theoretical" case for a $6000 wage base, employers, generally, disagree with his underlying assumptions and conclusions, and are convinced that his theory promotes inequity. Employer opposition to the increased wage base is rooted in practicality—not theory.

IN PRACTICE HIGHER BASES MEAN HIGHER TAXES

Dr. Shultz contended that there is inequity in that employers in a low wage industry or State pay at a higher "effective" tax rate, and that this will be remedied by increasing the taxable wage base. We disagree with this contention and the effect of the remedy. A higher taxable wage base can mean higher taxes even in a low wage industry or State. There are very few employers who do not have some employees who earn more than $3000.

Dr. Shultz contended that the States will be free to adjust their tax rates to prevent the $6000 wage base from producing excessive revenues. But the experience of State Chambers of Commerce in seeking to obtain tax rate revision in their States indicates that the "theory" is less than perfect in practice.

EQUITY IN FEDERAL AND STATE UNEMPLOYMENT COMPENSATION TAXES

There has been a sharp distinction between the nature and purpose of Federal and State unemployment compensation taxes. We strongly emphasize that this distinction should be maintained to the greatest extent possible. The Federal unemployment compensation tax has been used *solely* to pay administrative costs. Any relationship between the taxable wage base and total wages paid to employees has nothing to do with raising money to defray *administrative costs.* A head tax or a "per employee" tax is a fair and convenient mechanism for raising administrative money—it is nothing more. It certainly costs no more to administer unemployment benefit claims and to provide job referral services to a highly-paid claimant than it does to provide the same services to a low-paid claimant. A higher Federal unemployment compensation taxable wage base will cause a high-wage employer to pay a higher "per employee" tax. Actually, the high-wage employee-claimant can be shown to cost less in terms of administrative costs and placement service.

State unemployment compensation taxes, used solely to finance unemployment benefits, can vary by tax rate and taxable wage base. The minimum taxable wage base set by the Federal Unemployment Tax Act is $3000. That figure is also the more common base among all the States. A given State's benefit cost can be financed by infinite combinations of tax rates and taxable wage bases. Twenty-two States in recognition of their needs already have increased their

taxable wage base above $3000* without Federal Government dictation. This does not mean, however, that other States must do so in order to preserve unemployment compensation financing capability. They can do so when the need exists.

Dr. Shultz, in his statement to this Committee, placed major emphasis on the need to increase the State taxable wage bases because, under the present bases, taxable payrolls are a decreasing proportion of total wages. In our opinion, the relationship Dr. Shultz seeks to establish between taxable and total wages is entirely irrelevant.

What is relevant is that, although there is considerable variation among the States with regard to their experience rating systems, all of the State systems endeavor to relate the employer's State unemployment compensation tax to the benefit costs for which he is responsible. For example, two employers may pay the same total wages, but if one has a better experience rating than the other, he will pay less unemployment compensation tax in proportion to his total wages than will the other employer. We think this is proper and equitable.

Dr. Shultz also advanced the theory that a $6000 taxable wage base will permit State experience rating to "accurately" reflect the differences in employer's assigned tax rates. This is not an original theory—it has been advanced for many years by theorists who seek a perfect experience rating system. We disagree with this theory too.

If an employer pays $3600 a year per employee, an increase in the taxable wage base above this amount does not raise the employer's tax cost at all. This is inequitable. The only equitable way taxes can be raised for all employers, whether high-wage or low-wage employers, is to increase the tax rate. Therefore, it is a wide range of rates, rather than a high wage base, which respond to indivdual employer benefit costs and will permit experience rating to operate most effectively.

PER-EMPLOYEE PAYROLL TAX COSTS

We wish to point out that the Administration proposes to increase the social security taxable wage base to $9000 in 1971. As you know, the employer social security tax rate is scheduled to increase from 4.8% to 5.2%, also in 1971. It is our view that the Congress must take these increases into consideration while deciding upon the changes in and the costs of the Federal-State unemployment compensation programs.

We have attached Table I which compares on a "cost per employee" basis the present and proposed status of both social security and unemployment compensation. The State unemployment compensation tax cost has been computed at the standard 2.7% tax rate—the rate assigned to most new employers. Admittedly, that rate could be lower, for example .1%, but it also could be higher, for example 4.0%. We think this Table brings to light: (1) the hidden "iceberg" effect of changes in the Federal unemployment taxable wage base on State unemployment compensation tax costs; and (2) the total impact of payroll taxes which is to all employers, and which should be to the Congress, a matter of serious concern. We think the Table demonstrates the reasonableness of H.R. 14705 in contrast to H.R. 12625, the initial Administration bill.

CONCLUSION

It is undeniable that in the past, Congress has come to expect opposition from employers and business associations to proposed social insurance tax increases and social welfare changes. Our reaction, however, has been compelled by excessively liberal and costly proposals.

We have come forward today in support of H.R. 14705, even though employers and State Chambers of Commerce are not entirely satisfied with the House-passed version of the bill. We reiterate our view that it represents a fair and reasonable accommodation of conflicting viewpoints.

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*See the following:

Alaska	$7,200	Michigan	$3,600	Tennessee	$3,300
Arizona	3,600	Minnesota	4,800	Utah	4,200
California	3,800	Nevada	3,800	Vermont	3,600
Connecticut	3,600	New Jersey	3,600	West Virginia	3,600
Delaware	3,600	North Dakota	3,400	Wisconsin	3,600
Hawaii	5,000	Oregon	3,600	Wyoming	3,600
Idaho	3,600	Pennsylvania	3,600		
Massachusetts	3,600	Rhode Island	3,600		

We urge that there be no further substantive amendments to H.R. 14705—particularly, an increase in the taxable wage base beyond $4200 and the inclusion of Federal weekly benefit standards.

The following State Chambers of Commerce have endorsed this statement:

Arkansas State Chamber of Commerce
Alabama State Chamber of Commerce
Colorado Association of Commerce & Industry
Connecticut State Chamber of Commerce, Inc.
Delaware State Chamber of Commerce, Inc.
Florida State Chamber of Commerce
Georgia Chamber of Commerce
Idaho State Chamber of Commerce
Indiana State Chamber of Commerce
Kansas State Chamber of Commerce
Kentucky Chamber of Commerce
Maine State Chamber of Commerce
Michigan State Chamber of Commerce
Minnesota Association of Commerce & Industry
Mississippi Economic Council
Montana Chamber of Commerce
New Jersey State Chamber of Commerce
Empire State Chamber of Commerce
Ohio Chamber of Commerce
Pennsylvania Chamber of Commerce
South Carolina State Chamber of Commerce
Greater South Dakota Association
East Texas Chamber of Commerce
Lower Rio Grande Valley Chamber of Commerce
South Texas Chamber of Commerce
West Texas Chamber of Commerce
Virginia State Chamber of Commerce
West Virginia Chamber of Commerce
Wisconsin State Chamber of Commerce

TABLE 1.—PER EMPLOYEE COSTS

	Social security tax[1]			Federal UI tax			State UI tax				
	Rate (percent)	Base	Amount	Rate (percent)	Base	Amount	Rate (percent)[2]	Base	Amount	Total	Increase (above present costs)
1969	4.8	$7,800	$374.40	0.4	$3,000	$12.00	2.7	$3,000	$81.00	$467.40	
1970	4.8	7,800	374.40	[3].5	3,000	15.00	2.7	3,000	81.00	470.40	+$3.00
1971	5.2	[4]9,000	468.00	.5	3,000	15.00	2.7	3,000	81.00	564.00	+96.60
1972	5.2	9,000	468.00	.5	[3]4,200	21.00	2.7	[3]4,200	113.40	602.40	+135.00
	5.2	9,000	468.00	[4].4	[4]4,800	19.20	2.7	[4]4,800	129.60	616.80	+149.40
1973-74	5.65	9,000	508.50	.4	4,800	19.20	2.7	4,800	129.60	657.30	+189.90
1975	5.65	9,000	508.50	.4	[4]6,000	24.00	2.7	[4]6,000	162.00	694.50	+227.10

[1] The employer and the employee each pay the rates and amounts shown, thus the total is double these figures.
[2] Standard—not maximum or minimum tax rate.
[3] H.R. 14705 as passed by the House.
[4] Administration proposal.

Senator ANDERSON. Mr. Eubank.

STATEMENT OF MAHLON Z. EUBANK, DIRECTOR OF THE SOCIAL INSURANCE DEPARTMENT, COMMERCE & INDUSTRY ASSOCIATION OF NEW YORK, INC.

Mr. EUBANK. Mr. Chairman, members of the committee, my name is Mahlon Z. Eubank, director of the Social Insurance Department of Commerce & Industry Association of New York. I request that my full statement be put in the record.

Senator ANDERSON. Without objection that will be done.

Mr. EUBANK. The second paragraph on page 1.

Commerce & Industry Association supports H.R. 14705 without amendment as a reasonable compromise among the divergent views of management, labor, and government. Some of the items supported in this bill are in conflict with our testimony before the House Ways and Means Committee on H.R. 12625 on October 7, 1969. Nevertheless, H.R. 14705 is supported for the reasons stated herein.

Secretary of Labor George P. Shultz has testified before this committee on the subject bill on February 5. He requested that three major modifications be made:

1. Providing a tax base increase from $3,000 to $4,800 for 1972–74 and to $6,000 thereafter;

2. Extending coverage protection to farm labor; and

3. Extending coverage protection to college professors and to other institutional, research, and principal administrative personnel of institutions of higher education. Our comments will relate to the first two of Secretary Shultz' modifications.

The next point will be on financing. I am starting on the first paragraph on page 2.

The Secretary of Labor proposes to drop the 0.1 percent tax increase but to increase the taxable wage base to $4,800 for 1972–74 and to $6,000 thereafter. A review of the Secretary's testimony before this committee does not appear to present any argument that H.R. 14705 would be insufficient as a revenue producer. The fact that it will bring in sufficient revenue is well documented in the report of the House Ways and Means Committee on H.R. 14705, particularly on pages 32–37. The basis for the change proposed by the Secretary, as we read his testimony, is that the increase in the taxable wage base to $4,800 and to $6,000 is necessary to eliminate tax inequities among employers. This we do not comprehend because it costs no more to administer unemployment benefit payments and to provide job referrals to a high-paid claimant than it does to an employee for a low-paid industry. Further, it appears to us that the latter payment services would be more likely to be costlier because of the recent trends in training programs to upgrade such employees.

The increase in the tax base would be disproportionate to the increase in the tax rate and, therefore, would work to the disadvantage of firms in industry that pay high wages and give stable empolyment. These firms are now paying more unemployment taxes than their own experience requires and are, to this extent, subsidizing their competitors and/or those that are less stable. An indication of how much the increase in the tax base would increase taxable payrolls has been calculated in New York by size of firm and on an increase in the tax base from $3,000 to $4,800. ("Impact of a Tax Base Increase Under the New York State Unemployment Insurance Law," prepared by the New York State Department of Labor, Division of Employment, August 1967.) This table follows. I set out this table in my statement and I will not read it but you can note in that particular table how taxable payrolls increase by various sizes of firms both as positive accounts employers who pay more than their own way and also as to negative accounts who are the employers whose taxes are less than the benefits paid to their former employees. If we had a study on $6,000, I am sure that the percentage would be much higher.

We fear that if the Secretary's proposal is adopted, there will be a surplus of funds after 1972. Perhaps it is the desire of the Secretary to have excess funds to cover the broader activities and additional responsibilities which have been placed on the Employment Service and now come out of general revenues.

The "broader activities" or additional responsibilities placed upon the Employment Service not oriented to unemployment insurance and paid out of funds collected through the Federal unemployment tax are set out in this statement.

The one I think we object to the most is No. 8 there where we pay the administrative costs for the Federal Unemployment Insurance Act. We recommend that that the financing provisions in H.R. 14705 be kept because it provides adequate financing of the Federal-State unemployment insurance system for administrative cost and for 50 percent of State recesssion benefits and that any excess taxes provided by that bill will be returned to the States as they have in the past.

Our second item we wish to cover is on agricultural labor. I will go to page 5, the last paragraph. Farmers are engaged in a seasonal industry and many of them, if this provision were enacted, would not pay enough in taxes to pay benefits to their employees. If this provision is adopted, most employers through increase in tax rates would pick up the difference.

Coverage of seasonal farmworkers presents the principal problem. Among those working only in New York State, some are employed only for short periods and would not qualify for benefits. This might be true also in other States. Employers of such workers would have to pay unemployment insurance taxes without any benefits accruing to their workers.

It appears to us further that before coverage of agricultural workers is enacted into the law, more serious studies should be made in all the States to determine the effect of such coverage.

Thank you very much.

Senator ANDERSON. Thank you.

(Mr. Eubank's prepared statement follows:)

STATEMENT PRESENTED BY MAHLON Z. EUBANK, DIRECTOR OF THE SOCIAL INSURANCE DEPARTMENT, COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.

Commerce and Industry Association of New York is not only the largest business association in New York but also one of the largest in the nation. Among its members are both large and small employers, in all branches of industrial and commercial activity, including many corporations headquartered in New York but engaged in multi-state operations. Through its Social Security Committee, which includes tax and personnel executives of leading national organizations, and its Social Insurance Department, the Association studies and actively represents management thinking on significant unemployment insurance issues at both the national and state levels. The Association appreciates this opportunity to testify before your Committee on the Administration's proposal to "amend" the federal-state unemployment insurance program.

Commerce and Industry Association supports H.R. 14705 without amendment as a reasonable compromise among the divergent views of management, labor and government. Some of the items supported in this bill are in conflict with our testimony before the House Ways and Means Committee on H.R. 12625 on October 7, 1969. Nevertheless, H.R. 14705 is supported for the reasons stated herein.

Secretary of Labor George P. Shultz has testified before this Committee on the subject bill on February 5. He requested that three major modifications be made: 1. providing a tax base increase from $3000 to $4800 for 1972–1974 and to $6000 thereafter; 2. extending coverage protection to farm labor; and 3. extending coverage protection to college professors and to other institutional, research and principal administrative personnel of institutions of higher education. Our comments will relate to the first two of Secretary Shultz' modifications.

A. Financing

We recognize that any financing provision must not only provide funds for recession benefits (50% under H.R. 14705) but also solve the recurring problem of providing adequate funds relating to the administration of unemployment insurance for both the federal and state governments and related employment service activities. At this time it is pointed out that the federal unemployment compensation tax is a flat tax which every employer must pay and that it is not experience rated. The source of funds to pay normal unemployment insurance benefits are funded entirely by the states from the proceeds of their unemployment insurance taxes. State taxes are experience rated and vary from employer to employer. To ease the administrative financing pinch this year legislation was enacted (H.R. 9951—PL 91-53) by accelerating the collection of the FUTA tax from 1970 through 1972. H.R. 14705 has provided that there will be an increase in the tax rate of 0.1% (effective 1970 and thereafter) and in the taxable wage base from $3000 to $4200 effective January 1, 1970.

The Secretary of Labor, however, proposes to drop the 0.1% tax increase but to increase the taxable wage base to $4800 for 1972–1974 and to $6000 thereafter. A review of the Secretary's testimony before this Committee does not appear to present any argument that H.R. 14705 would be insufficient as a revenue producer. The fact that it will bring in sufficient revenue is well documented in the Report of the House Ways and Means Committee on H.R. 14705, particularly on pages 32–37. The basis for the change proposed by the Secretary, as we read his testimony, is that the increase in the taxable wage base to $4800 and to $6000 is necessary to eliminate tax inequities among employers. This we do not comprehend because it costs no more to administer unemployment benefit payments and to provide job referrals to a high-paid claimant than it does to an employee for a low-paid industry. Further, it appears to us that the latter payment services would be more likely to be costlier because of the recent trends in training programs to upgrade such employees.

The increase in the tax base would be disproportionate to the increase in the tax rate and therefore would work to the disadvantage of firms in industry that pay high wages and give stable employment. These firms are now paying more unemployment taxes than their own experience requires and are, to this extent, subsidizing their competitors and/or those that are less stable. An indication of how much the increase in the tax base would increase taxable payrolls has been calculated in New York by size of firm and on an increase in the tax base from $3000 to $4800. ("Impact of a Tax Base Increase under the New York State Unemployment Insurance Law", prepared by the New York State Department of Labor, Division of Employment, August, 1967). This table follows:

PERCENT INCREASE IN TAXABLE PAYROLLS, $4,800 TAX BASE, BY SIZE OF FIRM

[Size based on annual taxable payrolls]

Size of payroll	All firms	Positive accounts	Negative accounts
Total	38.7	41.1	26.9
Under $5,000	19.0	19.2	18.2
$5,000-$9,999	29.1	31.3	18.3
$10,000-$19,999	32.5	35.0	21.2
$20,000-$49,999	34.5	37.1	23.6
$50,000-$99,999	33.7	36.6	25.3
$100,000-$199,999	34.5	38.4	25.3
$200,000-$999,999	37.0	39.8	27.9
$1,000,000-$9,999,999	41.6	42.6	33.2
$10,000,000 and over	49.1	49.3	42.

The percentages would be increased substantially in the above table if based upon taxable payrolls of $6,000—positive accounts listed in the above table are those employers who pay their own unemployment insurance costs and in addition are subsidizing the unemployment of others. Negative account employers are those whose taxes are less than the benefits paid to their former employees.

We fear that if the Secretary's proposal is adopted, there will be a surplus of funds after 1972. Perhaps it is the desire of the Secretary to have excess funds to cover the broader activities and additional responsibilities which have been placed on the Employment Service and now come out of general revenues.

The "broader activities" or additional responsibilities placed upon the employment service not oriented to unemployment insurance and paid out of funds collected through the Federal Unemployment Tax appear in the testimony of representatives of the Interstate Conference of Employment Security Agencies (State Administrators) at a public hearing on March 15–16, 1966, before the House Committee on Ways and Means for the purpose of receiving further recommendations on H.R. 8282. On pages 80 to 86 (Vol. 6 of the Public Hearing before the Committee on Ways and Means on H.R. 8282) reporting such testimony, it is shown that the federal unemployment insurance tax pays all or part of administrative expenses for additional responsibilities placed on the Employment Service for these programs:

1. Youth opportunity centers and youth programs
2. Counseling selective service rejectees
3. Counseling military service retirees
4. Small community programs
5. Neighborhood youth corps
6. Job Corps program (one-third of cost)
7. Immigration Act, Public Law 414
8. UCFE (unemployment insurance for separated federal employees) and UCX (unemployment insurance for ex-servicemen)—these federal programs are related to unemployment insurance but it appears to us that it is unfair for employers to pay for their administrative cost. (*State Administrators recommended that administrative cost be paid out of general revenues (Hearing before House Ways and Means Committee, Part 6, page 27.)*)

We recommend that the financing provisions in H.R. 14705 be kept because it provides adequate financing of the federal-state unemployment insurance system for administrative cost and for 50% of state recession benefits and that any excess taxes provided by that bill will be returned to the states as they have in past.

B. Coverage of agricultural labor

The enactment of a provision covering agricultural labor could adversely affect all New York employers because of the New York Unemployment Insurance Law financing provisions. Under such provisions there are two tax rates. One is the normal tax rate which varies from employer to employer because it is based upon the experience rating formula in the law. The other is the subsidiary, or socialized, tax which is the same for all employers and one of its purposes is to help keep the state unemployment insurance fund in balance as nearly as possible. This subsidiary tax depends upon the balance of the General Account. This account, part of the state's unemployment insurance fund, is primarily a device for recording benefit charges that exceed an individual employer's tax payments by more than 2% of his payroll during the payroll year preceding the computation date. It serves as a barometer to signal the occasion for a subsidiary tax to be imposed on all employers.

Credits to the General Account include the subsidiary tax, interest earned on the fund, balances of employers' accounts which have lapsed, taxes paid late, and certain monies credited to the unemployment insurance fund by the United States Government. Charges include negative overdrafts on individual employer accounts caused by benefit withdrawals that exceed tax payments.

All employers are required to pay a subsidiary tax depending on the balance of the General Account in addition to normal taxes. On December 31 of each year the General Account is examined. If the balance of the General Account is less than $120,000,000 a subsidiary contribution ranging from 0.1% to 1%, depending on the balance in the account, is required on wages paid in the following calendar year. Unlike normal taxes, subsidiary taxes are not credited to individual employer accounts but to the general account.

Farmers are engaged in a seasonal industry and many of them, if this provision were enacted, would not pay enough in taxes to pay benefits to their employees. In New York, if this happens, the General Account would have a greater drain on it because of these additional charges. Farmers who have negative accounts could pay up to the maximum of 3.2% normal tax plus a subsidiary or additional tax ranging from zero to 1% on their taxable payrolls. Other states, not using the device of the General Account and the subsidiary tax, could have an unwarranted net loss to the unemployment insurance funds.

New York legislation enacted in 1969 permits the farm employer to cover such services on a voluntary basis. Previously, such services could not be covered even on a voluntary basis. The employer who elects coverage must remain in the unemployment insurance system for the balance of the calendar year of his entry. Thereafter, he can leave the system at any time by giving notice to the Division of Employment. Coverage will cease at the end of the calendar quarter in which his notice is received.

It is hoped that the experience gained by the 1969 law would provide information if compulsory coverage of farmers is feasible and if so, the best method to provide such coverage, such as benefit rights, taxes on farmers, and the impact on the state unemployment insurance fund and its economy. We understand that several other states are studying this question, and experimentation is necessary before federal mandated coverage of farmers is enacted into law.

Coverage of seasonal farm workers presents the principal problem. Among those working only in New York State, some are employed only for short periods and would not qualify for benefits. This might be true also in other states. Employers of such workers would have to pay unemployment insurance taxes without any benefits accruing to their workers. The migrant farm workers might also present a problem.

It appears to us further that before coverage of agricultural workers is enacted into the law, more serious studies should be made in all the states to determine the effect of such coverage.

CONCLUSION

When the Social Security Act first was enacted in 1935, it left full responsibility and discretion with the states to determine eligibility conditions, benefit amounts, and duration of benefits. Committee reports of both the Senate and the House in connection with the original Social Security Act contain the following statement:

"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. Likewise, the States may determine their own compensation rates, waiting periods, and maximum duration of benefits. Such latitude is very essential because the rate of unemployment varies greatly in different States, being twice as great in some States as in others."

The provisions of H.R. 14705 could fundamentally change the original concept of state responsibility in unemployment insurance. We urge that this Committee not change such concept but enact H.R. 14705 without amendment.

Senator ANDERSON. Mr. Vavoulis.

STATEMENT OF GEORGE J. VAVOULIS, PRESIDENT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, ST. PAUL, MINN.; ACCOMPANIED BY CURTIS HARDING, ADMINISTRATOR OF THE UTAH DEPARTMENT OF EMPLOYMENT SECURITY; AND HENRY ROTHELL, ASSOCIATE ADMINISTRATOR OF THE TEXAS EMPLOYMENT COMMISSION

Mr. VAVOULIS. Mr. Chairman, members of the committee, my name is George J. Vavoulis. I am commissioner of the Minnesota Department of Manpower Services, and president of the Interstate Conference of Employment Security Agencies. It is in this latter capacity that I appear here today.

I would like to repeat that I am here as president of the Interstate Conference of Employment Security Agencies. The Interstate Conference of Employment Security Agencies is an organization composed of the chief administrative officials of the State employment security agencies in the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands. These agencies are responsible for the unemployment compensation as well as the employment service programs in their respective States.

Accompanying me today are Mr. Curtis Harding, administrator of the Utah Department of Employment Security, a past president of the ICESA; and Mr. Henry Rothell, associate administrator of the Texas Employment Commission. Mr. Rothell is also chairman of the conference legislative committee. These gentlemen have considerable knowledge in the field of unemployment insurance and are quite familiar with the provisions of H.R. 14705. They will assist me in answering any questions the committee may have.

The conference recognizes the need for improvement of the Federal legislation pertaining to unemployment insurance and offers its continuing services to your committee.

When the administration's unemployment insurance bill was being considered by the House Ways and Means Committee, representatives of the interstate conference were privileged to appear and make recommendations with respect to changes in the administration's bill. Some of the recommendations of our representatives were incorporated in H.R. 14705, particularly with respect to the coverage provisions and the Federal-State extended benefit program for periods of recession.

Following passage of H.R. 14705 on November 13, 1969, the executive committee of the interstate conference directed that the various State agencies be polled to determine their approval or disapproval of the bill. The results of the State poll show that the State employment security agencies voted to approve H.R. 14705 as passed by the House by a heavy majority. The results of the poll were as follows: 42 States (80 percent) voted in favor of the bill, four voted not in favor, and six did not vote.

The position of the interstate conference is that H.R. 14705 very substantially improves the Federal unemployment insurance law. As pointed out by the Honorable Senator Long in his press release giving notice of this hearing, the three principal features of the bill include:

(1) The extension of Federal unemployment insurance coverage to an additional 4½ million jobs.

(2) The establishment of a new permanent extended compensation program with costs financed equally by the Federal Government and the States, and

(3) The increase in the net Federal tax from four-tenths to five-tenths of covered payrolls on January 1, 1970, and an increase in the taxable wage base for the Federal tax from $3,000 to $4,200 on January 1, 1972.

The conference strongly supports the extension of unemployment insurance coverage to the additional 4½ million workers. We feel these workers are entitled to protection under the law just as much as workers presently included.

We also strongly advocate that additional unemployment benefits be available to workers during recession periods. Experience has shown the economic and personal value of special consideration to the unemployed during periods of recession. It is our considered opinion that the provisions in H.R. 14705 are a substantial improvement over those originally contained in the administration's proposal.

A poll of State agencies has shown the conference membership strongly supports the financing provisions contained in the bill under consideration. The conference position developed at its annual meeting with respect to the administration's unemployment compensation bill stated that there is a substantial need for additional financing of the program and recommended the taxable wage base be raised to $4,200

for 1972 and that the tax rate be increased from 3.1 percent to 3.2 percent effective January 1, 1972.

Thirty-one States (60 percent) representing over 66 percent of the Nation's covered workers and almost 61 percent of covered employers voted in favor of the increased wage base and tax rates. Twelve States having 20 percent of the covered workers and 23 percent of covered employers were opposed to the position while nine of the States representing 13 percent of the workers and 16 percent of the employers abstained from voting.

In summary, I would like to repeat that based upon our findings a vast majority of the States support H.R. 14705 as passed by the House of Representatives and, therefore, we urge that this bill be reported favorably by the committee.

I have attached to my statement, of which I believe you all have a copy, the results of a poll of the States. The attachment indicates the number of States voting for the bill, those voting against, and those not voting, as well as the percent of total covered workers and the percent of total covered employers in each category.

(The attachment referred to follows:)

On December 23, 1969 the State employment security agencies were polled to determine their approval or disapproval of H.R. 14705 as passed by the House of Representatives on November 13, 1969.

The State employment security agencies approved H.R. 14705 as passed by the House of Representatives on November 13, 1969 by a vote of 42 in favor, 4 not in favor, and 6 not voting. The tabulated results of the poll are as follows:

	Number of State agencies	Percent of total covered workers [1]	Percent of total covered employers [2]
In favor	42	84.1	85.1
Not in favor	4	3.7	2.5
Not voting	6	12.2	12.4
Total	[3] 52	100.0	100.0

[1] Total workers covered under State unemployment insurance laws as of June 1969.
[2] Total employers covered under State unemployment insurance laws as of September 1969.
[3] Includes the District of Columbia and Puerto Rico.

Mr. VAVOULIS. In conclusion, gentlemen, I wish to thank you for the privilege of appearing before your committee.

Senator ANDERSON. Any questions?

Senator BENNETT. No questions.

Mr. Chairman, I would like to take this opportunity to welcome back before the committee my friend Curt Harding, from Utah, who has appeared before us many times before and whom I consider to be one of the most knowledgeable men in this field of unemployment compensation.

Senator ANDERSON. Thank you very much. We appreciate your being here very much.

Mrs. Beiderman.

STATEMENT OF MRS. GERALDINE M. BEIDEMAN, CALIFORNIA EMPLOYERS' RESEARCH COUNCIL, LOS ANGELES

Mrs. BEIDEMAN. My name is Geraldine M. Beideman. I would like to request that the prepared statement be inserted in the record and then I will speak informally to it and very briefly.

Senator ANDERSON. Without objection, that will be done.

Mrs. BEIDEMAN. Thank you.

California employers endorse H.R. 14705 as it was passed by the House of Representatives. In making this endorsement they recognize that their Federal taxes are going to have to be increased by some 56 percent. They know, however, that in order to guarantee good administration of the employment service and the unemployment insurance program in California, as well as some sharing of the costs of the extended duration program, that this tax increase is necessary.

We oppose, however, the suggestions made in the Senate for amending the bill. The first point relates to agricultural coverage. The central issue to such coverage, in California at least, is not that of bringing agriculture into the program. It is the matter of financing the deficit between the benefits the farm workers would draw and the taxes that would be paid by the employers, the farm employers. So far, and we have tried many times in California to effect coverage of agriculture, we have not resolved this issue of who is going to pay for the bill.

Another point is our position on the increase in the taxable wage base to $6,000 as proposed before this committee. We feel that the increase in the rate and base contained in 14705 represents a good compromise between the high paying employers and the low paying employers. We would suggest, too, that services provided workers and employers is not governed by whether they pay high or they pay low but simply on the need for service. We do not feel that there is any need to change the balance achieved in that program. We would rather see the equity maintained.

The third point has to do with benefit standards. In that respect we would suggest that it would require the installation in California of an automatic escalator provision. We had such a provision in our disability insurance program. That is a companion program we have in California to unemployment insurance. Once the benefits go up automatically, there tends to be disregard of the need to finance them and also of the need to change eligibility requirements as wages rise. As a result, the California program fell into deep financial trouble and the escalator had to be abandoned. For that reason we would suggest that California's experience be taken into account and that there be no benefit standards inserted in the law.

Thank you very much, Mr. Chairman and members of the committee.

Senator ANDERSON. Thank you very much. Questions?

Senator WILLIAMS. No questions.

(Mrs. Beideman's prepared statement follows:)

STATEMENT PRESENTED BY GERALDINE M. BEIDEMAN, ON BEHALF OF REPRESENTATIVE CALIFORNIA EMPLOYERS

ORGANIZATIONS REPRESENTED

Association of California Life Insurance Companies:
- California Farm Life Insurance Company
- California Western States Life Insurance Company
- Educators Life Insurance Company
- Golden State Mutual Life Insurance Company
- Life Insurance Company of California
- Occidental Life Insurance Company

Pacific Mutual Life Insurance Company
Pacific National Life Insurance Company
Pierce National Life Insurance Company
West Coast Life Insurance Company
Association of Motion Picture and Television Producers, Inc.
California Bankers Association
California Brewers Association
California Restaurant Association
California Retailers Association
California State Chamber of Commerce
California Trucking Association
Canners League of California
General Telephone Company
Merchants and Manufacturers Association
Motor Car Dealers of Southern California
Pacific Gas and Electric Company
Pacific Lighting Gas Supply Company
Pacific Telephone and Telegraph Company
San Diego Gas and Electric Company
Southern California Edison Company
Southern California Gas Company
Southern Counties Gas Company
Western Oil and Gas Association

SUMMARY

1. *The Value of H.R. 14705.*—This measure as it was passed by the House of Representatives offers major improvement of the federal-state system of unemployment insurance. California employers urged the adoption of the bill, recognizing that the substantial tax increase that it would impose is necessary for the operation of the employment security system.

2. *Federal Coverage of Farm Labor.*—The Administration's proposal to bring some farm workers into the unemployment insurance program ignores the chief barrier that has stood in the way of coverage. The main issue is not whether farm workers should be covered but how the cost of their benefits is to be met. To force coverage without resolving the central difficulty would be to impose financing problems on at least the California program.

3. *Federal Financing Provisions.*—The Administration's suggested changes in the financing provisions of H.R. 14705 would create inequities in the allocation of costs among employers and yet would provide much the same tax yield in the foreseeable future as that accruing from the provisions in the House bill.

4. *Federal Benefit Standards.*—California's experience with an automatic escalator provision in its temporary disability insurance program—a companion to unemployment insurance—suggests that the proposed standards would lead the unemployment insurance system into a like state of insolvency. It would seem that the President's concern as well as that of Congress should encourage the states to attain and retain adequate benefit levels on their own initiative, thus avoiding the need for federal benefit standards.

Support of H.R. 14705

Representative California employers and employer associations support H.R. 14705 passed by the House of Representatives as being the best possible compromise of varying interests and concerns throughout the country. H.R. 14705 makes important improvements in the federal-state unemployment insurance system. Notable among them are extending protection to about 4.5 million additional workers, furnishing a program of recession benefits to operate nationwide and in individual states, providing for judicial review, safeguarding the benefit rights of interstate claimants, and adequately financing the administration of the program.

In endorsing H.R. 14705 in its present form, we are not unmindful that if the provisions were in full effect today, California employers' federal unemployment insurance taxes would increase by $42.5 million or 56 percent. Tax increases of this magnitude are not welcome. They may be recognized as necessary, however, in order to finance on a non-crisis basis the rising cost of administering the employment security system and the federal share of payments under the extended benefit program.

Suggestions for Senate amendments to H.R. 14705

Administration testimony before the Senate Finance Committee on February 5, 1970 included the recommendation that some provisions of the original bill be reinstated in H.R. 14705. This presentation concerns two of these recommendations: (1) agricultural coverage, and (2) changes in the federal taxation provision. In addition, comments will be made on the subject of benefit standards as some members of the Committee raised this issue with the Administration's witnesses.

1. *Agricultural Coverage.*—The Administration's recommendation to the Senate Finance Committee that H.R. 14705 be amended to include agricultural coverage suggested a more restrictive provision than the original proposal. Nevertheless, the recently suggested modification skirts instead of resolves the basic problem involved in agricultural coverage. The real problem is not whether or not farm labor should be covered. It concerns the conditions under which coverage may be achieved.

California offers an excellent example of the issue. To begin with, an estimated 48 percent of the nation's agricultural labor force is in this one state. The territory over which agricultural activity is spread is vast. The kinds of crops are numerous and seasonality is high.

For some years attempts have been made to bring farm workers into the state unemployment insurance program and efforts have been intensifying recently. Legislators representing both political parties, both gubernatorial candidates, civic, academic and community groups, and church organizations are among the advocates of coverage. So, too, are many farm employers as well as workers and leaders of farm labor organizations. Important nonagricultural employers and employer organizations impose no barriers to coverage providing certain fiscal conditions are met.

The difficulty concerns the financing of benefits farm workers would draw. A comprehensive study of the California agricultural labor force, participated in by the U.S. Department of Labor, demonstrated the discrepancy between the benefits farm workers would draw—a cost rate of 9.5 percent—and the taxes farm employers would pay—a tax rate of 3.7 percent.

The agricultural interests, of course, are reluctant to make up the difference which is estimated as a minimum at $30 million a year. Nonagricultural employers are equally reluctant to assume an additional tax burden. Presently-covered California employers have for years paid unemployment insurance taxes at average rates well above those for the country as a whole. Part of the reason for these high rates is the seasonality or intermittency of employment in some California industries, including those related to agriculture. Another reason is that in California's high-wage economy, workers can meet the eligibility test for benefit entitement with only a small amount to work—just a few weeks of employment.

The Administration's proposal that agricultural employers having eight or more employees on their payrolls at least 26 weeks a year become subject to unemployment insurance taxation and their employees be protected by unemployment insurance in no way solves the problem that confronts California. It gives no recognition to the fact that all but the most highly seasonal farm workers could meet the State requirements for benefit eligibility and draw benefits far in excess of the taxes farm employers would pay. While official estimates of the cost impact of this newly proposed coverage cannot be obtained in the short time available, there is good basis for believing that the disparity between farm workers' benefit costs and farm employers' taxes for eight-or-more coverage would be at least as great as the findings produced by the previously mentioned study. Discounted, too, in offering the proposal is the cost impact of the elective coverage provision in the California law. If only some farm employers are covered, many of those who are excluded from compulsory participation would elect inclusion in order to share the advantages of recruitment and work force stability that unemployment insurance would bring.

California legislators and other interested groups are attempting to find a generally acceptable solution to the problem. These efforts point up the fact that particular state conditions and provisions in state laws require state solutions for special problems such as agricultural coverage. A federal requirement such as that recommended only would negate these efforts.

Therefore, it is urgently suggested that the Administrations' recommendation not be accepted.

2. *Federal Financing Provisions.*—The change in financing from that in H.R. 14705 recommended to this Committee by the Administration appears to furnish no increase in tax revenue in the coming several years. It merely redistributes the cost. The Administrations' reasons for the recommended change would seem to invite counter arguments.

The compromise the House Ways and Means Committee achieved in making relatively moderate increases in both the federal tax rate and the taxable wage base represented an attempt to establish equities in the taxing mechanism. Employers paying low annual wages would contribute their share of the cost of administration and recession benefits by way of the tax rate. Those employers paying somewhat higher annual wages would contribute their share through both the base and the rate increases.

The Administration's proposal that the rate revert back to 0.4 percent in 1973 would place almost if not all of the burden for costs of administration and recession benefits on relatively high-wage paying employers. Yet both kinds of employers and their former employees would be served equally.

If H.R. 14705 were in full effect in 1970, California employers would pay $118.5 million in federal unemployment insurance taxes. If the Administration's proposed amendment were in full effect, the 1970 federal tax receipts from California employers would approximate $118.0 million. Thus, the yield would be about the same. Why, then, assess one group of employers and relieve another group of the added cost?

Employers with low annual payrolls typically are characterized by work force instability. Their former employees, therefore, not only need unemployment insurance services but also require those of the employment service. Employers with high annual payrolls in some instances also have irregular employment patterns; many others do not, however, and therefore contribute little to the need for service.

When California initiated its extended duration benefit program—the system of paying extra benefits during times of high-level unemployment—in 1959, the state legislature recognized that the responsibility for recession joblessness cannot be placed on individual employers. Instead, they took into account the fact that widespread unemployment is a product of the free market system. By the time a worker qualifies for recession benefits, his previous employment is well in the past and any semblance of an employer-employee relationship generally has disappeared. For this reason, the financing of the extra benefits was accomplished by a uniform tax levied on all employers. H.R. 14705 recognizes this concept but the Administration's recommendation does not.

The Administration has argued, too, that the enactment of a higher taxable wage base than that provided for in H.R. 14705 would give the states more flexibility in the operation of their experience-rating systems. Overlooked is the fact that the states have always had the freedom to place their taxable wage base at any level above the federal requirement that is necessary. California, for example, has increased its tax base three times in the past ten years and many other states have made similar adjustments.

The real reason for raising the taxable wage base is to raise money. The portion of a worker's annual wage that is taxed bears no relation at all to the benefit award he is entitled to. States that need to increase their revenues can increase tax rates or tax bases or both. Federal action in the states' interests thus is unnecessary. And, as the California tax yield example cited above shows, moderate increases in both the tax rate and base for many years will produce about the same revenues as a base increase alone.

Because of these financing considerations, we urge that the more equitable tax treatment afforded in H.R. 14705 be retained instead of accepting the approach recently recommended by the Administration.

3. *Federal Benefit Standards.*—The formula for benefit maximums detailed in the President's message to Congress on July 8, 1969 implies the automatic tying of benefit changes to wage changes. California had four years' experience with that kind of automatic benefit escalator in its temporary disability insurance program and then abandoned it in favor of a return to regular legislative review and action. The reason for relinquishing the provision was that the automatic increase in benefit maximums tends to obscure the need for legislative consideration of other program elements that also are related to wage increases. As the up-dating of eligibility and financing provisions lagged, the program encountered extreme financing difficulties which had to be overcome by substantial tax increases and related program changes, including the removal of the escalator.

It is recognized that benefit changes sometimes lag behind wage increases, particularly in good times when steady wage earners are at work. Such situations usually are remedied, however, before the disparity becomes too great.

We would suggest that the President's admonitions and Congressional interest as well as other considerations will furnish states with the necessary incentive to keep benefits in line with wages. Therefore, we ask this Committee to leave with the states the responsibility for establishing benefit levels.

Senator ANDERSON. Mr. Nagle.

STATEMENT OF JOHN F. NAGLE, CHIEF, WASHINGTON OFFICE, NATIONAL FEDERATION OF THE BLIND

Mr. NAGLE. Mr. Chairman, members of the committee, my name is John F. Nagle, and I am chief of the Washington office of the National Federation of the Blind. My address is 1346 Connecticut Avenue NW., Washington, D.C. 20036.

Mr. Chairman, recognizing the need to improve and expand the existing Federal-State unemployment compensation program, the House of Representatives last year passed H.R. 14705, a bill designed to provide better and broader protection against the disastrous social and economic consequences of unemployment in the lives of workingmen and their families.

In discussing the inclusion of nonprofit organizations under the unemployment compensation law, House report 91-612 states at page 11:

Your committee does not want to change the present tax status of non-profit organizations, but it is concerned about the need of their employees for protection against wage loss resulting from unemployment.

But, Mr. Chairman, the concern of the House Ways and Means Committee did not go so far as to provide protection against wage loss resulting from unemployment for handicapped workers employed in sheltered workshops.

Nor was this omission an oversight, Mr. Chairman.

Section 104 of H.R. 14705 specifically declares that this section does not apply to service in a facility conducted for the purpose of carrying out a program of—

(*b*) providing remunerative work for individuals who because of their impaired physical or mental capacity cannot be readily absorbed in the competitive labor market * * *

It may be argued in justification of this exclusion, Mr. Chairman, that sheltered workshops are charitable institutions with uncertain and limited financial resources and cannot afford the burden of providing unemployment compensation coverage for their employees.

But this argument would only be partially correct.

House Report 91-612 states at page 45:

The exclusion (in clause (b) of section 104) applies only to the services performed by an individual receiving * * * remunerative work under the program.

So, Mr. Chairman, the Ways and Means Committee and the House of Representatives would seem to believe that, although charity dollars could be found and should be used to provide the protection of unemployment compensation for the administrative staff of a sheltered workshop—for supervisors and truckdrivers, for secretaries and switchboard operators—for physically fit employees—charity dollars

could not be found and should not be used to give similar protection to the handicapped workers in such facilities, to the handicapped men and women for whose sole benefit sheltered workshops are established and maintained.

Mr. Chairman, we ask and urge this committee and the Senate to delete this unjust and discriminatory exclusion from H.R. 14705.

Mr. Chairman, much progress has been made in recent years toward the democratic goal that all men should be and must be judged for their individual merit—

That they should be and must be considered and judged as individuals, with separate and identifiable capacities and capabilities—

That they should not be and must not be prejudged and condemned by false and derogatory generalizations—

That they not be compelled to live differently because they are physically different.

We who are impaired by blindness share with our sighted fellows the expectations of equal treatment and full and fair opportunity.

And we have not sat patiently and passively by while others fought our battles for us, while others sought to make the American dream a reality in the lives of handicapped Americans.

Rather, we, blind people, have joined together in our common cause and shared concerns and experiences, and we have worked and struggled together—

Against the disparagements of ignorance and the discriminations and denials of antiquated thinking and outmoded practices—

Against the despair of indifference and the despotism of misguided benevolence and misdirected effort and concern.

And clause (B) of section 104 of H.R. 14705, which would withhold the benefits and protection of unemployment compensation from handicapped workers employed in sheltered workshops—this provision, Mr. Chairman, represents all of the adverse attitudes and embodies all of the adverse forces against which we, blind people, have contended in our striving for equality of opportunity to achieve according to our abilities and expended effort—

Equality of opportunity, too, to participate fully with our physically fit fellows in the challenges and responsibilities of building a better world.

Mr. Chairman, are men less than men because they are physically or mentally impaired?

Are the needs of individuals for food, clothing, and shelter different because they are mentally or physically different?

Do the basic living requirements of handicapped workers employed in sheltered workshops end when their wages end?

What of these people, Mr. Chairman? What are they to do when their work runs out and they become unemployed?

Are they to turn to their relatives for aid and private charity, or are they to apply for admission to the relief rolls and beg for public charity?

Mr. Chairman, why is such recourse considered less degrading and less shameful for handicapped workers than for physically fit workers?

It is our belief that the dignity of the disabled worker, his plight when employment stops should be of just as much concern to the Con-

gress and to the Nation as the dignity and plight of the physically fit worker when he becomes unemployed.

Unable to secure work in the regular economic pursuits of the community, the handicapped person—eager to work and able to work—obtains employment in a sheltered workshop, and he goes to work in a sheltered workshop, not because he cannot be readily absorbed in the competitive labor market by reason of limited work capacity resulting from his impairment, but he goes to work in the sheltered workshop because employers in the competitive business and industry of the community will not hire him, will not even give him the chance to demonstrate the extent to which he can function and function successfully in spite of his impairment.

Mr. Chairman, it is neither just nor equitable to penalize this handicapped individual because of society's failures, because of the prejudices and discriminatory practices of business and industrial employers.

It is neither fair nor just to deny this handicapped worker the protection of unemployment compensation, to exclude him from advantageous legislation intended as a help to laboring men, for this person, too, is a laboring man, even though he is physically or mentally impaired, even though he performs his work in a sheltered workshop.

In conclusion, Mr. Chairman, members of the committee, I would remind you that unemployment compensation legislation represents the recognition of an enlightened social concept and its translation into Federal law.

It is a recognition that men who work have a right to and a need for Government-provided help when wages cease and new work cannot be found.

It is a recognition that men who work have a right to dignity even though they are unemployed.

We ask you to extend this concept of dignity-in-unemployment to handicapped men and women who work in sheltered workshops.

Again, I would remind you, gentlemen, that handicapped persons who work in sheltered workshops are not obliged to work for their living.

Surely no one would judge them harshly, no one would condemn them if they were to accept dependence upon others as their normal way of life.

But these people have refused the easy and the demeaning way, and are striving for self-sufficiency and dependence upon themselves.

These impaired workers could remain upon public welfare for all of their lives and no one would criticize them for it—but, instead, they choose to earn their own living, to support themselves and their families from their efforts.

It is our belief that handicapped workers employed in sheltered workshops deserve the right, for they certainly have earned the right, to be treated as other workers when they are confronted by the catastrophe of unemployment.

We plead with this committee and the Congress to recognize that unemployment is a catastrophe, whether workers are physically fit or physically impaired, whether they work in competitive business and industry or in sheltered workshops.

The fact that unemployment is a catastrophe has nothing to do with a worker's physical condition or the nature of his employment.

The catastrophe is loss of wages and rapidly multiplying unpaid bills.

We ask and urge this committee and the Congress, therefore, to delete clause (B) of section 104 of H.R. 14705, which would deny unemployment compensation to disabled men and women who work in sheltered workshops.

I thank you, Mr. Chairman, for this opportunity to appear.

Senator ANDERSON. Thank you. We all appreciate your testimony and are glad to have you here today.

Senator BENNETT. No questions.

Senator WILLIAMS. No questions.

Senator ANDERSON. Thank you very much for appearing here.

Mr. McDaniel.

STATEMENT OF DURWARD K. McDANIEL, NATIONAL REPRESENTATIVE, AMERICAN COUNCIL OF THE BLIND, WASHINGTON, D.C.

Mr. MCDANIEL. Mr. Chairman, members of the committee, I am Durward K. McDaniel, National Representative of the American Council of the Blind. I appear here today with particular reference to the coverage or lack of coverage of nonprofit organizations.

The American Council endorses the coverage of all nonprofit organizations but this is that it should be on one or more employees rather than four or more.

With respect to the employees of sheltered workshops that Mr. Nagle spoke on, the council believes that the employees of these sheltered workshops should also be covered, that we are talking about approximately 1,500 workshops in the country employing all kinds of handicapped people, including blind, and perhaps 100,000 people.

With respect to the workshops for the blind, there are quite a number of them but there is one class of such workshops which I want to speak on specifically and that is those who are qualified under Federal law, under the Wagner-O'Day Act, to fill purchase orders for the Federal Government. There are now some 81 such shops. In 1968 there were 78. The number is growing all the time.

At this time more than 5,000 line workers are employed in these shops and they fill Government purchase orders according to schedules and prices set by the Government. In 1968 they produced more than $22 million worth of commodities for the Federal Government and overall, for all sales, $50 million.

Gentlemen of the committee, this is production labor. This is the labor market. This is not charity production. And I propose as part of my statement an amendment to the H.R. 14705 which would at least cover these people.

According to the annual report for 1968, these people earned an average hourly wage of $1.57. They received $8,820,000 in wages. And these people are in the labor market. They are competing with other industry for Government business and for commercial business, and they certainly should be covered.

With reference to the arguments of whether or not they are productive, these people are. The other people, in the other workshops, really should be covered, too, because if they become unemployed, they have the choice of doing without or applying for public assistance and with

all of the other advantages that the workshops have, this is a very small increase in cost for this coverage, and some of them have waived their exemption but they should all be required to carry it.

Gentlemen of the committee, I hope that you will consider the amendment which we have proposed and I appreciate the opportunity of speaking to you today.

Senator ANDERSON. Thank you.

Senator GORE. I would like to ask a question. Why do you think they have not heretofore been covered? What is the justification or what is the reason?

Mr. MCDANIEL. Well, the arguments have been made that they are not working in productive industry but I think the facts are otherwise.

Senator GORE. Well, they draw wages for their work, do they not?

Mr. MCDANIEL. Oh, yes. Quite often subminimum wages but still wages, based on the production.

Senator GORE. Well——

Mr. MCDANIEL. The charity angle is a big factor in it but if they are going to be in business, then they ought to really be in business and provide these benefits.

Senator GORE. Well, the meagerness of the wage would seem to argue for consideration for inclusion rather than against, to me.

Mr. MCDANIEL. I think the need is even greater for these people.

Senator GORE. Thank you.

Senator ANDERSON. Thank you very much.

(Mr. McDaniel's full statement follows:)

PREPARED STATEMENT OF DURWARD K. MCDANIEL, NATIONAL REPRESENTATIVE, THE AMERICAN COUNCIL OF THE BLIND

SUMMARY

The American Council of the Blind:

1. Favors unemployment compensation coverage for all employees of non-profit organizations.

2. Favors basing such coverage on one or more employees rather than on four or more.

3. Opposes the exclusion of workers performing services in facilities conducted for the purpose of carrying out a program of rehabilitation for individuals whose earning capacity is impaired by age or physical or mental deficiency or injury, or providing remunerative work for individuals who because of their impaired physical or mental capacity cannot be readily absorbed in the competitive labor market (§ 3309(b)(5)).

4. Favors coverage for all workers performing services for a facility which has been certified to participate in the filling of purchase orders of the Federal government pursuant to 41 U.S.C. §§ 46–48.

STATEMENT

The concern of the American Council of the Blind is for more than 5,000 blind and partially sighted workers in 79 workshops in 35 states. These non-profit workshops are actively engaged in production of commodities for sale to the Federal government and commercial markets. In 1968, these non-profit workshops for the blind produced and sold $49,300,000 worth of goods and services, of which $22,400,000 represented sales of commodities to the Federal government. During 1968, these blind workers earned $8,820,000 in wages at an average hourly wage of $1.57.

These non-profit workshops for the blind have attained productive capacities and their blind employees have attained sufficient productive skills to satisfy government and commercial specifications and delivery schedules for high quality products. They are producing commodities and performing services

which are comparable to and competitive with many branches of profit-making industry.

Apparently, the authors of H.R. 14705 assumed that this class of handicapped workers was engaged in work activities of a therapeutic or training character. Such is the case in many non-profit facilities but those under consideration here are clearly engaged in substantial production and should be included in the unemployment insurance coverage as is regular industry.

H.R. 14705 provides coverage for other employees of such non-profit organizations. To exclude the blind workers in the same organizations is clearly inequitable and discriminatory and not justified by the facts. This kind of inequality is another example of the administrative difficulties pointed out by Secretary Shultz in his statement to this Committee. The obvious consequence of denying coverage to this class of workers will be to continue to deprive them of income during periods of unemployment or to further burden the public assistance rolls.

The American Council of the Blind advocates an amendment which would have the effect of including blind production workers in those non-profit workshops for the blind which have qualified to fill Federal purchase orders. A draft of that amendment is attached to this statement and the Committee on Finance is respectfully urged to include this amendment in H.R. 14705.

PROPOSED AMENDMENTS TO H.R. 14705, TO EXTEND AND IMPROVE THE FEDERAL-STATE UNEMPLOYMENT COMPENSATION PROGRAM

Both of the following are amendments to Title I, Part A, Sec. 104(b)(1):

Amendment 1

On page 6, line 25, and on page 7, line 1, after the word "States," strikeout "for a hospital or institution" and insert "for a hospital, a facility which has been certified to participate in the filling of purchase orders of the Federal government pursuant to 41 U.S.C. 46–48, or an institution".

Amendment 2

On page 8, line 9, insert "(other than a facility which has been certified to participate in the filling of purchase orders of the Federal government pursuant to 41 U.S.C. 46–48)".

Senator ANDERSON. Mr. Rosbrow.

STATEMENT OF JAMES M. ROSBROW, WILMINGTON, DEL.

Mr. ROSBROW. Mr. Chairman, gentlemen of the committee, I am James M. Rosbrow of Wilmington, Del. While I appear today as an interested private citizen, I was for some 30 years, before transferring to another State assignment, secretary and administrative officer of the Delaware Employment Security Commission, during which time I was on several occasions chairman of the Committee on Unemployment Compensation Programs and Operations of the Interstate Conference of Employment Security Agencies, and was on several other occasions chairman of the committee on personnel management of that organization.

Because of the limitation of time, and as there appears to have been general aagreement heretofore on the matter of federally assisted extended benefits and an expanded program of research and training, I would like to devote these few minutes to the subject of extension of coverage and the matter of taxable wage base.

Senator ANDERSON. Your whole staatement will be included in the record.

Mr. ROSBROW. Thank you, Mr. Chairman.

I do hope regardless of content that some substantive legislation will pass the Congress at this time since it is urgent that the policy be affirmed that there is a significant leadership roll which the Federal

Government should fulfill in the Federal-State employment security program and this has been virtually abrogated for many years. I would like to comment just momentarily on the matter of federally assisted extended benefits. I would agree with the earlier testimony by Secretary Shultz that in view of the downturn in our economy that has occurred since the House considered this legislation, that the year 1972 may be a late one in which to begin a federally assisted program of extended benefits.

On the matter of coverage extended, there is no sound reason in our complex economy why the happenstance of a person's place of employment should govern his right and that of his family to economic security in the event of his layoff. This is especially true of size of firm coverage and the proposal of coverage for any employee of an employer with one or more employees in each of 20 different weeks or with a quarterly payroll of $800 such as to pose no administrative problems. Coverage of employees of nonprofit employers in certain State institutions is similarly a matter of simple equity. The proposed legislation would permit the option to handle this area on a pure cost basis rather than by regular tax coverage and would thus minimize its direct impact on such institutions and organizations.

These workers are in the mainstream of the American labor market. To plead for exemption purely because of a possible cost of coverage is to suggest that these essential public services be subsidized by the lowest paid and most vulnerable to economic loss of their employees rather than by the public that uses their services or pays the ultimate cost.

I would also second heartily the statement by Secretary of Labor Shultz that coverage of farmworkers is similarly long overdue. The original administration proposal not presently included in this bill is administratively sound and morally and ethically right. It would alleviate the pressure on relief rolls of many thousands of agricultural workers during the off season and would properly relate the costs of such a system to the crops involved rather than to make subsistence a burden on the State of residence.

It would also be a stabilizing influence in maintaining a basic labor supply for the industry in general.

Agribusiness is now a major industry and should be recognized as such.

Comment was made this morning and yesterday that there is some question as to whether agricultural coverage could pay its own way.

Senator GORE. Mr. Chairman, may I ask a question?

Senator ANDERSON. Surely.

Senator GORE. Do you think farmers wish to be included in this program?

Mr. ROSBROW. No, sir. But given free choice, I doubt whether very many employers would choose to be included based on the historical pattern when the Social Security Act was first adopted. I do believe, sir, that given a modicum of experience there would be a general agreement.

Now, I am speaking to the administration proposal. This involves only large farmers with large numbers of regularly attached employees and not the family farmer, anything of that sort.

Senator GORE. What is the point of departure for coverage and noncoverage?

Mr. ROSBROW. Well, as of now, any agricultural——

Senator GORE. I mean, as proposed.

Mr. ROSBROW. That would involve, I think, attachment for a period of 26 weeks and a large number of employees. I do not have it at my fingertips, the detailed proposal.

Senator BENNETT. It is eight employees.

Mr. ROSBROW. They would come close to, I think, what is usually the definition of agribusiness rather than just the family farm or anything related to the family farm.

Senator GORE. That is fairly comparable, then, to the provision now for inclusion in minimum wage.

Mr. ROSBROW. Yes, sir. I believe it would parallel the provision for inclusion in minimum wage and that was one reason for that particular point.

Senator GORE. Thank you, Mr. Chairman.

Mr. ROSBROW. If I may, sir, on that same subject, I would like to address myself for just a quick moment to the question of whether agriculture would in fact, pay its own way. We do not know. We do know, however, that there are other industries that from time to time, at least, have not quite paid their own way. The garment industry, frequently. The automobile industry in my own State of Delaware, frequently. And yet, this is the basis of a pooled fund and a shared social cost.

My concern, sir, is with the employees and their families. Industry will in the main pass its costs on to the consumer. I do not think that the cost would be disproportionately high.

I respectfully suggest that the committee consider whether or not the best manner in which to establish what these costs would be, would be a limited number of years of experience rather than research which would still be in abstract.

On the matter of increasing taxable wage base, an adequate system of extended benefits can be provided only if it is also adequately and regularly financed. One cannot avoid the historical reference that the original Federal tax provisions and those in most if not all State laws, applied to total wages. In setting the $3,000 tax base in the 1939 amendment to the Social Security Act, the Congress was recognizing what was then a fact of economic life. Such a limitation still taxed about 98 percent of total wages. Today this limit tax is a totally anachronistic one in which less than 50 percent of total wages are taxed and great inequities exist in relative tax burdens between employers, a result never intended in the Federal legislation.

Any reasonable extrapolation of the $3,000 figure set in 1939 based on changes in cost of living or just purchasing power, or the simple fact of industrial wage rates, indicates the valid relationship of the proposed ultimate $6,000 figure to present wage levels. If anything, it is still somewhat low.

The present bill with a minimum rising tax base and an overlay of tax increase is a patchwork approach. The administration proposal as set forth by Secretary Shultz is more fundamental and is far sounder in its long-range implications.

I also point out that the States have for a long time been using far more than $3,000 in earnings as a base for the payment of benefits. However, the tax in most of the States is limited to the first $3,000. I think equity would be served.

In the States where appropriate, experience rating will rapidly adjust tax rates to lower levels to balance off the higher tax base to the extent that additional yields are not needed to maintain a viable benefit structure. This has happened regularly in States.

Federally the increase in tax base is essential not only to finance the proposed extended benefits but also to make adequate administrative funds available to the States on a regular basis.

Mr. Chairman, I cut short my remarks recognizing the demands on the committee. I am deeply appreciative of the opportunity of appearing.

Senator ANDERSON. Thank you very much.

Senator WILLIAMS. Mr. Chairman, I want to welcome Mr. Rosbrow to the committee and his testimony is certainly appreciated and will be considered.

Mr. ROSBROW. Thank you.

(Mr. Rosbrow's prepared statement follows:)

PREPARED STATEMENT OF JAMES M. ROSBROW, WILMINGTON, DEL.

SUMMARY

Generally supportive of H.R. 14705, but with additional recommendations as indicated below:

1. Favor extension of coverage (would also include employees of large farm enterprises);

2. Favor program of federally-assisted extended benefits (to be effective earlier than 1972);

3. Favor increase in taxable wage base (would support administration-proposed eventual $6,000 wage base);

4. Favor expanded programs of research and training for unemployment insurance personnel.

Mr. Chairman, I am James M. Rosbrow of Wilmington, Delaware. While I appear today as an interested private citizen, I was for some 30 years, before transferring to another State assignment, Secretary and Administrative Office of the Delaware Employment Security Commission, during which time I was on several occasions chairman of the Committee on Unemployment Compensation Programs and Operations of the Interstate Conference of Employment Security Agencies, and was on several other occasions chairman of the Committee on Personnel Management of that organization.

Because of the limitation of time, I shall comment only on the items indicated above. However, I hope some substantive legislation, regardless of its breadth, will pass the Congress at this time since it is urgent that the policy be affirmed that there is a significant leadership role which the Federal government should fulfill in the Federal-State employment security program, and this has been virtually abrogated for many years.

Coverage extension

There is no sound reason in our complex economy why the happenstance of a person's place of employment should govern his right and that of his family to economic security in the event of his lay-off. This is especially true of size-of-firm coverage, and the proposal of coverage for any employee of an employer with one or more employees in each of 20 different weeks or with a quarterly payroll of $800 is such as to pose no administrative problems.

Coverage of employees of nonprofit employers and certain State institutions is similarly a matter of simple equity. The proposed legislation would permit the option to handle this area on a pure cost basis rather than by regular tax coverage and thus minimize its direct impact on such institutions and organizations. These workers are in the mainstream of the American labor market. To plead for

exemption purely because of the possible cost of coverage is to suggest that these essential public services be subsidized by the lowest paid and most vulnerable to economic loss of their employees rather than by the public that uses their services or pays the ultimate cost.

I would also second heartily the statement by Secretary of Labor Schultz that coverage of farm workers is similarly long overdue. The original Administration proposal, not presently included in this bill, is administratively sound and morally and ethically right. It would alleviate the pressure on relief rolls of many thousands of agricultural workers during the off season and would properly relate the costs of such assistance to the crops involved rather than to make subsistence a burden on the State of residence. It would also be a stabilizing influence in maintaining a basic labor supply for the industry in general. Agri-business is now a major industry and should be recognized as such.

Extended benefits during periods of high unemployment

Last August, before the Ways and Means Committee, I said: "While we are currently still enjoying the longest single period of prosperity within modern times, it does not take a very long memory to recall that this was not always the case; and as the brakes are effectively applied to what has become runaway inflation, it is well to remember the sharp downturns in our recent history."

Within a period extending back only slightly more than a decade, by the Temporary Unemployment Compensation Act of 1958 and by the Temporary Extended Unemployment Compensation Act of 1961, the Congress found it advisable to provide a means by which State unemployment benefits, when exhausted, might be supplemented by a Federal system.

It was my own experience, and that of most of my colleagues, that while such programs were of great importance, they would have been more valuable and efficacious if they had been available promptly as needed, to bolster a declining economy before the point of national cataclysm."

Ours is a complex and interdependent economy. No one State or group of States or their employers are responsible for major cyclical or structural unemployment. It is appropriate that as major unemployment extends to the point of exhaustion of benefit rights of many thousands of workers, the Government of the United States should step in to meet some of the costs of a national phenomenon. Now, before the need again becomes a national tragedy, is the time to build a sea-wall that will protect against major economic inundation. To wait until 1972 may again find us involved in an enterprise of dubious value in time of crisis.

Increase in taxable wage base

An adequate system of extended benefits can be provided only if it is also adequately and regularly financed. One cannot avoid the historical reference that the original Federal taxing provisions and those in most, if not all, State laws applied to total wages.

In setting the $3,000 tax base in the 1939 amendments to the Social Security Act, the Congress was recognizing what was then a fact of economic life; such a limitation still taxed about 98% of total wages. Today this limitation is a totally anachronistic one in which less than 50% of total wages are taxed and great inequities exist in relative tax burdens employers, a result never intended in the Federal legislation.

Any reasonable extrapolation of the $3,000 figure set in 1939, based on changes in cost of living, purchasing power, and the simple facts of current industrial wage rates indicate the valid relationship of the proposed ultimate $6,000 figure to present wage levels. If anything, it is still low. The present bill with a minimal rise in tax base and an overlay of tax increase is a patch-work approach. The Administration proposal, as set forth by the Secretary Schultz, is more fundamental and is far sounder in its long-range implications.

In the States, where appropriate, experience rating will rapidly adjust tax rates to lower levels to balance off the higher tax base to the extent that additional yields are not needed to maintain a viable benefit structure.

Federally, the increase in tax base is essential not only to finance the proposed extended benefits but also to make adequate administrative funds available to the States on a regular basis.

Training and research

It is almost gratuitous to suggest to this Committee the grave importance of well trained personnel in a program with the administrative complexities and the great public importance to so many people of prompt and accurate service in-

herent in unemployment insurance. And to know where we are going we must certainly know where we are and have been; thus an adequate and continuing program of research will not in the end cost; rather, it will pay its way.

Senator ANDERSON. Mr. David. This is the last witness and then we will adjourn until 10 on Wednesday.

STATEMENT OF ALVIN M. DAVID, ASSISTANT COMMISSIONER, SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. DAVID. Thank you, Mr. Chairman. I am Alvin David, Assistant Commissioner of Social Security in the Department of Health, Education, and Welfare. I appreciate the opportunity to appear here this morning and give you some of our experience in administering the provisions of the Social Security Act covering agricultural labor.

Senator ANDERSON. Do you have any differing points of view——

Mr. DAVID. Pardon?

Senator ANDERSON. Do you have a differing point of view on the legislation?

Mr. DAVID. No, sir. We recommend to the committee the same proposals as were made by the Secretary of Labor with regard to the coverage of agricultural workers under this bill.

As you know, the Secretary has recommended that coverage under unemployment insurance be extended to agricultural workers who work for that 5 percent of agricultural employers who have four employees or more during 20 weeks in the calendar year. He also said that he thought it would be acceptable to have the dividing line at a larger number of employees, eight, employed in a longer period of weeks.

The social security program covers hired farmworkers on a broader basis than is proposed in the bill. We cover those who work for a farmer who has only one employee, and of the employees who are covered under social security, over 40 percent—at least as of a few years ago—something like 43 percent were the only employee of the farmer that they worked for.

Our coverage has never been limited on the basis proposed in the bill, where you cover only the employees who work for farmers who have four or more employees.

I might say here that 82 percent of the employees who are reported for social security purposes, have only one employer, that is, they do not—the great bulk of those covered under social security do not—work for a number of employers. They work for only one; 82 percent work for only one and 12 percent work for only two employers.

Our experience in the 19 years that farmworkers have been covered under social security has been very good. We do not find any significant administrative problems in that coverage.

Mention has been made of difficulties where the employee gives different names. That has not really been a problem in social security. If he does give a different name, we still record the earnings by account number and we do identify practically all of them even though they may be reported with different names. We have got an account number and even though they may even be reported with different account numbers, we can—from the identifying information on one of them—

put them together and put the amounts that are reported together in one record for that individual.

Senator WILLIAMS. Do I understand you to say that those workers who are paid in cash and insist on being paid in cash and use a wrong name, that you can finally ultimately identify them?

Mr. DAVID. It does not really matter if they are paid in cash or any other way. If they are going to be reported they have to be reported by account number and——

Senator WILLIAMS. Well, if they do not give their social security account number——

Mr. DAVID. If they do not give their social security account number, the employer is required to go and get an account number and if he does not do that, then he just does not report them, and we believe from our records that well over 90 percent of those who are covered by the social security provisions are reported. Our figures show a little over 1.9 million reported, and our estimates are that there are a little over 2 million who are actually covered under the provisions of the law.

Our provisions are, as you may remember, that a worker is covered if he earns $150 or more during the year, or if he works for a given employer for 20 days or more and is paid on a time basis.

In addition, under social security a farmworker who is employed by what is known as crew leader is covered as the employee of that crew leader. Of the total of something over 400,000 workers who are covered, probably about 120,000 are employed by the crew leader. The crew leader, under the law, is considered the employer if he furnishes the workers to the farmer and he pays them. We have altogether somewhere along about 2,500 crew leaders, and they have an average of a little over 50 employees per crew leader, and they report about 120,000 of the somewhat over 400,000 total reported.

Senator ANDERSON. Where are they mainly? Cotton fields?

Mr. DAVID. They are pretty much all over. Florida, Texas, California. I think the largest number probably is in California.

Now, despite the gradual and continuous decline in the number of farmworkers in recent years, both migratory and nonmigratory, the number who have been reported under social security has remained quite stable, which means that the percentage who are covered and being reported is going up. The decline in the number of migratory workers—and they are the ones who might be somewhat more of a problem administratively—is quite significant. In 1965, according to Department of Agriculture figures, there were 466,000 migratory farmworkers, and in 1968 only 279,000; and that corresponds to our social security data as well.

Senator BYRD. Mr. Chairman, could I ask a question there? Would you give those figures again on migratory workers?

Mr. DAVID. Yes, sir. The Department of Agriculture figures for 1965 were 466,000 migratory workers, and for 1968, 279,000.

Senator BYRD. Thank you very much.

Mr. DAVID. There are fewer crew leaders now than there were in previous years, so that the number being reported by crew leaders is smaller.

Senator ANDERSON. Are there fewer farm employees?

Mr. DAVID. I beg your pardon?

Senator ANDERSON. Are there fewer——

Mr. DAVID. Oh, yes; there are fewer farm employees.

Senator ANDERSON. Very substantial?

Mr. DAVID. I believe it is quite a substantial decline.

Senator ANDERSON. In the early days we had a haying crew of 40 farmers, 40 people. Now it is three farmers that can do it very well and two farmers can do it adequately.

Mr. DAVID. Yes. I believe 5 years ago there may have been about 3½ million farmworkers, and now it is down to about 3.1 million.

Senator HANSEN. It was 3½ when?

Mr. DAVID. I think about 1965.

Senator BYRD. And it is down to what at this point?

Mr. DAVID. 3.1 million workers. Now, of those, only about 60 percent are covered under social security under the terms that I mentioned—$150 during the year or 20 days. About 60 percent of the 3 million or so are covered.

The places where we have trouble, of course, where we do not have full reporting, are with the occasional, seasonal worker who himself does not understand that even short periods of covered employment may be valuable to him for his social security record, and of course, there are some crew leaders and some farm operators who do not employ very many workers or employ them very seldom and who just do not fill their responsibility for making reports and paying these taxes.

We do have some employers who tell us that the provisions in social security that I mentioned—the cut-off at $150 and 20 days—could as far as they are concerned just as well be dropped. They would prefer it if they did not have to separate out those who are covered from those who are not covered and just report them all, particularly in California. We have had big employers who have said it is more troublesome to us than it is worth to distinguish between those who are covered and those who are not covered, and we would just as soon report them all.

Mr. Chairman, I think I have covered the main points in my statement.

Senator ANDERSON. Thank you a lot. We have a quorum call, anyhow. Are there questions?

Senator WILLIAMS. We understand you are endorsing the recommendations, recommending that the committee extend this to farm workers. It is your belief that they will find no problem in administering it any more than—they can do it just as efficiently as perhaps your agency has been able to administer medicare and medicaid programs.

Senator BENNETT. Do not answer. [Laughter.]

Senator ANDERSON. The Committee is——

Mr. DAVID. Yes.

(Mr. David's prepared statement follows:)

PREPARED STATEMENT OF ALVIN M. DAVID, ASSISTANT COMMISSIONER, SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

I appreciate the opportunity to appear before this Committee. My purpose is to report to you on experience of the Department of Health, Education, and Welfare in administering the social security program which may be helpful in your consideration of proposals to improve the Federal-State unemployment insurance program.

The Secretary of Labor has recommended that the Committee include in H.R. 14705 provisions for extending protection against unemployment to hired workers on large farms. He suggested that coverage could be limited to jobs on the 5 percent of employing farms which have 4 or more workers in 20 weeks, as proposed by the President, or, alternatively, to a smaller segment of hired farm workers under such criteria as the Committee may believe appropriate. In either event the coverage would be limited to employees of agricultural businesses. The Department of Health, Education, and Welfare supports the proposal to extend protection against unemployment to hired farm workers.

Social security coverage of hired farm workers is now broader than the coverage proposed under the unemployment insurance program, for example, social security coverage of hired farm workers, though subject to some restrictions, has never been limited on the basis that the farm employer must have a specified number of employees. The broad social security coverage has proved an effective means of preventing dependency among farm workers and their families in the event of old age, total disability, or death of the worker. Even though we cover a great many small employers, the administrative experience has been very good.

Farm workers were first covered under social security beginning in 1951. The initial coverage was restricted to the worker who clearly was regularly employed by a farm employer. The law included a rather complex definition of regularity of farm employment for this purpose. Changes made by the 1954 social security amendments, subsequently modified by 1956 legislation, greatly simplified the provisions.

Under present law, unchanged since 1956, a farm worker's employment for a particular farm employer is covered by social security if he is paid $150 or more in cash wages by that employer during the year or is employed by him on 20 or more days during a calendar year for cash pay on a time basis—per hour, day, or week. There is a special provision concerning leaders of farm labor crews. In general, a farm crew leader (rather than the farm operator) is considered to be the employer of the crew members for social security purposes if he (1) furnished the crew members to the farmer and (2) pays them, either on his own behalf or on behalf of the farm operator. However, if the farm operator and the crew leader enter into a written agreement that the crew leader is the farm operator's employee, the crew members also are the farmer's employees. A crew member is thus in many cases considered the employee of a single employer (the crew leader) even though he works on a number of farms, and thus he can meet the coverage test more easily than if he were the employee of each farm operator on whose farm he worked.

As to the administrative experience with social security coverage of farm workers, the Social Security Administration and the Internal Revenue Service have been receiving excellent cooperation from most farm employers in keeping adequate records of farm wages and reporting covered wages for social security purposes. A comparison of estimates for recent years of the number of farm workers who meet the coverage test in the law with the number whose earnings are reported for social security purposes for those years shows that the number reported is somewhat over 90 percent of the number estimated. More than 1.9 million workers received social security credits for agricultural labor in each of the latest 5 years for which data are available. The number of farm workers who should have been reported in each of these years is estimated to be slightly over 2 million. Despite a gradual and continuous decline in the number of farm workers who meet the coverage test, the number of workers reported for social security purposes has remained relatively stable; this indicates a slight increase in the proportion of farm workers who are covered and in the proportion of farm workers whose wages are reported for social security credits. Some 415,000–425,000 farm employers report wages for an average of 4.3 farm employees each year; about 2,500 of these employers can be identified as crew leaders, with an average of 53 workers per employer.

Of the nonreported but covered farm workers, a very large proportion appear to be in one of two categories: (1) irregular or seasonal workers who have only short periods of farm employment but whose yearly earnings from a farm employer exceed $150, and (2) farm workers who are employed by crew leaders. (The numbers of migratory workers hired by crew leaders appears to be decreasing rather significantly as is the number of this type of worker hired by farm operators.) Workers who are regularly in the farm labor force almost always have their wages reported by their employers.

The results that we have had are due in large part to two factors: (1) the Social Security Administration has conducted extensive and continuing educational campaigns among employers and workers, and the Internal Revenue Service has made special efforts to identify noncomplying farm employers; and (2) the social security coverage that applies to agricultural workers, in general, has not included workers with short periods of farm work, such as housewives and students (about one-third of all hired farm workers).

At present there are virtually no administrative problems in the social security coverage of persons doing farm work for at least several months during the year. The problems which arise are related to workers who have only a tenuous connection with the labor market. Some short-term, occasional seasonal workers do not understand that even short periods of social security coverage can be valuable. Some crew leaders and some farm operators who only occasionally employ incidental workers, overlook their responsibility for filing wage reports and paying social security taxes; but substantial progress has been made in this area. Some of the employers with regular and seasonal workers say that it would be simpler to report all of their workers than to exclude from the reports those few who do not meet the coverage test.

In view of the results of our experience with social security coverage of hired farm workers, we believe that the Committee need not be concerned about possible administrative difficulties in connection with the proposed extension of unemployment compensation to employees of agricultural businesses.

We hope that the Committee will give favorable consideration to this proposal.

We shall of course be available to answer any questions that the Committee may have concerning our administrative experience with social security coverage of farm workers.

Senator ANDERSON. The committee is adjourned until 10 o'clock, Wednesday.

(Whereupon, at 11:30 a.m., the committee was recessed, to reconvene at 10 a.m., Wednesday, February 25, 1970.)

(By direction of the chairman the following departmental reports and communications are made a part of the printed record:)

[Departmental report]

DEPARTMENT OF COMMERCE,
Washington, D.C., February 12, 1970.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I am pleased to have this opportunity to present the views of the Department of Commerce on H.R. 14705, the "Employment Security Amendments of 1969".

H.R. 14705 provides for an extended benefit program during periods of high and persistent unemployment throughout the Nation or sharp increases in unemployment in a State. This program is automatically triggered on and off by movements of the insured unemployment rate. Costs of the benefits under this program would be shared equally by the Federal Government and by the States. The bill provides that the tax rate be raised by one-tenth of one percent and that in 1972 the taxable wage base will be increased to $4,200 from the present $3,000 figure. Coverage of the law would be extended to 4.5 million additional jobs.

As you know, H.R. 14705 is similar to the Administration proposal (H.R. 12625) to improve the Federal-State unemployment insurance system. H.R. 14705 modifies the Administration's proposal, by providing for extended benefit programs in individual States with half of the cost to be paid by the States. It would be effective no later than January 1972. This provision is acceptable to the Department of Commerce. As Secretary Shultz noted, one alternative would be to provide an interim program of extended benefits fully Federally financed until that date.

H.R. 14705 falls short of the Administration's proposal, particularly with respect to financing and coverage. The Department of Commerce prefers that the additional revenues needed by the unemployment insurance program be collected through increasing the taxable wage base to a level higher than the $4,200 proposed by H.R. 14705. We agree with the Secretary of Labor's suggested approach—that the proposed 1/10 of 1% increase in the Federal unemployment tax

rate be removed in 1972 when the increase in the wage base is made effective. Our position on the financing question is based upon the need to create greater incentives for employment stability through a fully effective experience rating system in the States. A low tax base allows certain high wage industries to avoid some of the unemployment benefit costs which they generate and has the effect of forcing all other employers to make up these losses. The restoration of a more equitable distribution of the cost burden deserves high priority.

We also believe that coverage should be extended to employees on large farms as the Administration originally proposed. Coverage of such employees will be an important long term benefit, rather than a burden, for our agricultural industry, farming areas and the rural population as a whole. We also agree with the Secretary of Labor that the exclusion of certain persons employed in "an instructional research or principal administrative capacity" is undesirable on grounds of equity and administrative practicality as well as on general policy grounds.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of our report to the Congress from the standpoint of the Administration's program.

Sincerely,

ROCCO C. SICILIANO.

(Departmental report)

STATEMENT BY MELVIN L. UPCHURCH, ADMINISTRATOR, ECONOMIC RESEARCH SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman and Members of the Committee, the U.S. Department of Agriculture has been asked to review the changing structure and size of American agricultural operations in connection with a proposed amendment to H.R. 14705, an Act "To extend and improve the Federal-State unemployment compensation program." To respond to your invitation, Secretary Hardin has asked me to give a view of the dynamics of all of commercial agriculture as well as the segment to which the amendment relates. It is my sincere hope that I may be helpful.

Number and size of farms

We have roughly 3.0 million farms in the United States at the present time, about half the number we had 30 years ago.[1] Of this 3.0 million, roughly one-third are commercial farms producing gross sales of $10,000 or more per farm, roughly one-third are commercial farms producing less than $10,000 in gross sales, and roughly one-third are residential farms (part-time and part-retirement farms).

Farms with sales of $10,000 or more are increasing in number and importance. They are up from 320,000 farms in 1939 to slightly more than 1.0 million in 1969. They account for about 80 percent of all farm sales today, relative to about 40 percent in 1939.

Farms with less than $10,000 gross sales have shown quite an opposite trend. Their numbers have declined from nearly 4 million in 1939 to about one million today. The percentage of farm sales from this class has declined from nearly half to about 15 percent of the total.

The number of residential farms, in contrast to both sizes of commercial farms, has remained relatively constant for the past 30 years, declining a little, but not drastically.

The shifts in number and output of big and little farms suggests correctly that farming today is big business—and that those farmers who can operate big businesses well are increasing, even though other, smaller farms are declining in numbers.

The biggest farms (those with over $40,000 in gross sales) tripled in number between 1949 and 1964, but their percentage of gross sales only doubled. The bigger farms (those with gross sales of $20,000 to $39,999) increased in number by 2½ times in the same period, but their percentage of gross sales increased only 80 percent. The merely big farms (those with gross sales of $10,000 to $19,999) increased in number only 40 percent, and their proportion of gross sales just about held its own.

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[1] Our actual preliminary estimate for January 1970 is 2,895,000. Because of the well-known difficulties in communications resulting from excessive statistical details, numbers rounded and approximations conducive to facilitate understanding are used here and throughout this paper.

The trend is for larger farms, and it shows up in all size classes. The average size in each size class of farms has been moving upward. If you array all farms by size and divide the total into quintiles, you find that the upper two-fifths of our farms produce about 80 percent of total output. The proportion has changed little for many years. The lower two-fifths of our farms consistently have produced about 10 percent of total output. The middle quintile has produced the remaining 10 percent with little change over time. Although farms have become fewer and larger, the relative size distribution among farms remains surprisingly constant.

Why have our farms become larger and fewer? Some claim that the cause is greater efficiency of large farms. This is true; but it is far from the whole story. Virtually all of the internal economies of size are exhausted for most types of farms when a farm is big enough to fully use one set of modern equipment. This means a good one- or two-man farm in most regions.

Other explanations must be sought.

Constant improvements in the size and performance of farm machinery and other modern technology makes the individual farmer more productive than farmers of past generations. Today's farmer with 6- or 8-row equipment has the capacity to operate on a larger scale than his father did with 2-row equipment, and than his grandfather did with horse-drawn equipment.

Farmers today, just as you and I, have an appetite for more income. Given the capacity to operate on a larger scale and the urge to increase total net income, the modern farmer seeks to expand. He rents or buys more land. When he does this, he may reduce unit costs of production, but he will strive to expand even at increasing unit costs, if he can increase his total net profit.

So farmers have the capacity in modern technology to increase size of operations. They have the incentive in the normal urge for more income. It goes without saying that the county which once had 1,000 320-acre farms may now have room for only 500 640-acre farms.

There is some evidence that the size of each quintile of farms in the size spectrum is increasing at about the same rate. One would think that if technology were the chief cause of size increases, the largest farms would show distinct advantage. In modern agriculture, however, a wide array of modern technology is available at competitive costs to a wide range of sizes of farms. Farmers who are too small to afford specialized equipment often can hire custom operators at reasonable costs. Fertilizers and pesticides frequently are applied by custom firms or suppliers themselves. This accounts in part for the persistence of part-time farming in this country and for the staying power of small farms, even though small farms themselves are getting bigger.

Nevertheless, the absolute number of small commercial farms is declining rapidly. Neither the availability of technology nor differences in efficiency among farms seems to give an adequate explanation. Little commercial farms with limited resources simply do not offer a sufficiently attractive economic opportunity for people, especially young people. Older farmers now on small farms may very well continue until they retire or pass away. Their sons or grandsons are not likely to maintain the same farm unit. They are more likely to combine "the old home place" with two others to make a farm big enough to be an attractive economic opportunity or they are likely to seek opportunities outside of farming.

The family farm

Despite the trend in number and size of farms and despite steady increases in the capital required for modern farming, most farms are still family farms. Self employment by the farmer and his family remains predominant in American Agriculture.

If you define a family farm as one that employs less than 1½ man-years of hired labor, 95 percent of all farms are family farms. This percentage has changed little for many years.

Nonfamily farms

However, the remaining 5 percent, or about 150,000 non-family farms, account for about 36 percent of all farm sales and 72 percent of the farm wage bill. It is the upper, labor employing, echelon of this group to which the proposed amendment would relate. We estimate that amending the Act to include those farms employing 8 or more workers for a period of 26 or more weeks per year would extend coverage to about 1 percent of all farms (20–25,000) or 2 percent of the farms employing labor, and about 10 percent (250–300,000) of the hired farm working force.

Farm labor

Total labor required in farming has decreased rapidly. Only half as much labor is used now as in 1950. Despite this dramatic shift, the proportion of all labor supplied by farmers and their families remains at a constant three-fourths. Use of family labor and hired labor in farming has declined at virtually the same rate.

The proportion of labor supplied by farm families varies considerably by States and by type of farming. Throughout the Corn Belt, from Pennsylvania to Nebraska, and from Oklahoma to Minnesota, farm families supplied from 85 to 90 percent of all farm labor. In Arizona, California, Florida, and New Jersey, the percentage dropped to 20 to 40.

These numbers suggest several observations. As farms have become bigger and fewer, farmers as a group have not hired more labor. They have bought bigger machinery and have extended their own labor and that of their hired workers over bigger operations. Thus, when measured by the hired labor standards, many of the larger farms have become family farms by substituting bigger machinery for hired labor. The modern family farm with $100,000 or more in capital investment may look quite different from grandfather's family farm, but self employment of the farmer and his family remains a dominant characteristic of most types of farming.

These declines in the proportion of hired labor to family labor used in cotton, grain, and other mechanized farming operations have been set-off by increasing proportions of hired to family labor in non-mechanized fruit and vegetable (as indicated by the Arizona, California, Florida, New Jersey figures above) and tobacco enterprises which have been more resistant to mechanization.

Specialization and diversification

The modern farm is increasingly specialized. You need no statistics to observe this trend. The reasons for this are many and the trend continues. The shift away from horses to tractors relieved farmers of the necessity to grow feed and pasture. Growing use of fertilizers and pesticides relieved them of the necessity to diversify to maintain yields. Better roads and faster and cheaper transportation permitted separation of feed production and livestock feeding. Easier access to stores decreased the need to produce food at home. These, and many other reasons, prompted the trend toward fewer enterprises and more specialized production on farms.

But farmers have been diversifying in another way. Off-farm income has become an increasing factor in the life of farm families. In 1967, the farm population got $13.0 billion net from farming and $10.7 billion from nonfarm sources. On the average, each farm operator family received $4,526 net from farming, and $4,452 from nonfarm sources. Nonfarm income per farm family more than doubled between 1960 and 1967.

Farm families are increasingly indistinguishable from urban families. The farmer more frequently is moonlighting. The farm housewife more frequently is participating in the nonfarm labor force. Better roads and easier access to town, increasing demand for nonfarm labor in many areas, increasing need for income by farmers themselves, all play a role in this trend. Farmers are diversifying, but off the farm, rather than on it. This fact too may help explain growing specialization on farms.

The agricultural industry

We can see and count fairly easily some of the changes in commercial agriculture. Numbers of farms, numbers of tractors, even numbers of people working on farms are tangible quantities that generally can be observed and tabulated. Other changes, and perhaps some of the most important changes, are most subtle, more difficult to define, and more difficult to count and analyze. These are changes in the way in which the agricultural industry is organized, the nature of the firms (including farms) in the industry; the functional relationships among these firms; and the effects of the changing organization and relationships on the economic health of the industry or major segments of it.

It helps perhaps to think of the agricultural industry as the entire spectrum of firms and functions extending from the basic resources and input producers at one end to the retailers of the final product at the other. At many stages in this spectrum entrepreneurs bring resources or inputs together and perform functions that transform these into useful products. The product of one stage becomes an input in the next stage of production until the final consumer is reached.

The organization and functions of the agricultural industry was once not too difficult to understand. The farm and the farmer were identifiable. James Whitcomb Riley defined farms and farmers as well as anyone, and everyone understood what he said. The farmer spread his labor over his land and with nature's rainfall and sunshine, he created a combination of products. He combined his efforts and his enterprises to give him the most satisfactory total output. The products he did not needs at home were sold at the nearest suitable market and he bought necessities that could not be grown or made at home. Thus, the "farm gate" became an identifiable place and a useful concept in agricultural statistics and economics.

We sometimes wonder now where the "farm gate" is and whether we should even look for it. This is only a crude way of saying that the organization of the entire industry has been changing rapidly in recent years. With these changes, the identity of a farm product, or of a farm input, the point at which prices are made, and the relationships among vertical stages of the spectrum of production become more difficult.

Perhaps the most subtle and most important of all changes is the change in the attitude of farmers regarding the purpose of farming. The purpose of modern commercial farming is to make money. This may be too simple and too obvious; but when you reflect on this idea you may better understand the changes that are remaking our agricultural industry and reshaping the lives of farm people.

I can remember when our agricultural leadership advised farmers to be more self-sufficient, to use horses instead of tractors because they required no cash money for fuel and reproduced themselves, to diversify because this improved fertility and avoided the need to buy fertilizers, to combine crop and livestock enterprises because this provided work all winter (I never could understand the virtue of more work), and above all, to stay out of debt. These and a number of companion concepts make up what I call the "former philosophy of farming." Farmers who failed to heed most of this good advice from their leadership most often were the ones who made money and who bought their neighbor's land.

The pursuit of profit is pushing our commercial agriculture into new ways of doing business and new configurations of business organizations and relationships. The biological processes of putting seed in the ground and harvesting the issue, of mating animals and raising the offspring, of nurturing trees and picking the fruit are all functions of farming. But the business organizations that perform these functions and the way in which they relate to other business organizations is a rapidly changing picture.

We do not yet have this picture in clear focus. Our present statistics do not define or measure it very well. We have bits of information on how some firms are vertically integrated with others. We have some observations on how some stages in the spectrum operate. We believe that the entire spectrum is becoming more tightly intertwined, more mobile, and more sensitive to economic forces that may be injected anywhere in the spectrum. We have much work to do in the years ahead before we can get a proper grasp of this dynamic industry.

Corporations in farming

We have gathered some information on the number and nature of farms operated under a corporate form of business. The information collected indicates that about one percent of all commercial farms are corporations which produce about 8 percent of total farm products sold. About 80 percent of these are family corporations.

Thus, our efforts so far tell us that the corporate form of business organization, especially the large conglomerate public corporation, has not made large inroads into farming at the present time. One would expect that, as the capital required for modern farming continues to increase, farmers themselves may increasingly adopt the corporate form of business to facilitate accumulation of capital, to limit liability, to ease intergeneration transfer of assets, and for other purposes.

There is no reason to believe from our skimpy studies so far that the huge public corporation has any unique advantages, or for that matter disadvantage, in farming over other forms of business. Some agri-business corporations engage in farm production and some farm corporations engage in agri-business to facilitate integration in the input-farm-product-market complex. One would expect innovative businessmen in farming and out to exploit these opportunities when they can to their advantage.

STATEMENT OF HON. FRANK THOMPSON, JR., A U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

I very much appreciate the opportunity to submit this statement on H.R. 14705 and to urge this Committee to make some provision on behalf of the farm worker.

My interest and concern results from my work as Chairman of the Special Subcommittee on Labor in the House of Representatives and the studies and hearings of this Subcommittee in connection with many bills introduced over the years to extend the protection of the National Labor Relations Act to farm laborers.

I. INTRODUCTION

There are approximately 1,000,000 full-time paid farmworkers in the United States. Approximately half of these are locally employed; approximately half of these follow the crops in well defined streams flowing northward from Florida along the Atlantic seaboard; from Texas north to the Great Lake states or to the Rocky Mountain area; from southern California north along the Pacific coast states.

Theirs, and ours, is a harvest of shame.

Thy travel long distances in second-hand trucks with wornout brakes and tires, with none of the way side rest comforts Congress provides even for the migrant birds.

They too often live in tar-paper shacks, with thirty or more families sharing a single water spigot and a three-hole privy, with the one draining into the other.

They have an enforced family togetherness, for the lack of child-care centers forces the infant with the summer sun with his father or mother to pick the potatoes, the cucumbers, the artichokes which grace our tables.

Moreover, the farmworker is denied the benefits of most of the social legislation of the past half century.

He is denied the right granted all other workers by the National Labor Relations Act to self-organization and collective bargaining through representatives of his own choosing. Unlike all other workers, he lays his job on the line when he joins a union, and must resort to forceful techniques to bring the employer into a bargaining conference.

Though farmwork is one of the most dangerous of all occupations, the farmworker is denied workman's compensation in all but a few States.

Child labor, outlawed everywhere else, is still common in agriculture.

Minimum wage laws, commonplace since 1936, have just been extended to the farmworker, and this only partially and on reduced scale.

Basic local welfare services are often denied him because of residence requirements which he cannot meet.

And, germane to the work of this Committee, the farmworker—except in Hawaii and Puerto Rico—is denied the alleviating aid of unemployment insurance.

II. UNEMPLOYMENT COMPENSATION IS DESIRABLE AND WOULD SHIFT THE BURDEN WHERE IT BELONGS

The farmworker is often unemployed and without work through no fault of his own. He has been recruited, and is ready, available and eager for work; but a late frost, an unexpected blight, an oversupply of labor created through faulty recruitment tactics, or the introduction of mechanized techniques deprive him of expected income.

The employer now bears no responsibility for his shelter and basic nutritional needs until the crop matures and work is available. Instead, the farm worker must rely on community charity—public welfare—to tide him over.

The purpose of unemployment compensation is to provide an orderly method, through payroll deductions and matching employer payments, of offsetting the effects of unemployment to the individual and the community. The farm worker, and the community, clearly need the benefits of a program directed toward these objectives.

III. UNEMPLOYMENT COMPENSATION IS PRACTICAL

It is sometimes argued that unemployment compensation in agriculture is impossible to administer, because the work is seasonal. But unemployment compensation programs have long been administered in other seasonal industries: construction, apparel manufacturing, and most germane of all, food processing.

It is argued that unemployment compensation in agriculture is impossible because farmers do not keep accounts. Our experience under the Fair Labor Standards Act teaches that this is nonsense. Moreover, I do not think that anyone proposes to extend the Unemployment Compensation program to the three million or so farmers in America.

The House Committee on Education and labor proposed an amendment to the National Labor Relations Act to extend the protection of that Act to all farm workers employed by farmers who employ more than 12 employees and who also have a direct wage cost of more then $10,000. Our data indicated that only 44,000 farms (approximately 1.4 percent of all American farms) had an annual wage expenditure of $10,000; but that this small number of farms employed 60 percent of all farm workers.

The "12 employee" limitation proposed by our House Committee would have excluded the farmers who employ such a small number of employees that the practices and procedures of the Taft-Hartley Act would not be appropriate. It was expected that most of the livestock, dairy, and poultry farms with an annual $10,000 wage expenditure would have been exempted because of the 12-employee limitation.

It was our estimate that the $10,000 limitation, augmented by the 12 employee limitation, would have resulted in extension of the National Labor Relations Act to approximately 30,000 farms—primarily the giant fruit, nut, vegetable and cotton farms. This 30,000 figure is roughly nine-tenths of 1 percent of the 3.2 million farms of America.

I mention the experience in our Committee as an example on possible techniques to extend the benefits of social legislation to those who need it without at the same time creating a bookkeeping havoc on the family farmer.

I might add, that there is an additional limitation under the unemployment compensation acts, i.e. residency. In Hawaii, for example, a farm worker is not eligible for unemployment compensation unless he is a resident of the state and has worked for at least 30 weeks within the state.

With these suggested types of limitations, there is no reason why the citizen who works in the farm factory should not receive the same benefits available to the citizen who works in the city factory.

IV. UNEMPLOYMENT COMPENSATION IS THE RIGHT APPROACH

Unemployment Compensation is not a "handout" to the undeserving. The worker pays for it through his wage deductions. Moreover, the American farm worker is far more deserving than almost any other class within our society. The American farm worker is motivated toward work, wants to work, and will work. In striking contrast to his poor brethren in the cities, many of whom are unemployed and on relief, the American farm worker shows a remarkable capacity and desire to travel far and wide in search of work.

He should not be penalized when work is unavailable by denial of unemployment compensation.

STATEMENT OF HON. JOHN V. TUNNEY, A U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

The unemployment insurance coverage which President Nixon proposed to the Congress on July 8, 1969, would affect more farm employers and farm workers in California than in any other State. Nearly half of the workers who would be covered are employed in California.

Thus I think that it should be of substantial interest to the Committee on Finance that farm employers in California are increasingly in favor of Federal unemployment insurance coverage of farm workers.

There are a number of reasons for the increasing support for unemployment insurance coverage on the part of California farm employers. An important factor is their concern that they may be placed at an interstate competitive cost disadvantage in selling their produce, if California passes a farm coverage law or if they elect to cover their workers.

Thus, in a statement submitted to the House Ways and Means Committee on behalf of approximately 12,000 citrus and avocado producers in Arizona and California, the Executive Vice President of the Agriculture Producers Labor Committee stated that "One argument in favor of extending farm coverage on a national basis is that California's cotton, meat, poultry, cheese, wine, citrus, tomatoes, vegetables and melons must be marketed in competition with the

same products from other states; that national coverage will eliminate an element of unfair competition between the states in the marketing of these products."

Also, many California employers have found that unemployment insurance is a highly worthwhile part of their labor management relations. Hence, some 765 farm employers have voluntarily elected to cover their 18,000 workers. They have found that unemployment insurance stabilizes their labor force and results in reduced costs of recruitment and turnover. In other words, their experience has been similar to that of non-agricultural employers. And, these employers have found that the cost of unemployment insurance coverage for their workers has been moderate. In 1968 the benefit cost rate was only 4.5 percent of taxable wages. They have found that they are better able to compete with non-agricultural employers in attracting workers.

Coverage under unemployment insurance would properly place the cost of fluctuations in farm employment on the unemployment insurance program which was designed for that very purpose. Unfortunately, much of the cost of farm unemployment is now met under the welfare program. I know that this Committee is deeply bothered by the rapidly rising costs of that program.

A change to farm worker coverage under the unemployment insurance program would place covered farm workers in a more equitable position vis-a-vis the great majority of other workers, in that entitlement to income during spells of unemployment would be an earned right under an insurance program, rather than a welfare grant based on need.

I urge that H.R. 14705 be amended to provide for coverage of agricultural workers, at least to the extent recommended by the President.

COMMONWEALTH OF PENNSYLVANIA,
GOVERNOR'S OFFICE.
Harrisburg, February 19, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: I take this opportunity to express Pennsylvania's views on H. R. 14705 now being considered by your Committee.

Before and during the House Ways and Means Committee hearings on the original bill, H.R. 12625, Pennsylvania offered comment and criticism on most sections of that bill. Our primary concern, however, was with the provisions which affected the wage base on which unemployment compensation taxes would be paid.

Pennsylvania's original recommendation was to urge the Congress to hold any increase in the taxable wage base under the Federal Unemployment Tax Act to an amount not in excess of $3,600, and was motivated by our desire to achieve greater uniformity among the states with respect to the UC taxable wage base. The $3,600 amount was recommended because we felt that we could not, in good conscience, recommend a base higher than that which Pennsylvania has established and which is adequately financing the UC Fund.

Under the provisions of H.R. 14705, the rate of the net Federal UC tax would be increased by 0.1 percent—from 0.4 percent to 0.5 percent—for 1970 and years thereafter. The wage base would also be increased—from $3,000 to $4,200—effective in 1972. Provisions in the original bill raising the wage base to $4,800 in 1972 and $6,000 in 1974 were deleted. The House of Representatives obviously believes that $4,200 taxable wage base is adequate to at least 1974, at which time Congress will again look at the situation.

As to the effect the increase to $4,200 would have upon State unemployment compensation taxes, Mr. Mills said, "Most States are now being taxed up to $3,000 and a number of States have a higher taxable wage base. If that develops enough money in a State, the State can change its tax schedule. With a $4,200 wage base standard, it means that the financing provisions of the program will provide more flexibility. The taxpayer can have a much lesser rate at $4,200 than the $3,000 (or $3,600 in the case of Pennsylvania) and still produce the same amount of money."

H.R. 14705, passed by the House of Representatives, reflects the results of the most intensive review of the unemployment compensation program that has

ever been undertaken by the Congress since the program was established in 1935. It is the product of the Committee on Ways and Means, which spent months reviewing the program in public hearings and in executive session. Chairman Mills reported to the House of Representatives that the provisions of H.R. 14705 were carefully put together after considerable compromise and that enactment of its provisions would go a long way toward making the Federal-State unemployment compensation system much more responsive to the needs of present-day American workers. The changes it would make are those which are most urgently needed at the present time.

Although H.R. 14705 does not follow our original recommendations as to the wage base provisions, as well as to several sections of lesser importance, we do believe that Mr. Mills' committee has produced a good bill for this time.

At the State Advisory Council meeting on November 12, 1969, a motion was passed recommending that Pennsylvania go on record as accepting and supporting the wage base and financing provisions of H.R. 14705 as passed by the House of Representatives.

As the situation has developed, and in view of the findings of the Committee on Ways and Means, and the assurances given by Mr. Wilbur Mills that further studies will be undertaken, we believe it advisable for Pennsylvania to be on record as supporting the bill and urging the United States Senate to pass it as now written.

We understand that Secretary of Labor Shultz is urging your Committee to restore the wage base provisions which were stricken from the original bill; that is, to raise the wage base to $4,800 in 1972 and to $6,000 in 1974, with the possibility that the FUTA rate will be retained at 0.4 percent.

We strongly and unequivocably oppose any such restoration of a higher wage base. We could not consistently do otherwise, because we had, as mentioned earlier, supported the $3,600 limit and accepted the $4,200 only as a compromise.

The wage base provisions advocated by Secretary Shultz would require payment of additional FUTA taxes by Pennsylvania employers in an amount between $64 million and $80 million by the end of 1974, depending on the rate. This is in contrast to additional taxes of $30 million under the provisions of H.R. 14705.

In summary, Pennsylvania supports H.R. 14705 as written and seeks your support in opposition to any upward revision in the wage base provisions.

Sincerely,

RAYMOND P. SHAFER.

(The following was filed by Hon. Hiram Fong, a U.S. Senator from the State of Hawaii, on behalf of the Hospital Association of Hawaii:)

HOSPITAL ASSOCIATION OF HAWAII,
Honolulu, Hawaii, February 12, 1970.

Senator HIRAM L. FONG,
U.S. Senate, Washington, D.C.

DEAR SENATOR FONG: Health care costs, particularly hospital costs, are of primary concern to this Association. There is currently a bill before the Senate which will very effectively allow us to make a direct reduction of hospital expenses in Hawaii.

Under existing regulations unemployment insurance "contributions" have been a burden to Hawaii's hospitals. An unnecessary burden, because the claims paid out to hospital employees have averaged 16¢ for every dollar of hospital contribution. Senate Bill H.R. 14705 would allow hospitals to reimburse the State Department of Labor in an amount equal to the claims against a particular institution.

In addition, reserves which have been built up could be used by the hospitals in lieu of reimbursement for claims. Once these reserves were exhausted then the direct reimbursment for claims would be paid by the hospitals. We have enclosed for your information a copy of Representative Matsunga's statement before the House Ways and Means Committee.

We will much appreciate any support you can give us in this very worthwhile legislation. The hearing before the Senate Finance Committee is scheduled for 10:00 a.m. February 17.

Sincerely,

OLLIE BURKETT,
Executive Director.

AMERICAN HOSPITAL ASSOCIATION,
Washington Service Bureau, February 20, 1970.

Senator RUSSELL B. LONG,
Chairman Senate Finance Committee,
U.S. Senate Washington, D.C.

DEAR MR. CHAIRMAN: This statement with regard to H.R. 14705, to extend and improve the Federal-State Unemployment Compensation Program, is submitted on behalf of the American Hospital Association which represents more than 6600 of the Nation's hospitals and other patient care institutions having 90 percent of the total hospital beds in the country.

A great majority of the Nation's nonprofit hospitals have in the past opposed extension of the Federal-State Unemployment Compensation Program to them, based on the fact that operation of these hospitals produced a minimal risk of unemployment for hospital workers. This is due to the shortage of trained hospital personnel. This minimal risk of unemployment, the hospitals felt, did not justify adding millions of dollars to the public's annual hospital bill.

The problem of widespread shortages of hospital personnel has not been solved. We continually receive reports from all parts of the country about the shortage of nurses and other categories of hospital workers, but if the Federal-State Unemployment Compensation Program is to be extended on compulsory basis to hospitals, we feel Section 104 of H.R. 14705 as passed by the House of Representatives constitutes an equitable basis for doing so.

We are pleased the bill does not extend the Federal unemployment tax to nonprofit hospitals and that it requires States to give each such hospital the right to choose whether it will pay the State tax or reimburse the State for unemployment benefits attributable to employment with the hospital. This Association approves these provisions of the bill.

Because the rate of unemployment in the hospital field is low, a number of nonprofit hospitals in the few States which have already extended coverage of their programs to nonprofit organizations have paid far more taxes into their State's unemployment fund than the cost of benefits to their employees. We agree these hospitals should not be required to forfeit their reserves and we support the transitional provisions of Section 104 for nonprofit organizations already participating in the Unemployment Compensation Program to allow utilization of their accumulated reserves after they have elected the reimbursable basis of coverage at the first opportunity.

We know of your Committee's great concern over the rising cost of hospital care and the Medicare and Medicaid programs. Therefore, we feel obliged to point out that enactment of this legislation will without doubt constitute a pressure toward farther increases in the cost of hospital care, just as increasing minimum wage requirements for hospital employees have increased hospital costs. We simply state for the record that the cost of providing unemployment compensation program coverage for hospital employees will have to be added to the cost of patient care, regardless of whether the care is being paid for by the patient, a private hospital insurance program, or under the Medicare or Medicaid programs.

With regard to administration of the program, some hospitals have expressed concern that workers who voluntarily leave their jobs might in some States be found eligible to receive benefits. We understand that a separation because of pregnancy or quitting to get married, to leave the State, to obtain a better job, or for other personal reasons can serve as a basis for payment of benefits in some States. Even under a program of self-insurance as authorized for nonprofit organizations in H.R. 14705, hospitals fear they might find the program unjustifiably expensive if they are called on to provide reimbursement for unemployment benefits paid to employees who leave their jobs for their own personal reasons. We hope your Committee will give special consideration to tightening administration of the program and to elimination of abuses.

We appreciate the opportunity of submitting these comments on H.R. 14705, and request this statement be made a part of the record of your Committee's hearings on the bill.

Sincerely,

KENNETH WILLIAMSON,
Deputy Director.

STATEMENT OF GIBSON KINGREN, KAISER FOUNDATION HEALTH PLAN, INC.

Mr. Chairman and Members of the Committee, my name is Gibson Kingren. I am Government Relations Representative for the Kaiser Foundation Health Plan. My statement is made on behalf of the California Hospital Association which represents 254 nonprofit hospitals employing approximately 100,000 hospital workers and the Kaiser Foundation Health Plan which conducts the largest direct service group practice prepayment health plan in the United States.

The Kaiser Foundation Medical Care Program provides most of the medical and hospital care services for approximately 2,000,000 members through 19 hospital-based centers and 47 outpatient facilities. These facilities are located in the metropolitan areas of San Francisco, Sacramento, Los Angeles and San Diego, California; Portland, Oregon; Cleveland, Ohio; Denver, Colorado; and in the State of Hawaii. Hospital services to health plan members are provided primarily by 19 self-supporting Kaiser Foundation Hospitals. These nonprofit hospitals which serve the general community as well as the prepaid Health Plan membership have nearly 4,000 licensed beds and employ over 7,300 persons with an annual payroll of more than $40,000,000. In addition to providing direct hospital care, including charitable care, Kaiser Foundation Hospitals sponsor research and educational programs in medicine and related fields.

SUPPORT FOR NONPROFIT PROVISIONS OF BILL

We support Section 3309 of H. R. 14705 which brings most employees of tax-exempt organizations under unemployment insurance coverage and directs the states to give nonprofit organizations the option of making payments into the state unemployment insurance fund on a reimbursement basis, to pay for claims actually made, rather than requiring them to establish reserve accounts as is required of profit-making industries.

The two primary reasons for our support are: (1) we think the benefits of unemployment insurance should be available to all employees and (2) we think Section 3309 represents a vast improvement over present law which makes unemployment insurance coverage for nonprofit organizations optional, but requires those organizations which voluntarily elect coverage to make the same contributions and build up the same reserves as other employers.

In earlier years, some nonprofit organizations expressed the fear that providing coverage to their employees would be too costly. The method of payment allowed by Section 3309 would not result in any undue financial burden on nonprofit hospitals or their patients. To demonstrate that this is so, we have compiled information on the Kaiser Foundation Hospitals' experience in California and that of other California hospitals which voluntarily participate in the unemployment insurance system. That information, attached as an exhibit, shows conclusively that hospital employment is stable and that participation in the unemployment insurance system on a reimbursement basis will not result in excessive costs.

In our judgment, the basic considerations which call for unemployment insurance coverage for most of the nation's working force are applicable to most nonprofit organizations. Except for limited and special classes which are exempted under Section 3309, we see no valid basis for distinguishing a nurse, laboratory technician, maintenance man, or similar hospital employee from his counterpart in industry, both from the viewpoint of the individual and the viewpoint of the economy as a whole. The detrimental effects of unemployment are similar and equally deserving of the relief provided by an unemployment insurance system. The reality of our conviction in this regard is demonstrated by the fact that many nonprofit hospitals in California (including the Kaiser Foundation Hospitals) have elected voluntary coverage under the California Unemployment Insurance law.

COVERAGE FOR NONPROFIT EMPLOYEES ACCEPTED BY CONGRESS

The issue of coverage for nonprofit employees was settled in 1966 when both Houses of Congress approved substantially the same provisions which are included in Section 3309 of H.R. 14705. In 1966, H.R. 15119 (89th Congress) did not emerge from the Conference Committee. It failed due to issues totally unrelated to the provisions with which we are concerned here. Thus, the principles expressed in Section 3309 have already been accepted by Congress.

TRANSITIONAL PROVISIONS

Section 3303(f) would provide a transitional period during which those organizations which have been in the system prior to the adoption of this legislation, and which have accumulated reserves, would have an opportunity to utilize these reserves to pay unemployment compensation claims. This is a logical provision for which we argued in 1966. We strongly urge that Section 3303(f) remain in H.R. 14705 in its present form so that those nonprofit organizations which were far-sighted and interested enough in the welfare of their employees to have joined the unemployment insurance system on a voluntary basis, or which were required by far-sighted state laws to provide such coverage, will not be forced to forfeit their reserve balances. It would be inconsistent now to create a national requirement that nonprofit organizations cover their employees, and, at the same time, penalize those organizations which have already provided this necessary protection for their employees.

A CLARIFICATION OF LEGISLATIVE INTENT

The provisions of Section 3309 allow the states a broad discretion in applying the new provisions. There is one point, Mr. Chairman, on which we do not suggest a modification of the bill but raise a question, with the hope that some amplification will be provided at a suitable place in the Committee's report or other legislative history. Section 3303(f) as amended would allow the states to permit the utilization of accumulated reserves by nonprofit organizations. The enabling legislation, enacted in California in 1961, makes provision for such utilization of reserves. However, there is no assurance that in other states and the District of Columbia such an election will be provided. We believe that it is only equitable and just to provide such an election, and we therefore urge that the Committee express its intent that nonprofit organizations are to be treated fairly and given the election provided in Section 3303(f).

SUMMARY

We urge this Committee to approve Section 3309 of H.R. 14705 because it represents a desirable compromise between the objectives of extending unemployment insurance benefits and minimizing the burden on nonprofit organizations which provide important public services. We also urge the Committee to insert in the legislative history its intent that nonprofit organizations should be given an election under Section 3303(f).

Thank you, Mr. Chairman and members of the Committee, for the opportunity to present our views on Section 3309 of H.R. 14705.

INTEROFFICE MEMORANDUM

SEPTEMBER 29, 1969.

To: Gibson Kingren.
From: Leland W. Snider.
Subject: Unemployment insurance experience in several California hospitals.

The comparative unemployment insurance experience of Kaiser Foundation Hospitals and other nonprofit hospitals in the San Francisco Bay Area was reviewed and is summarized on the attached schedule. This data is derived from cumulative entries on each hospital's reserve ledger with the Department of Employment in Sacramento from entry date into the California unemployment insurance program through June 30, 1968.

The aggregate experience of all these hospitals is quite similar. You will observe that for every dollar contributed by these nonprofit hospitals to the program, their own employees have received only about fifteen cents ($0.15) in unemployment insurance benefits. By contrast, credits to the Balancing Account pool, which covers negative reserve balances, extended duration benefits, and nonchargeable items such as favorable rulings, siphon off nearly 40% more than the amount paid as benefits to the employees of these hospitals. As you know, credits to the Balancing Account pool are a fixed charge on base payroll— currently 1.0% in California—irrespective of the favorable experience that nonprofit hospitals appear to demonstrate.

Although the experience rating system attempts to mitigate inequities, it offers little real relief. Annual contributions flowing through to reserve balances are regularly four or five times as much as insurance claims charged. The cumulative impact of this burdensome cost is dramatically exhibited in the last column of the attached schedule; this indicates that reserve balances as of June 30, 1968 are sufficient to meet unemployment claims for many years to come.

COMPARATIVE UNEMPLOYMENT INSURANCE EXPERIENCE OF 7 NONPROFIT HOSPITALS SERVING THE SAN FRANCISCO BAY AREA

Name of hospital	Entry date	Total from entry date through June 30, 1968										Fiscal 1968 insurance charges	Reserve at June 30, 1968 to 1968 charges
		Approximate [1]				Actual [2]							
		Gross cumulative contributions	Percent	Credited to balancing account	Percent	Credited to hospital's account	Percent	Cumulative insurance charges	Percent	Cumulative reserve balance	Percent		
Franklin Hospital Foundation, San Francisco	July 1, 1958	$441,100	100	$83,800	19.0	$357,281.94	81.0	$65,564	14.9	$291,717.94	66.1	$8,979	[3] 32.5
Herrick Memorial Hospital, Berkeley	Apr. 1, 1962	432,300	100	92,700	21.4	339,614.97	78.6	72,234	16.7	267,380.97	61.9	17,555	15.2
Peralta Hospital Association, Oakland		390,600	100	83,500	21.4	307,072.16	78.6	64,478	16.5	242,594.16	62.1	8,286	29.3
Presbyterian Hospital and Medical Center of San Francisco, Inc.	Oct. 1, 1959	621,600	100	132,700	21.4	488,894.48	78.6	54,926	8.8	433,968.48	69.8	6,194	70.1
St. Francis Memorial Hospital, San Francisco	July 1, 1959	696,400	100	132,600	19.1	563,803.61	80.9	133,984	19.2	429,819.61	61.7	13,944	30.8
St. Josephs Hospital, Inc., San Francisco	do	458,800	100	87,400	19.0	371,418.54	81.0	104,165	22.7	267,253.54	58.3	15,187	17.6
Subtotal of other nonprofit hospitals		3,040,800	100	612,700	20.1	2,428,085.70	79.9	495,351	16.3	1,932,734.70	63.6	70,145	[3] 27.6
Kaiser Foundation Hospitals, State of California	do	3,544,600	100	782,700	22.1	2,761,945.52	77.9	507,777	14.3	2,254,168.52	63.6	54,207	41.6
Total, including Kaiser		6,585,400	100	1,395,400	21.2	5,190,031.22	78.8	1,003,128	15.2	4,186,903.22	63.6	124,352	[3] 33.7

[1] Derived by analysis of each hospital's reserve ledger. [2] As entered on each hospital's reserve ledger through June 30, 1968. [3] 1968 charges.

GREATER BOSTON CHAMBER OF COMMERCE,
Boston, Mass., February 12, 1970.

HON. RUSSELL B. LONG,
Chairman, Committee on Finance,
Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: The Greater Boston Chamber of Commerce incorporated under the laws of the Commonwealth represents over 4,000 businessmen and firms doing business in some 78 cities and towns in Massachusetts with a population in excess of 2.5 million people.

Consistent with its responsibility to articulate the views of its businessmen and member firms, the Chamber wishes to be recorded in general support of H.R. 14705, proposals to amend the Federal Unemployment Compensation Statutes.

The Chamber finds the provisions of H.R. 14705 to be entirely relevant and desirable at this point in the history of the federal employment security system and wishes to be recorded as such with your committee.

It views with favor the broadening of coverage to additional classes of workers and believes that it is administratively feasible to do so at this time and that the provisions obtained are eminently fair.

As to eligibility, the Chamber believes that requirements approved by the House would generally improve the operation of the employment security program and would eliminate a possible major abuse area: the "double dip".

Perhaps the most significant provision contained in H.R. 14705 is the program of extended benefits beyond current limits of individual state programs. We have often advocated the adoption of such a program both by the federal government and in Massachusetts. The Massachusetts legislature will soon hold public hearings on Chamber introduced bill to establish a state extended benefits program (H. 2277), tied in with a federal arrangement. A copy of this bill is attached.

Massachusetts workers have come dangerously close to having the period of their benefits exhausted due to severe dislocation of existing industries such as shoe production or during periods of chronic unemployment in specific regions of the Commonwealth which have for one reason or another, failed to keep pace with the general economic strength of the entire state.

We believe that a program of extended benefits is essential and should be enacted as soon as possible!

We are of the strong opinion that the funding of such a program should be a joint state federal government undertaking. Such an arrangement would provide a more equitable basis for benefits within the framework of existing state programs geared to meet individual state needs.

In addition we are totally opposed to the recommendation that such an extended benefits program shall only be triggered-in when the national unemployment rate reaches 4.5 percent. Such a national percentage does not necessarily accurately reflect the state, sub-state, regional economic or unemployment conditions as we have described above.

A reflection of our state's unemployment record reveals rather dramatically that a 4.5 percent unemployment rate is not frequently reached state-wide, however it is often met in sub-state areas or regions and, regrettably, most consistently in ghetto communities and/or economically depressed areas.

We recommend that your committee amend the bill in order that the states be permitted to establish their own state or regional triggering-in points based upon a recognized level of unemployment which makes such an extension of benefits necessary and desirable.

The Chamber fully recognizes that the federal employment security system is in need of additional administrative revenue. An increase in the taxable wage base *or* a modest increase in the effective federal tax rate (now 0.4%) or a combination thereof, appears to be in keeping within the needs of the federal program at the present time.

In summary, the Greater Boston Chamber of Commerce wishes to be recorded in support of H.R. 14705 with the reservations previously noted. We respectfully urge your honorable committee to adopt appropriate amending language consistent with these views for a program of extended benefits, authority allowing the states to establish their own triggering-in points for such benefits, and rejection of a $6,000 wage base increase and the approval at this time of a modest increase in the FUTA tax rate if found to be necessary.

In addition, the Chamber is unalterably opposed to any provision calling for federal minimum benefit standards.

We firmly believe that the adoption by Congress of H.R. 17405 as approved by the House of Representatives is in the public interest.

Thank you very much for affording us the opportunity to set forth our views on this most important legislation.

Sincerely,

(s) Robert J. DeFlaminis
ROBERT J. DEFLAMINIS,
Chairman, Unemployment Compensation Committee.

[House—No. 2277]

THE COMMONWEALTH OF MASSACHUSETTS

AN ACT To establish an extended benefits program under the employment security law

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Chapter 151A of the General Laws as most recently amended by chapter 614 of the acts of 1969 is hereby further amended by inserting after section 30 the following new section :—

Section 30A. Payment of extended benefits shall be made, for any week of unemployment which begins in an individual's eligibility period, to individuals who have exhausted all rights to regular unemployment benefits under this chapter and who have no rights to regular unemployment benefits with respect to such week under the unemployment compensation law of any state or to compensation under any other Federal law and are not receiving compensation with respect to such week under the unemployment compensation law of the Virgin Islands or Canada. For purposes of the preceding sentence, an individual, shall have exhausted his regular rights to unemployment compensation under this chapter when no payments of regular benefits can be made under this chapter because such individual has received all regular benefits available to him based on employment or wages during his base period, or when his rights to such benefits have terminated by reason of the expiration of the benefit year with respect to which such rights existed.

(*a*) Except where inconsistent with the provisions of this section, the terms and conditions with respect to regular benefits, including dependency benefits, and to the payment thereof for a week of total unemployment shall apply to claims for extended benefits and to the payment thereof. For each eligible individual who files an application for extended benefits, an extended benefit account with respect to such individual's benefit year shall be established. The amount established in such account, shall be whichever of the following is the least:

(1) fifty per centum of the total amount of regular benefits (including dependents' allowances) payable to him during such benefit year under such law,

(2) thirteen times his average weekly benefit amount, or

(3) thirty-nine times his average weekly benefit amount, reduced by the regular benefits paid (or deemed paid) to him during such benefit year.

(*b*) An extended benefit period shall begin with the third week after a week for which there is a "on" indicator and shall end with the third week after the first week for which there is an "off" indicator.

(1) There is an "on" indicator for a week if the rate of insured unemployment under this chapter for the period consisting of such week and the immediately preceding twelve weeks—

(A) equaled or exceeded one hundred and twenty per centum of the average of such rates for the corresponding thirteen-week period ending in each of the preceding two calendar years, and

(B) equaled or exceeded four per centum.

(2) There is an "off" indicator for a week if, for the period consisting of such week and the immediately preceding twelve weeks, either the provisions of (A) or (B) of subsection (1) was not satisfied.

(3) For purposes of this subsection, the rate of insured unemployment for any thirteen week period shall be determined by reference to the average monthly covered employment under this chapter for the first four of the most recent six calendar quarters ending before the close of such period.

The term "rate of insured unemployment" means the percentage arrived at by dividing—

(A) the average weekly number of individuals filing claims for weeks of unemployment with respect to the specified period by

(B) the average monthly covered employment for the specified period.

(4) No extended benefit period shall last for a period of less than thirteen consecutive weeks, and no extended benefit period may begin by reason of the provisions of this section before the fourteenth week after the close of a prior extended benefit period.

(c) An individual's eligibility period under this section shall consist of the weeks in his benefit year which begin in an extended benefit period and, if his benefit year ends within such extended benefit period, any weeks thereafter which begin in such extended benefit period.

COMMENTS OF THE INDIANA STATE CHAMBER OF COMMERCE, SUBMITTED BY JOHN V. BARNETT, EXECUTIVE VICE-PRESIDENT

H.R. 14705, the Employment Security Amendments of 1969, passed the House of Representatives in a form substantially modified from the original proposal. While the measure still contains features that are contrary to important principles generally supported by the business community, it does represent an improvement over the bill as first introduced.

The Secretary of Labor, in his testimony before the Senate Finance Committee, asked that the taxable wage base be increased beyond the $4,200 called for in H.R. 14705.

The Indiana State Chamber of Commerce always has advocated ample funds to meet the needs of the system, but there has been no need for a massive increase in the taxable wage base demonstrated to accomplish this in our state. Over the years, the states have enjoyed flexibility in structuring the method of financing their unemployment compensation benefits. Some have modified the wage base, some have restructured the rate schedule, some have done both. The states have done a creditable job of raising the necessary money to keep their programs adequately financed and to make such changes in the benefit schedules that in their judgment were timely and appropriate.

In Indiana, an increase in the taxable wage base mandated by federal legislation would bring additional revenues into the fund at a time when the state administrator is considering proposing a ceiling on the fund because it is growing beyond our needs.

We strongly urge, therefore, that there be no further increase in the taxable wage base.

With respect to the proposal of Senators Ribicoff and McCarthy to impose minimum federal benefit standards upon the weekly benefits paid under the state unemployment compensation systems, the Indiana State Chamber of Commerce wishes to be placed on record as unalterably in opposition.

This proposal raises fundamental questions as to the merits of federal bureaucratic control as contrasted with decentralized administration in the hands of the individual states—and as to how far government can go in making pay for unemployment desirable and available to everyone without creating more of the unemployment against which it seeks to offer protection.

Thus far, the Congress of the United States has decided on a number of occasions over the years that the opportunity for greater progress in developing sound unemployment insurance lay in leaving the primary responsibility with the individual states, with the programs to be administered by the states under the federal-state cooperative setup.

The proper governmental level to administer a program is that one nearest the people which can afford effective and efficient administration. The states have adequately demonstrated their ability to administer their unemployment compensation programs and to adjust their laws to changing conditions.

Every state has repeatedly increased its top weekly benefit without any federal requirement and can be expected to continue to do so. The limit to which each state wishes to extend itself can surely be left to the wisdom of that state's legislative body, which was elected by the people of the state and composed of those who had had ample opportunity to feel the pulse of their constituents.

The Indiana State Chamber of Commerce earnestly believes that a sound case for the imposition of federal benefit standards cannot be made and is neither needed nor desirable. We urge the Senate Finance Committee to reject the principle of federal benefit standards.

LOUISIANA COUNCIL OF BUSINESS & TRADE ASSOCIATIONS,
Baton Rouge, La., February 19, 1970.

Hon. RUSSELL B. LONG and SENATE FINANCE COMMITTEE,
New Senate Office Building,
Washington, D.C.

GENTLEMEN: We respectfully request consideration of the *Position of Louisiana Business* outlined herein, on proposals embodied in H.R. 14705 which would specify mandatory additional federal and state requirements on employment security and more federal and state taxes for such programs.

This position is coordinated, endorsed and submitted by the business and trade organizations of Louisiana named herein with membership aggregating more than 50,000.

I. FINANCING

H.R. 12625 sought to increase the tax base for both federal and state employment security taxes from the present $3,000 annual wages paid by an employer to each of his employees to $4,800 in 1972 and to $6,000 in 1974. This would have resulted in doubling the federal tax in Louisiana from $10 million in 1969 to $15 million in 1972 and to $20 million in 1974. It would have quadrupled the state tax on Louisiana employers from approximately $32 million in 1969 to $64 million in 1972 and to as much as $128 million in 1974.

Fortunately, the House Committee on Ways & Means rejected this proposal. However, in Substitute H.R. 14705 the House on last November 13 by a vote of 337 to 8 adopted a financing arrangement of a net 0.1% rate increase in federal tax effective January 1, 1970 and raised the base from $3,000 to $4,200 effective January 1, 1972 for both Federal and Louisiana purposes.

Press reports state that on February 5, 1970, Secretary of Labor, George P. Shultz, testified before your committee to the effect that he believed H.R. 14705 would improve and strengthen the unemployment insurance program. However, press reports state that he urged your committee to revert to H.R. 12625 with its tremendous cost, that is, a tax base of $4,800 in 1972 and $6,000 in 1975.

The position of Louisiana Business on H.R. 14705 is:

(a) Favorable to a Federal tax rate increase of 0.1% on a tax base of $3,000 effective January 1, 1970 and on a tax base not to exceed $4,200 effective January 1, 1972 and thereafter.

(b) Opposed to a tax base increase for Louisiana Employment Security Tax in any amount. However, a tax base not to exceed $4,200, effective January 1, 1972 would more than amply finance Louisiana's matching funds for the federal extended benefit program.

We respectfully request you to review our position in this respect on the attached copy of objections to H.R. 12625.

II. COVERAGE OF AGRICULTURAL WORKERS

H.R. 14705 in its present form would extend unemployment benefits to workers in agricultural processing activities but not to farm workers.

Press reports are that the Secretary of Labor urged your committee to go much farther and revert to the proposal of H.R. 12625 in this respect. The Louisiana Legislature has time and time again considered this proposal and has always voted it down. In its judgment the Legislature has consistently demonstrated its conviction that this proposal could seriously hurt rather than aid employment stability and Louisiana's economy. It has been demonstrated time and again that most farm labor is highly seasonal.

Impact on the Louisiana Unemployment Trust Fund if farm workers were covered is not known. Estimated cost of annual unemployment benefits is in excess of 10% of payroll for that group although the maximum tax rate in Louisiana is 2.7%. Accordingly, other employers in the State would have to make up the cost, reducing the ratio of reserve and thus affecting those employers' tax rates. Your committee is urged not to go beyond what is presently covered in H.R. 14705.

III. COVERAGE GENERALLY

As you know, H.R. 14705, which you are considering, would cover any business if it paid $800 or more in a calendar quarter or on each of some 20 days during the preceding calendar year, each being in a different calendar week within which at least one individual was employed.

We would much appreciate your referring to the Position of Louisiana Business, attached, with regard to the proposal in H.R. 12625.

Present Louisiana estimate is that this would increase the number of Louisiana employers subject to the law from 20,000 to 45,000. However, covered employees would be increased by less than 50,000, many of whom could never qualify as beneficiaries in case of unemployment. Meanwhile, administrative cost of this unrealistic extension would be very substantial. The Louisiana Legislature has often considered this proposal and consistently rejected it as not being in the interest of employment stability and the State's economy.

Should the Committee insist on changing the standard of coverage Louisiana Business urges this section of H.R. 14705 be changed. While this is not advisable in our judgment, nevertheless, it would extend coverage to employers with one or more employees in 20 weeks or who had a payroll of as much as $1,500 in a calendar quarter.

IV.

Louisiana Business is sympathetic to the need for providing essential living costs of the unemployed who have exhausted their State benefits. Accordingly, we believe the extended benefit proposal in H.R. 14705 is reasonable and should be supported in the realistic manner in which it appears in the bill.

V.

Finally, Louisiana Business urges you and the members of the Committee to oppose any other standards particularly in the field of benefits. Enactment of *any* new standards, other than those now incorporated in H.R. 14705 would place in immediate jeopardy the famed creative Federal-State partnership in the field of employment security attuned to local needs and special circumstances of local economies.

We respectfully request that this Position of Louisiana Business be made available to and considered by each member of the Committee and be made part of the official printed testimony.

Coordinated, endorsed and respectfully submitted by:

American Rice Growers Cooperative Association, Automotive Wholesalers of Louisiana, Baton Rouge Chamber of Commerce, Chamber of Commerce of the New Orleans Area

Construction Industry Association of New Orleans, Consulting Engineers Council of Louisiana, Deep South Farm & Power Equipment Association, Greater Lake Charles Association of Commerce

Louisiana Automobile Dealers Association, Louisiana Building Material Dealers Association, Louisiana Dairy Products Association, Louisiana Farm Bureau

Louisiana Forestry Association, Louisiana Highway & Heavy Construction—Associated, General Contractors of America, Louisiana Laundry & Cleaners Association.

Louisiana Manufacturers Association, Louisiana Oil Marketers Association, Louisiana Restaurant Association, Louisiana Retailers Association

Louisiana State Chamber of Commerce, Louisiana Wholesale Grocers Association, Shreveport Chamber of Commerce

I hereby Certify that this Position of Louisiana Business, as outlined in the foregoing, has been coordinated and endorsed by the business and trade associations named above.

Respectfully yours,

L. L. WALTERS,
Coordinator, Council of Louisiana Business and Trade Associations,
Baton Rouge, La.

Enclosure.

LOUISIANA COUNSEL OF BUSINESS & TRADE ASSOCIATIONS,
Baton Rouge, La., October 4, 1969.

Re H.R. 12625, employment security amendments of 1969.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, Longworth House Office Building, Washington, D.C.

DEAR MR. MILLS: We greatly appreciate the many courtesies extended by you in the past several years to the Council of Louisiana Business & Trade Associations in the hearings before the Committee on Ways and Means on various subjects.

Enclosed are 80 copies of the position taken by the associations listed therein with regard to H.R. 12625—"Employment Security Amendments of 1969." We respectfully submit this to you and the Committee on Ways and Means, requesting your consideration and incorporation in the testimony on this matter.

Again we appreciate the opportunity afforded by you and the committee to present our sincere and coordinated views.

Respectfully yours,

L. L. WALTERS, *Coordinator.*

Enclosures.

LOUISIANA COUNCIL OF BUSINESS & TRADE ASSOCIATIONS,
Baton Rouge, La., October 4, 1969.

Re H.R. 12625, employment security amendments of 1969.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means, Longworth House Office Building, Washington, D.C.

GENTLEMEN: We respectfully request consideration of the *Position of Louisiana Business* outlined herein, on proposals embodied in H.R. 12625, to specify mandatory additional federal and state requirements on employment security and more federal and state taxes for such programs.

This position is coordinated, endorsed and submitted by the business and trade associations of Louisiana named herein with membership aggregating 50,000.

POSITION OF LOUISIANA BUSINESS REGARDING H.R. 12625 TITLED "EMPLOYMENT SECURITY AMENDMENTS OF 1969"

I. TITLE I—PART A—COVERAGE

This Part would force the Louisiana Legislature To:

(A) Reduce its coverage requirement from employers with four employees during 20 weeks to any employer with $300 or more payroll in any calendar quarter.

(B) Impose a federal and a State tax on thousands of Louisiana enterprises where most of their employees could never receive benefits in case of unemployment.

Present Louisiana estimate is that this would increase the number of Louisiana employers subject to the law from 29,000 to 45,000. However, covered employees would be increased by less than 50,000, most of whom could never qualify as beneficiaries in case of unemployment. Meanwhile, administrative cost of this unrealistic extension would be very substantial.

The Louisiana Legislature has studied and very seriously considered every year for many, many years the advisability of extending coverage to certain workers. In its judgment the Legislature has consistently demonstrated its conviction that this proposal could seriously hurt rather than aid employment stability and the State's economy. Enactment of this measure, therefore, would question the capacity of the State legislatures to govern and to determine what is best for stable employment and the welfare and economy of Louisiana despite their most intimate knowledge of its condition and its people.

Regardless, should the Committee insist on changing the standard of coverage, *Louisiana Business* urges that the measure adopted by the House in 1966 and embodied in H.R. 15119 of that year, be recommended. While this is not advisable in our judgment, nevertheless, it would extend coverage to employers with one or more employees in 20 weeks or who had a payroll of as much as $1,500 in a calendar quarter.

Even this would weaken the foremost example of a creative Federal-State partnership and falsify the statement that such a system is attuned to local needs and special circumstances of local economies.

II. TITLE I—PART B—REQUIRING STATES TO LEGISLATE SEVEN ADDITIONAL PROVISIONS

Louisiana Business, in principle, is thoroughly convinced that the Louisiana Legislature is fully capable and best able to determine the soundness of its employment security program for labor, for business, and for the State's well-being and it has amply fulfilled that responsibility.

We feel confident that each and every member of the Committee on Ways and Means fully realizes how distasteful it will be to the Louisiana Legislature and

to the legislatures of many other States to be forced by federal law to change their sound employment security programs to conform to the wishes of individuals and groups who bear no part of the cost of the benefits or administration.

The President has pointed out and the Committee on Ways and Means has heretofore respected the principle that in the field of eligibility for benefits and disqualifications the matter should be left to the States. Yet, H.R. 12625 would impose new mandates and violate that principle.

Some of these proposals have long since been incorporated in Louisiana Law. Others are attractive to many people and to some groups. Some of the latter have been presented to the Louisiana Legislature time and time again and have been as often voted down. Certainly the Committee on Ways and Means is fully aware of these matters and of the thousands of manhours spent by knowledgeable people year by year in their studies at the local levels. Objections have been presented to the Committee many times by one section of the Nation or another to each of the proposed new federal standards as being unrealistic or detrimental to the economy of various areas.

Enactment of *any* of the proposed new federal standards would place in immediate jeopardy the famed creative Federal-State partnership in the field of employment security attuned to local needs and special circumstances of local economies. Enactment of *any* of the proposed new standards would compel most State Legislatures to change their laws in this field.

Louisiana Business respectfully requests the Committee to omit in its entirety Part B of Title I of H.R. 12625 from any bill which it might report to the House of Representatives.

PART C OF TITLE I OF H.R. 12625—JUDICIAL REVIEW

This proposes to nullify present law which now protects some degree of independence by the States in conformity questions following the principle of a Federal-State system.

Louisiana Business concurs that in the review of decisions of the Secretary of Labor in State conformity cases, the Court to which appeal is taken should not be bound by findings of fact of such Administrative official even if supported by substantial evidence submitted by him. On the contrary, the Court should have the power to review the entire record and determine for itself the weight of the evidence.

In 1966 your Committee went thoroughly into this matter of judicial review. Included in H.R. 15119 of that year was a provision that a Court review in such cases would be upon the basis of the record, with the Secretary of Labor's findings being conclusive, only if such findings were not contrary to the weight of the evidence.

Louisiana Business respectfully requests that should the Committee deem an amendment necessary to the present system of judicial review, that the provision followed in H.R. 15119 in 1966 be placed in a bill which might be recommended to the House of Representatives.

IV. TITLE II OF H.R. 12625 RELATING TO EXTENDED UNEMPLOYMENT BENEFITS DURING PERIODS OF EXCEPTIONALLY HIGH UNEMPLOYMENT

Louisiana Business is sympathetic to the need for providing essential living costs of the unemployed who have exhausted their State benefits. But, when a condition of national unemployment may make that necessary, it is unfair to impose the cost on employers who had nothing to do with creating the national problem. Responsibility for relieving that national problem belongs to all taxpayers. We believe the federal government should finance from general revenues temporary extensions of benefits and not unfairly impose that cost on those who pay wages and who had in no way been responsible for that national problem.

H.R. 12625 provides for extended benefits of 13 weeks when unemployment reaches 4.5% nationwide without regard to the economic and employment conditions existing in individual States. Moreover, it would force such States to pay extended benefits by application of a federal formula, unaudited, unchecked and unrealistic, even if there were little or no necessity in those States.

As pointed out above, we believe that the federal government should finance temporary extensions of benefits from general revenues. However, should the

Committee on Ways and Means deem this not feasible, *Louisiana Business* submits that the provisions of H.R. 15119 would be preferable and less unrealistic than those proposed in the Bill under consideration.

V. TITLE III—FINANCING—TAXABLE WAGE BASE

H.R. 12625 would increase the tax base from the present first $3,000 annual wages paid by an employer to each of his employees to $4,800 in 1972 and 1973 and thereafter to $6,000.

This bill would:

(A) *Double* the annual federal unemployment tax on Louisiana employers; that is, from approximately $10 million in 1969 to $15 million in 1972 to $20 million in 1974.

(B) *Quadruple* the Louisiana Unemployment State tax on Louisiana employers; that is, from approximately $32 million in 1969 to $64 million in 1972 and to as much as $128 million in 1974.

There appears to be no justification to double the Federal Unemployment Tax on Louisiana employers to meet the needs of Louisiana's unemployment.

There is no justification whatsoever for the Federal Government to tamper with Lousiana's statute which is a model in financing and solvency protection of its own Unemployment Trust Fund.

Louisiana Unemployment Trust Fund now stands at $166 million, sufficient to pay the highest annual recorded pay-out for four consecutive years even if there were not one penny of tax income received during those four years. Incidentally, when your Committee was considering adequacy of funds of all States in 1965, the reserve of all States totaled $7.14 billion. Today, that total is in excess of $12 billion.

There is no evidence whatsoever that Louisiana's present tax base is in any way a deterrent to increasing benefits. Financing the benefit is totally unrelated to tax base. It could be done on a $1,000 tax base with a higher tax rate except that *since 1963 the federal government made a minimum of $3,000 taxable.* There is no sound financial reason to change this base by federal mandate. Each State can and has determined for itself what type of financing it deems proper and necessary to support its own unemployment benefit costs.

With regard to the *proposed federal unemployment tax increase*, Louisiana employers are now paying approximately $10 million annually for administration of multiple programs tacked on and to be tacked on to Employment Security—some of which programs *Louisiana Business* does not approve. Moreover, administrative financing at the federal level should be separate and apart from the States' merit rated taxes for the payment of benefits. As stated in the foregoing, H.R. 12625 proposes to double the federal tax on Louisiana employers.

Louisiana Business urges the Committee on Ways and Means to determine a method of financing at the federal level for that amount which is *proven necessary* for solely administrative costs.

We respectfully request that this *Position of Louisiana Business* be made available to and considered by each member of the Committee and be made a part of the official printed testimony.

Coordinated, endorsed, and respectfully submitted by:

American Rice Growers Cooperation Association
Automotive Wholesalers of Louisiana
Baton Rouge Chamber of Commerce
Construction Industry Association of New Orleans
Construction Industry Legislative Council
Consulting Engineers Council of Louisiana
Deep South Farm & Power Equipment Association
Greater Lake Charles Association of Commerce
Louisiana Building Material Dealers Association
Louisiana Dairy Products Association
Louisiana Farm Bureau
Louisiana Forestry Association
Louisiana Highway & Heavy Construction Branch Associated General Contractors of America
Louisiana Laundry & Cleaners Association
Louisiana Manufacturers Association
Louisiana Oil Marketers Association

Louisiana Restaurant Association
Louisiana Retailers Association
Louisiana State Chamber of Commerce
Louisiana Wholesale Grocers Association
Shreveport Chamber of Commerce
Soil Conservation Society of America, Louisiana Chapter

I hereby certify that this position of Louisiana business, as outlined in the foregoing, has been coordinated and endorsed by the business and trade associations named above.

Respectfully yours,

L. L. WALTERS, *Coordinator.*

OHIO BUREAU OF EMPLOYMENT SERVICES,
Columbus, Ohio, February 3, 1970.

CHIEF COUNSEL, COMMITTEE ON FINANCE,
New Senate Office Building,
Washington, D.C.

DEAR SIR: I am informed that Chairman Russell B. Long of the Senate Finance Committee has invited written comments on H.R. 14705, proposed legislation on unemployment compensation.

Prior to receipt of this information I had written to The Honorable William B. Saxbe, Senator from Ohio, expressing my opinion on this proposed legislation. In order that your committee will be informed, and in order that the comments to your committee will be in complete accord with the position already taken with Senator Saxbe, I am attaching a copy of my communication to the Senator, in five copies, as instructed by Senator Long.

I will appreciate your making these comments available for consideration by the committee.

Sincerely yours,

WILLARD P. DUDLEY, *Administrator.*

JANUARY 16, 1970.

Hon. WILLIAM B. SAXBE,
U.S. Senator, New Senate Office Building,
Washington, D.C.

DEAR SENATOR: In the very near future the Senate should be considering HR 14705, which was introduced in the House by Congressmen Mills and Byrnes, to extend and improve the federal-state unemployment compensation program. Generally we have little quarrel with the bill in the State of Ohio, for many of the so-called safeguards and improvements incorporated in this legislation have already been taken care of by the Ohio legislature under the Ohio law.

Admittedly the coverage is broadened somewhat, particularly that phase that changes the coverage in Ohio from employers of three or more workers at any time to employers having at least one individual in employment on each of twenty days during the preceding calendar year, or who paid wages of $800 or more during such preceding year. This will perhaps mean we will have to collect taxes from forty to fifty thousand more employers each year to grant protection to an estimated 60,000 to 75,000 workers. At the same time, from the standpoint of pure equity, the workers employed by these smaller employers are perhaps as entitled to protection as the workers of larger organizations.

There is one part of the new law, however, that is particularly inequitable to the employers of the State of Ohio, and if you can prevail upon the Finance Committee, which will be having hearings on the law, to consider this, it is certainly justified. Actually, I would recommend that an effort be made to amend the law on the floor of the Senate in this regard if it is found to be necessary. I have reference to the provisions under the law providing for federal extended benefits.

The publicity surrounding this new enactment always refers to the fact that in most states the maximum regular duration of unemployment compensation is some twenty-six weeks and an extension of 50 percent under the federal program would extend benefits to the workers to a total of thirty-nine weeks. This totally ignores the facts that prevail in thousands of cases throughout the United States. While there is reasonable uniformity in the maximum duration throughout the states of twenty-six weeks, or in some cases more, there is little or no uniformity among the states as to the minimum duration that may be allowed. The extent of the variation in state laws in this regard is well reflected in the attached chart which was taken from the hearings before the Committee on Ways and Means of the House of Representatives on H.R. 12625, the original law from which H.R. 14705 evolved. Your attention is directed to the fact that in our neighboring states of Illinois and Indiana the minimum duration can be as low as 10–12 weeks, Michigan 10 weeks, with the least of all being Texas where the minimum duration is nine weeks. It is my firm conviction that until there are reasonable standards of the minimum duration throughout the states, any form of federal extension only compounds a grossly inequitable situation. Despite all efforts to play down the minimum factor, it is very important.

In Ohio our minimum duration is 20 weeks, and to qualify for this 20 week minimum a worker in Ohio only has to work 20 weeks in the base period to be eligible. By working a total of 32 weeks he can become eligible for a maximum of 26 weeks. The 50 percent federal extender would result in eligibility for no less than 30 or more than 39 weeks.

Unemployment compensation is supposedly an insurance program designed to accomplish two worthy purposes, first being to protect the worker from undue hardship from economic conditions beyond his control. The second avowed purpose is the stabilization of the economy. I submit to you that in a state paying a minimum duration of 10–12 weeks, after which this minimum period can be extended 50 percent under the federal extended benefit provisions, giving the worker a total of 15–18 weeks of unemployment compensation, neither of these purposes is accomplished to any degree.

The inequity in the situation comes about in this manner. In the State of Ohio we must first tax the Ohio employers by establishing whatever rate is necessary to provide the funds necessary to pay a benefit for no less than a twenty week minimum duration. At the same time the Ohio employers will be taxed along with those of other states to provide for the federal extended benefits. The ultimate result of this is that Ohio employers will pay the full bill for 20 to 26 weeks' duration provided under the Ohio law, and then pay a share of the cost of the benefits being paid under the extended to unemployed workers in our neighboring states, even though in these neighboring states the combined duration of the regular state minimum, plus the federal extender, will not provide as much as the 20 week minimum being paid by the State of Ohio. In other words, Ohio employers will be taxed twice to subsidize a grossly inadequate program in our neighboring states.

I know full well, as the Ohio administrator, I will be criticized by my fellow administrators in other states for advocating what they refer to as a federal standard. At the same time, until the states correct the inequities of their current laws and establish more realistic minimums, I feel I have no recourse but to protect the inadequacy that will prevail if federal extended benefits are provided in those states without a requirement that they do provide, under their own state laws, a more realistic minimum duration.

Also, I believe the Congress has an obligation to see that the purposes of such legislation are practically applied. The very terminology, federal-extended benefits, is a pretty "phony" term if the entire duration of state and federal payments can be exhausted by a lay-off of 14 to 18 weeks' duration.

Your comments will be appreciated.

Sincerely,

WILLARD P. DUDLEY, *Administrator.*

MINIMUM AND MAXIMUM POTENTIAL DURATIONS UNDER REGULAR STATE UNEMPLOYMENT INSURANCE PROGRAMS AND FEDERAL EXTENDED BENEFIT PROGRAM OF H.R. 12625 DURING TRIGGER PERIODS

State	Weeks of total unemployment regular duration		Weeks of total unemployment Federal extended benefit program		Weeks of total unemployment combined regular and extended	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Alabama	13	26	6.5	13	19.5	39
Alaska	14	[2] 28	7	13	21	39
Arizona	12+	26	6+	13	18+	39
Arkansas	10	26	5	13	15	39
California [1]	12-14+	26	6-7+	13	18-21+	39
Colorado	10	26	5	13	15	39
Connecticut [1]	22+	26	11+	13	33+	39
Delaware	14+	26	7+	13	21+	39
Dist. of Columbia	17+	[2] 34	8+	13	25+	39
Florida	10	26	5	13	15	39
Georgia	9	26	4.5	13	13.5	39
Hawaii [1]	26	26	13	13	39	39
Idaho [1]	10	26	5	13	15	39
Illinois [1]	10-26	26	5-13	13	15-39	39
Indiana	12+	26	6+	13	18+	39
Iowa	11+	26	5+	13	16+	39
Kansas	10	26	5	13	15—	39
Kentucky	15	26	7.5	13	22.5	39
Louisiana	12	[2] 28	6	13	18	39
Maine	[2] 12½-30	26	6¼-13	13	18¾-39	39
Maryland	26	26	13	13	39	39
Massachusetts	[2] 9+-27	[2] 30	4.5+-13	13	13.5+	39
Michigan	10+	26	5+	13	15+	39
Minnesota	12	26	6	13	18	39
Mississippi	12	26	6	13	18	39
Missouri	10+-26	26	5+-13	13	15+-39	39
Montana	13	26	6.5	13	19.5	39
Nebraska	11	26	5.5	13	16.5	39
Nevada	11	26	5.5	13	16.5	39
New Hampshire	26	26	13	13	39	39
New Jersey	12+	26	6+	13	18+	39
New Mexico	18	[2] 30	9	13	27	39
New York	26	26	13	13	39	39
North Carolina [1]	26	26	13	13	39	39
North Dakota	18	26	9	13	27	39
Ohio	20	26	10	13	30	39
Oklahoma	16+	[2] 39	8+	13	24+	39
Oregon	11+	26	5.5+	13	16.5+	39
Pennsylvania [1]	18	[2] 30	9	13	27	39
Puerto Rico	12	12	6	6	18	18
Rhode Island	12	26	6	13	18	39
South Carolina	10	26	5	13	15	39
South Dakota	16	26	8	13	24	39
Tennessee	12	26	6	13	18	39
Texas	9	26	4.5	13	13.5	39
Utah	10-22	[2] 36	5-11	13	15-33	39
Vermont [1]	26	26	13	13	39	39
Virginia	12	26	6	13	18	39
Washington	15+	[2] 30	7.5+	13	22.5+	39
West Virginia	26	26	13	13	39	39
Wisconsin	14+	[2] 34	7+	13	21+	39
Wyoming	11-24	26	5.5-12	13	16.5-36	39

[1] States providing State trigger-type extended benefits. All State trigger-type programs have provisions which would render programs inoperative or suspend payments during periods when Federal trigger-type benefits are available.
[2] Weeks of regular State duration in these States which are in excess of 26 weeks of total enumployment and which are paid during national trigger periods would be reimbursed to States under provisions of H.R. 12625.

TEXAS EMPLOYMENT COMMISSION,
Austin, Tex., February 16, 1970.

HON. RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate, New Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: In response to your notice that public hearings on H.R. 14705, the proposed amendments to the Federal unemployment compensation law, will begin on February 17, 1970, the Texas Employment Commission desires to submit the following written statement for consideration for inclusion in the record of the hearings in lieu of a personal appearance.

SUMMARY OF STATEMENT

The Texas Employment Commission strongly endorses H.R. 14705, the proposed amendments to the Federal unemployment compensation statutes. The Texas Employment Commission feels that H.R. 14705 greatly improves the Federal unemployment insurance statutes, would update the program, and is substantially superior to the provisions in the Administration's bill, H.R. 12625. We strongly urge that H.R. 14705 be passed by the Committee without substantial change.

THREE PRINCIPAL PROVISIONS OF H.R. 14705

The Texas Employment Commission particularly endorses the three principal features of H.R. 14705 as passed by the House. These provisions are:

(1) The extension of unemployment insurance coverage to an additional four and one-half million jobs, and

(2) The establishment of a new permanent extended compensation program with costs financed equally by the Federal Government and the states, such program to be operative during recession periods, and

(3) The increase in the Federal tax rate from 3.1% to 3.2% on employer payrolls covered under the law beginning January 1, 1970, and an increase in the taxable wage base from $3,000 to $4,200 beginning January 1, 1972.

The Texas Employment Commission supports the extension of unemployment insurance coverage to the additional four and one-half million workers because it feels that these workers are entitled to such protection under the law just as much as those workers presently included. We feel that H.R. 14705 is superior to the Administration proposal with respect to coverage in that the coverage of farm workers included in the Administration's bill was deleted by the House. Currently there is insufficient information available to show the cost of covering farm workers under the unemployment compensation law and we feel a great deal of study is necessary before these workers can be covered under the regular unemployment insurance program.

The Texas Employment Commission likewise supports the establishment of a permanent extended benefits program which would provide additional unemployment benefits to workers who become unemployed during recession periods and are unable to find suitable work for extended periods. The provisions in the Federal-State extended program in H.R. 14705 are substantially better than those included in the Administration's bill, H.R. 12625. There are two basic differences, the first being the joint financing of the extended benefit program by the Federal Government and the states, and the second being the inclusion of a state and Federal trigger in H.R. 14705, whereas H.R. 12625 had only a national trigger.

The financing provisions contained in H.R. 14705 are sufficient to provide the funds to meet the added administrative costs as well as to provide sufficient benefits trust funds in the states to pay for the extended benefits program. The Texas Employment Commission is convinced that an increase in the tax rate and an increase in the taxable wage base is far more equitable than the provision in the Administration's bill which would increase only the taxable wage base. The establishment of the permanent extended benefits program for recession periods requires that each employer covered by the act pay his proportionate share of the cost of such program. If only the taxable wage base is increased the low wage employer would pay no part of the cost of the extended benefits program. The Texas Employment Commission feels that the financing provisions in H.R. 14705 are much more equitable than the provisions in the Administration's bill.

The Commission sincerely appreciates the privilege of submitting this statement with respect to the proposed changes in the Federal unemployment compensation statutes. We ask that this statement be included in the record of the hearings on this legislation.

Very truly yours,

Mrs. NANCY SAYERS, *Chairman.*
J. E. (ED) LYLES, *Commissioner.*
W. S. BIRDWELL, Jr., *Commissioner.*

STATE OF WASHINGTON,
EMPLOYMENT SECURITY DEPARTMENT,
Olympia, Wash., February 24, 1970.

Chief Counsel, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.

DEAR MR. VAIL: In response to your invitation to comment on the provisions of H.R. 14705, attached is an analysis of the trigger points of the extended benefit provisions as they would apply to the state of Washington.

In this, and possibly other states, very distinct patterns of seasonal employment result in regularly recurring high rates of insured unemployment. This coupled with rising but not recessionary increases in nonseasonal rates of insured unemployment could serve to trigger in extended benefits in this State during non-recessionary periods.

The attached analysis points up the problem and suggests that the state trigger under H.R. 14705 might well be patterned after the trigger point recently adopted in an extended benefit plan for this State; i.e., a five percent rate of insured unemployment for the most recent 52-week period.

Committee consideration of this proposal will be appreciated.

Sincerely yours,

(MRS.) MAXINE E. DALY,
Commissioner.

ANALYSIS OF STATE TRIGGER POINT UNDER EXTENDED BENEFIT PLAN

The extended benefit provisions of H.R. 14705 involve indicators which trigger in the payment of such benefits on either a nationwide or a statewide basis. One of the two statewide indicators is the same as one of the trigger points in Washington's new extended benefit provisions. The other statewide indicator is inefficient so far as the state of Washington is concerned. After a prolonged period of low unemployment, such as Washington has just experienced, extended benefits could trigger in even though the level of unemployment was relatively low and recession conditions did not exist.

The trigger point common to Washington's new provision and H.R. 14705 is that the insured unemployment rate for the most recent 13-week period must be at least 20 percent higher than the average of the rates for comparable periods in the two preceding years. In this way, the current rate is measured against an "expected" rate for the period.

The second indicator in H.R. 14705 is that the rate for the most recent 13-week period must be at least 4.0 percent. According to the analysis of H.R. 14705, this would prevent extended benefits from triggering in after a two-year period of low unemployment unless recession conditions actually existed.

A trigger of 4 percent for a 13-week period would not prevent this from happening in the state of Washington. From October 1959 through May 1965—a period of nearly 300 weeks—the 13-week insured unemployment rate was 4 percent or more in all but 3 weeks. This indicator is inefficient in measuring recession-level unemployment in Washington State.

The second trigger point in Washington's new extended benefit provision is that the insured unemployment rate for the most recent *52-week period* must be at least *5 percent.*

Luckily, the extended benefit portion of H.R. 14705 would not be effective until January 1, 1972. Washington has just experienced four years of extremely low unemployment. The 120 percent trigger point by itself would undoubtedly trigger in extended benefits unnecessarily. At this point in time, the second indicator in H.R. 14705 would not prevent this from happening. Until 1972, however, the second trigger point in Washington's new provision would be the determining factor in the payment of extended benefits.

Attachment A compares the 13-week average insured unemployment rates for the current benefit year with the trigger points in H.R. 14705. Extended benefits would have been triggered in by the rate for the 13 weeks ending November 29, 1969.

Attachment B compares the 13-week average insured unemployment rates for the current benefit year and the applicable 120 percent level with the 13-week averages for benefit year 1963. This was a typical series of averages for the state of Washington—no period of low unemployment and no recession. Current 13-week averages are well below the 1963 level.

Attachment C diagrams the trigger points established in Washington's new extended benefit provision.

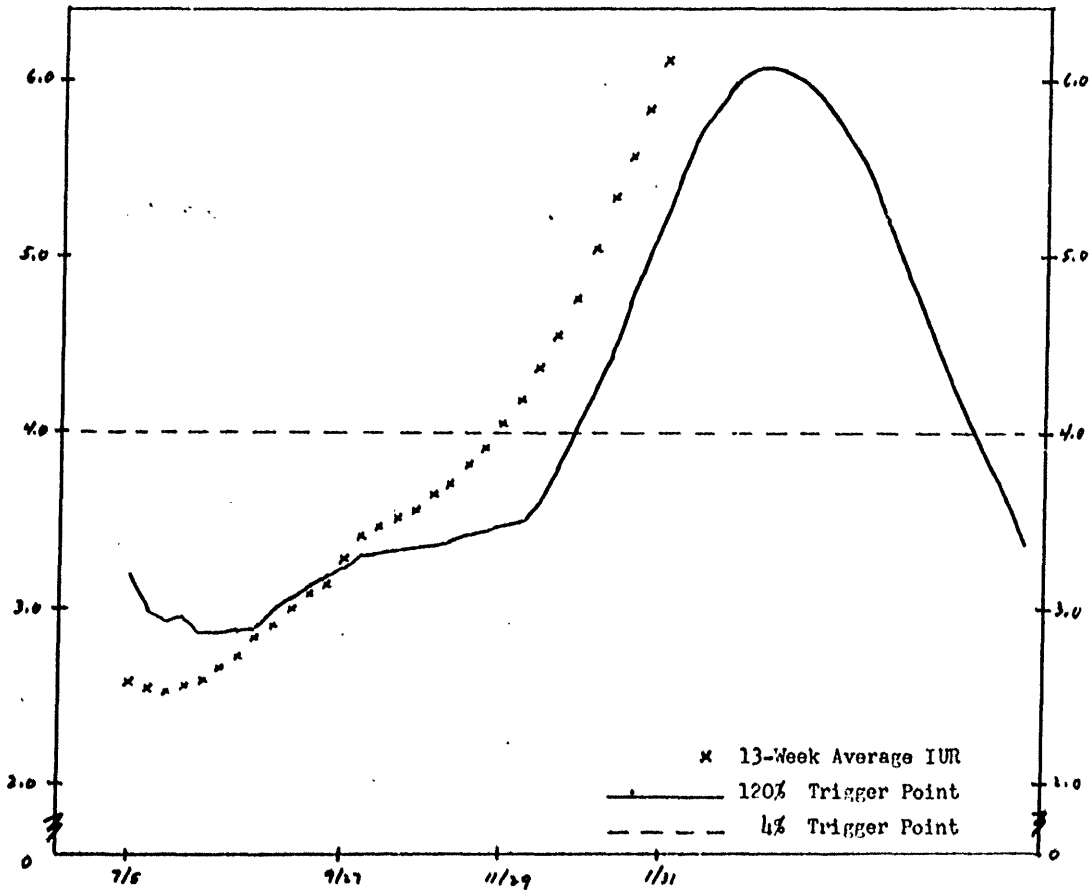
ATTACHMENT A

The chart below compares the 13-week average insured unemployment rates--indicated by X--for each of the weeks ending between July 5, 1969, and January 31, 1970, with the indicators defined in H.R. 14705.

For the week ending September 27, 1969, the 13-week average insured unemployment rate was more than 20 percent above the average of the rates for comparable periods in the two preceding years.

For the week ending November 29, 1969, the 13-week average was not only above the 120 percent level but also above 4.0 percent.

Had H.R. 14705 been in effect extended benefits would have triggered in. Washington's level of unemployment, however, was still relatively low. (See Attachment B.)

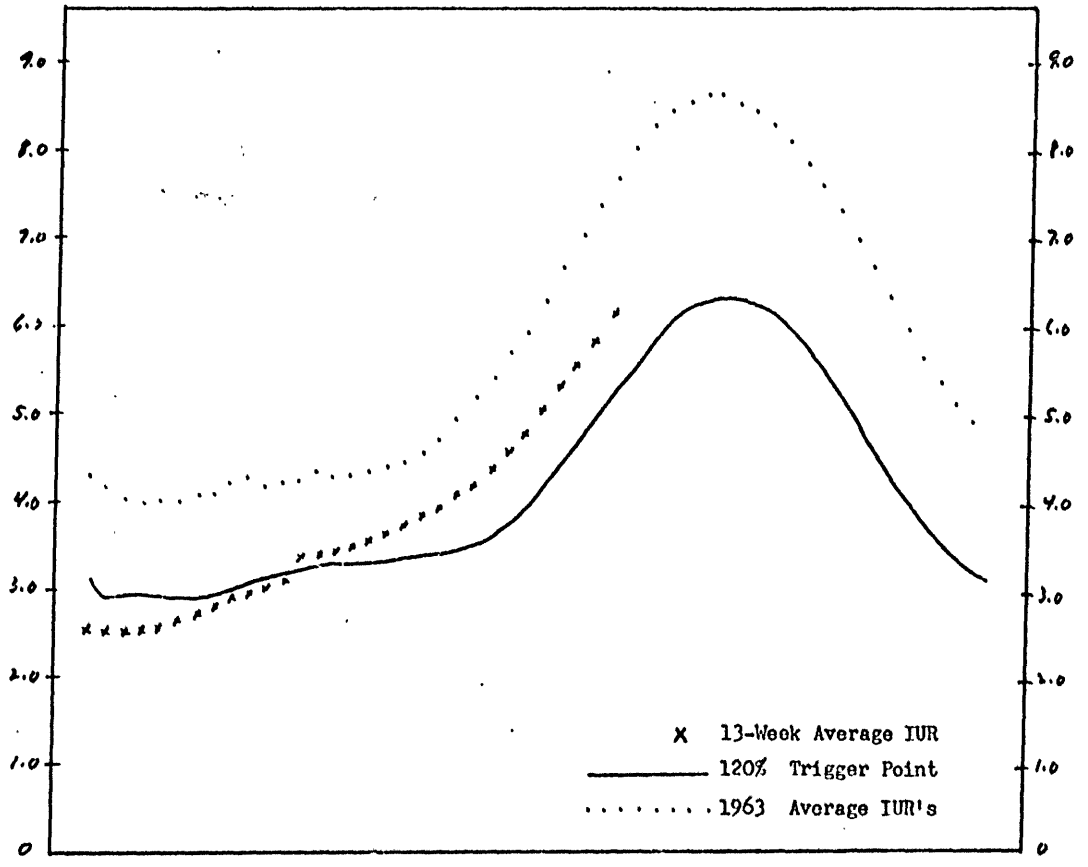


ATTACHMENT B

On the chart below the 13-week averages (indicated by X) for the current benefit year and the 120 percent trigger level of H.R. 14705 have been brought forward from Attachment A.

Also shown is a set of dots which indicates the 13-week average insured unemployment rates for the weeks in benefit year 1963. This was a typical series of moving averages for the state of Washington prior to 1966.

Although the averages for the current benefit year have been above the 120 percent level for some time and the most recent average is 6 percent, the state's level of unemployment is relatively low. Recession conditions do not exist. (See Attachment C.)

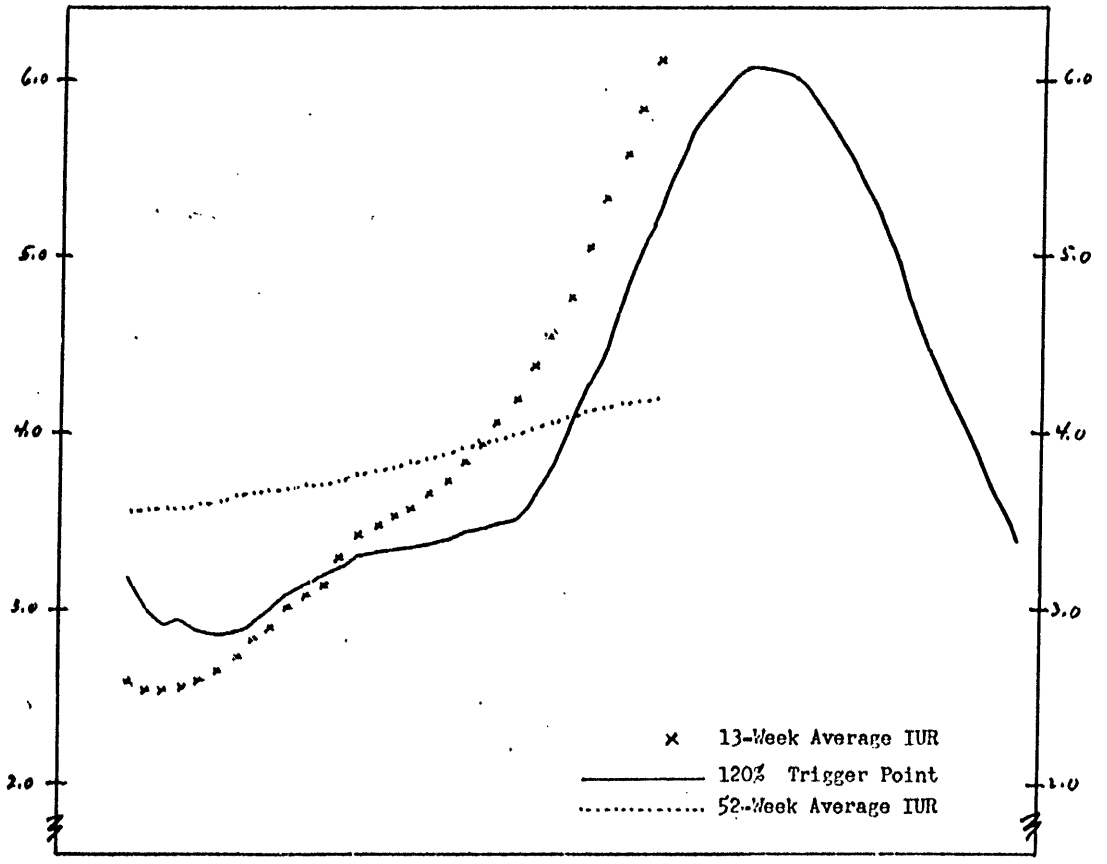


ATTACHMENT C

The chart below compares the 13-week average insured unemployment rates for the current benefit year with the trigger points contained in the extended benefit provision of the new law in this state.

Although the 13-week averages are consistently above the 120 percent level for the first trigger point, the 52-week average has not reached the 5.0 percent level.

During the period shown on this chart the 52-week average has increased from 3.56 percent to 4.19 percent.



VETERANS OF FOREIGN WARS,
OF THE UNITED STATES,
Washington, D.C. February 18, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in reference to H.R. 14705, a bill to extend and improve the Federal-State unemployment compensation program, which is now before your Committee for hearings and further consideration.

The delegates to the most recent National Convention of the Veterans of Foreign Wars of the U.S., representing more than 1,500,000 members, addressed themselves to the purpose and intent of this legislation when it unanimously approved V.F.W. National Resolution No. 362 entitled "Federal-State Unemployment Insurance Program Improvements," a copy of which is enclosed.

Please note that the rationale of this resolution is that there are over four million veterans who do not share in the basic income protection of unemployment insurance because they are not now covered by Federal-State unemployment insurance programs.

There are presently over 27 million living veterans from all wars. The Vietnam veteran is returning to civil life at the rate of approximately a million a year.

Many of these veterans will subsequently become involuntarily unemployed and lose their jobs. It is noted, for example, that the unemployment rate is increasing, and it is presumed that many of these unemployed are veterans who have been working in jobs not covered by unemployment insurance.

For these reasons, the Veterans of Foreign Wars is hopeful that your Committeee will give favorable consideration to the legislation embodied in H.R. 14705 as it pertains to V.F.W. Resolution No. 362.

One further point, a veteran who is separated from the Armed Forces must presently exhaust his terminal leave before he becomes eligible for unemployment compensation payments. This ruling, however, does not apply in most states or with the Federal Government for a person in civilian employment before he can become entitled to unemployment insurance benefits. This discrimination is of major concern to the returning Vietnam veteran at a crucial time in his career when he needs the most help.

The Veterans of Foreign Wars, therefore, strongly recommends that in determining eligibility of veterans for unemployment compensation, their terminal leave shall be treated in accordance with the laws of the states in which the unployment insurance payments are granted.

It will be deeply appreciated if a copy of attached Resolution No. 362 and this letter will be made a part of the printed hearing record.

Sincerely yours,

FRANCIS W. STOVER,
Director, National Legislative Service.

Encl.

RESOLUTION NO. 362—FEDERAL-STATE UNEMPLOYMENT INSURANCE PROGRAM IMPROVEMENTS

Whereas, unemployed or returning Vietnam veterans who decide to take training to increase their employability are ineligible in 25 states to receive unemployment insurance benefits, including unemployment compensation for ex-servicemen; and

Whereas, involuntarily unemployed veterans who lose their jobs during periods of high unemployment have a difficult time in finding new jobs, especially if they are over 45 years of age; and

Whereas, over 4 million veterans do not share in the basic income protection of unemployment insurance, which is enjoyed by over 50 million American workers; and

Whereas, H.R. 12625, the Administration's proposal to strength the Federal-State unemployment insurance program would extend unemployment insurance to an estimated additional 1.5 million veterans in the labor force, would provide for up to 13 weeks of additional unemployment insurance payments during periods of high unemployment, and would require all states to pay unemployment insurance benefits to covered veterans and other workers who are in training to improve their employability; Now, therefore be it

Resolved, by the 70th National Convention of the Veterans of Foreign Wars of the United States, That we inform the Congress that we fully support passage of H.R. 12625.

Adopted at the 70th National Convention of the Veterans of Foreign Wars of the United States, held at Philadelphia, Pennsylvania, August 15 through 22, 1969.

STATEMENT OF AUSTIN E. KERBY, DIRECTOR, NATIONAL ECONOMIC COMMISSION, THE AMERICAN LEGION

Mr. Chairman and members of the committee, the American Legion appreciates this opportunity to express its views on H.R. 14705, "The Unemployment Security Amendments of 1969," which was passed by the House of Representatives on November 13, 1969.

At our 1969 National Convention we adopted Resolution No. 511 endorsing the provisions of the former Bill, H.R. 12625, to improve and strengthen the unemployment insurance program. Copy of this resolution is attached.

We are appreciative of the improvements to the unemployment compensation program that this legislation would provide. Naturally these improvements will benefit many veterans in the U.S. labor force. In fact, we estimate that at least 1.5 million of the additional workers which this legislation will encompass would be veterans.

Approximately one million veterans will be returning to the mainstream of civilian life this year. Many of these Vietnam veterans as well as veterans of World War II and the Korean Conflict need job training to enhance future employability. However, in about one-half of the states an unemployed veteran who takes approved training may be denied unemployment compensation because he is not determined to be available for work. This practice is very unreasonable and certainly detrimental to our returning Vietnam veterans who are unable to obtain satisfactory or meaningful employment and elect to take approved training.

On the one hand, the Government encourages the veteran to take training, while on the other hand, the same Government denies him benefits under the unemployment compensation program for ex-servicemen (UCX). Even though Federal funds are involved, a veteran who enters training in one state receives the benefit while his counterpart in another state does not. H.R. 14705 would eliminate this discriminatory provision. We urge this Committee to take favorable action.

The greater majority of the veterans of World War II, and many of the Korean Conflict are in the older worker category. It is common knowledge that once unemployed, workers 45 years of age and over have considerable difficulty obtaining meaningful employment. When national unemployment is high, hardship of the older worker is multiplied. H.R. 14705 will provide a Federal-State program which would be put into operation in all states during the time of an economic recession, and in any specific state by high unemployment in that state. The American Legion believes that this provision will especially be of tremendous benefit to this older group of veterans who, through no fault of their own are unable to become reemployed during the regular benefit period. This anti-recessionary boost to our Nation's economy caused by the extended benefits will also prevent many other veterans from becoming unemployed during an economic recession.

Another provision provided for in H.R. 14705 which The American Legion wholeheartedly supports and which will satisfy our 1968 National Convention Resolution No. 308 (attached), provides, by repeal of Sec. 8524 of Title 5, U.S. Code, that accrued leave of veterans who apply for unemployment compensation benefits will be treated, in each state, the same way as the accrued leave of former Federal civilian employees and all other unemployed workers. This would, of course, eliminate the discrimination against veterans applying for UCX benefits and afford earlier payment to them in some twenty-five states.

The American Legion is very pleased with the aforegoing features of H.R. 14705 and respectfully urges this Committee to favorably consider such features of the legislation. However, Mr. Chairman, there are several other unemployment insurance matters which we would like to call to the Committee's attention.

Certain state laws have disqualifying provisions which work undue hardship on veterans receiving unemployment compensation provided them by the Federal Government. Some states either provide absolute cancellation of the benefits, or undue long periods during which no benefits may be paid. The American Legion does not believe this was the intent of Congress when enacting the legislation to provide ex-servicemen unemployment compensation for the purpose of assisting them in readjusting to civilian life.

H.R. 14705 will preclude the state laws from disqualifying veterans for UCX benefits when they voluntarily leave a position for a good cause. This provision of the bill will satisfy in part our Resolution No. 542, 1968 National Convention (attached). However, this resolution also seeks an amendment to provide that state laws may not result in absolute cancellation of UCX benefits, nor defer its payment for a period in excess of seven weeks from the date of the disqualifying act. We feel this recommendation is reasonable and just. UCX is a Federal benefit, therefore, there is a precedence for the Congress to establish a reasonable disqualification period. For instance, when enacting the Servicemen's Readjustment Act of 1944 (G.I. Bill), which among other things, established unemployment compensation for World War II veterans, the Congress specified the period of disqualification.

Current law provides that the reason for separation of a Federal civilian employee given by the Federal agency must be accepted as final and conclusive with respect to the awarding of unemployment compensation benefits, however, in the case of an individual separated by a private employer, the reason given for the separation is not binding upon the unemployment compensation agency. In such cases all of the facts are considered by the unemployment agency to determine if the reason for separation is one which would disqualify the employee.

In view of this discrepancy The American Legion at its 1968 National Convention adopted Resolution No. 541, (attached), which seeks elimination of the Federal requirement that an employing agency's reason for separation shall be accepted as final and conclusive, with the exception that the reason for separation in national security cases e.g. loyalty ond security risks which should continue to be bound by Federal finality. We have adopted the excepted proviso to conform with other laws, and hope the Committee will give due consideration to this recommendation. And if we may suggest, a suitable amendment could be added as a new paragraph following "paragraph (10)" at the concluding of "Part B—Provisions of State Law, Sec. 121."

The amount of an ex-serviceman's weekly unemployment compensation under existing Federal law is computed by applying state law to his service wages. Each State law sets a maximum on the weekly amount payable. As of January 1970, the maximum weekly benefit amount in several States ranged from a low of $38.00 to a high of $79.00. This variation of unemployment compensation weekly benefit amounts for ex-servicemen does not appear to be realistic, especially since it is a Federal benefit. The American Legion, therefore, at its 1968 National Convention adopted Resolution No. 544 (attached), which seeks modification of existing State laws to provide that in computing ex-servicemen's unemployment compensation benefits (UCX) the maximum weekly amount should be not less than 50 percent of the average weekly covered wage in the state.

A number of States have maximum weekly benefit amounts equal to or exceeding our proposal. For example, some twenty-two States established the maximum weekly benefit amount as a percent of the average weekly wage of 50 percent or more, and these and some other States currently meet our proposal. On the other hand, some States are exceptionally low.

We list on the next page a few examples of the maximum weekly benefit amount as of January 1970.

High

California	$65	Idaho	$56	New York	$65
Colorado	72	Iowa	58	Pennsylvania	60
Connecticut	76	Kansas	58	Wisconsin	68
District of Columbia	68	Massachusetts	62		
		New Jersey	69		

Low

Indiana	$40	Montana	$42	South Dakota	$41
Mississippi	40	Oklahoma	38	Washington	42

The American Legion would like to know what reasoning supports a veteran in Oklahoma receiving a maximum weekly benefit amount of $38 and a veteran in Kansas or Iowa $58; or a veteran in Montana $42 and a veteran in Idaho $56?

The attached Table A shows the effect our proposal would have in each State.

There is precedence in similar programs to have the Federal law establish the weekly benefit amount. For instance, the Servicemen's Readjustment Act of 1944, establishing unemployment compensation for World War II veterans provided a weekly benefit amount of $20 for a maximum period of 52 weeks.

The Veterans Readjustment Assistance Act of 1952 provided similar unemployment Compensation payments to veterans of the Korean Conflict. Such payments were at the rate of $26 per week for a maximum period of 26 weeks.

The Congress established a permanent unemployment compensation program for Federal civilian employees in 1955. In 1958 the law was extended to cover military personnel. This law provided that, by agreement with the Secretary of Labor, various State unemployment insurance agencies would make payments of compensation in the same amount as would be payable under the State unemployment compensation law. The theory was that veterans claiming unemployment compensation would be treated the same as other unemployed people in the State. This theory is fine, except it is our feeling that the United States Congress should not neglect its responsibility to provide a realistic unemployment compensation program for veterans simply because some of the State legislatures have provided inadequate weekly benefit amounts.

The American Legion feels that the Federal law should provide that unemployed ex-servicemen receive the same amount as other unemployed people in that State, provided a suitable floor is established by Federal law.

Some State unemployment compensation representatives will deny the need for a Federal law imposing a "standard." They contend that the State legislature is more knowledgeable as to "what is needed" in the several States. However, "what is needed" is frequently determined by the taxes to be saved. To illustrate, under current law there is a Federal Unemployment Tax of 3.1 percent. Employers can receive credit up to 2.7 percent for unemployment taxes paid to the State to apply against the 3.1 percent Federal tax. Each State law has an experience rating provision, which allows employers, based on their "employment experience" to be assigned a rate below 2.7 percent. This rate, depending on the State law, may be zero, one-tenth of one percent, two-tenths of one percent and on up through the various rates to 2.7 percent and higher. Upon certification by the State, the employer receives credit of 2.7 percent against the Federal tax, even though his rate was zero, one-tenth of one percent, etc. Obviously, over a period of time in this kind of a system a reduction of the amount paid out in benefits results in a lower tax.

In the United States the average employer tax rate on taxable wages for calendar year 1968 was 1.47 percent, and tax receipts were $2,520,000,000. If all employers had paid taxes at the rate of 2.7 percent, receipts would have been $4,628,561,000. Sixteen States had average tax rates below 1.0 percent in 1968—the lowest was 0.27 percent.

A schedule showing the operation of the unemployment compensation program for ex-servicemen in recent years follows.

Fiscal year	Number receiving a first payment	Weeks compensated	Total expenditure	Average weekly benefit amount	Average duration in weeks
(1)	(2)	(3)	(4)	(5)	(6)
1965	174,707	2,079,614	$77,546,315	$36.12	11.9
1966	121,383	1,282,411	49,843,523	37.87	10.5
1967	99,715	926,811	38,585,620	41.26	9.3
1968	148,096	1,357,733	58,478,695	42.68	9.1
1969	176,561	1,640,310	78,233,208	47.36	9.2

The above schedule shows that in the twelve-month period ending June 30, 1969, a total of 176,561 veterans received at least one payment of unemployment compensation for ex-servicemen. These 176,561 veterans were compensated for 1,640,310 weeks of unemployment in the total amount of $78,233,208. The average weekly benefit amount was $47.36 and 9.2 weeks was the average number of weeks for which he received unemployment compensation payments.

The average duration figure is an important indicator of economic conditions and some believe it is an indication of abuses that might be present.

In nearly all States the veteran would have one year from the time he filed his "new" claim to draw 26 weeks or more in benefits.

The following schedule shows the average duration for veterans as compared to (1) persons drawing unemployment compensation under the State laws, and (2) persons drawing under the Federal law providing unemployment compensation for Federal employees.

AVERAGE DURATION IN WEEKS

Fiscal year	Unemployment compensation for ex-servicemen	State unemployment compensation laws	Unemployment compensation for Federal employees
1965	11.9	12.6	17.0
1966	10.5	11.6	16.1
1967	9.3	11.1	14.9
1968	9.1	11.7	15.3
1969	9.2	11.4	15.9

We trust the foregoing data and attached Table A will be of some assistance to the Committee in its deliberations.

The American Legion submits that a more realistic maximum weekly unemployment compensation benefit should be established for returning Vietnam area veterans and that in computing ex-servicemen's unemployment insurance benefits, the maximum weekly amount should be not less than 50 percent of the average weekly covered wage in the State.

Finally, regarding funds for the unemployment compensation program for ex-servicemen (UXC) the present system of specific-amount fiscal year appropriation has resulted in delay in benefit payments year after year and in many instances, undue financial hardship is imposed upon returning Vietnam veterans. Unemployment compensation payments for ex-servicemen and former civilian workers (UCFE) are a Federal obligation and it is the responsibility of our Government to pay these claims whenever the obligation is incurred. The American Legion, therefore, believes that the most workable way to rectify this deficiency in our present system of funding the USFE and UCX programs would be to provide a permanent indefinite appropriation rather than one limited to a specific fiscal year.

To support this position The American Legion adopted Resolution No. 539 at its 1968 National Convention (attached).

To show the dire need for an "open-end" appropriation for UCFE and UCX funding, we cite the example of last year. Shortly after the convening of the 91st Congress on or about February 3, 1969, The American Legion learned that these funds were exhausted and that States would be unable to make payments to returning Vietnam veterans after the close of business on February 7, 1969, unless supplemental funds were approved. Our Legislative Commission contacted appropriate members of Congress and urged that immediate action be taken. We learned that on January 17, 1969, the Department of Labor has requested a supplemental appropriation for this purpose, however, as of February 5, 1969, Congress had not acted on this request. On February 5, 1969, telegrams were sent to the Chairman of the Senate and House Committees on Appropriations urging them "to take prompt action to assist these jobless veterans during their readjustment to civilian life." At that time we urged that failure to provide the supplemental funds prior to Congressional recess to commence on February 8, 1969, would work a severe hardship on thousands of needy ex-servicemen throughout the nation.

On Thursday, February 6, 1969, the Chairman of the House Committee on Appropriations introduced a supplemental appropriation bill (H.J. Res. 414) which passed the House the same day and was sent to the Senate. (Copy of pages H. 848 and H. 849 of the Congressional Record for February 6, is attached.) The Senate passed the resolution the following day, Friday, February 7, 1969, in the closing hours before adjournment, (copy of pages S. 1386 and S. 1387 of the Congressional Record for February 7, is attached) clearing the bill for the President's signature (Public Law 91-2).

The American Legion is, of course, grateful to the President and to the Congress for their determined efforts on behalf of our jobless Vietnam veterans. However, this urgency for a supplemental appropriation bill would not have been necessary if there had been a permanent indefinite appropriation to pay the unemployment benefits to the recently separated veterans and former Federal Employees.

To alleviate future urgencies, The American Legion respectfully recommends to this Committee, to provide preferably by:

Authorization for a permanent indefinite appropriation to the Department of Labor for unemployment compensation payments to ex-servicemen and former Federal employees.

As an alternative we suggest the following two methods which would likewise eliminate future stoppage of UCX and UCFE payments because of insufficient appropriated Federal funds.

(1) Authorization to permit transfer between appropriation, trust fund elimination, or allocation to the Department of Labor to insure that payments are made under the employment compensation program for ex-servicemen and former Federal employees; or

(2) Authorization for non-interest-bearing advance from the Treasury Department to be repaid by subsequent appropriation.

Thank you, Mr. Chairman for the opportunity to comment on this important legislation to improve and strengthen the unemployment insurance program.

TABLE A—EFFECT OF PROPOSAL ON EACH STATE[1]

State	Maximum weekly benefit amount January 1970[2]	Maximum weekly benefit amount computed as 50 percent of average weekly wage for 12 months ending Dec. 31, 1968	Dollar increase[3]
(1)	(2)	(3)	(4)
Alabama	$47	$54	$7
Alaska	60	97	37
Arizona	50	61	11
Arkansas	47	47	----
California	65	71	6
Colorado	72	60	----
Connecticut	76	68	----
Delaware	55	69	14
District of Columbia	68	65	----
Florida	40	57	17
Georgia	49	55	6
Hawaii	79	57	----
Idaho	56	54	----
Illinois	45	70	25
Indiana	40	66	26
Iowa	58	58	----
Kansas	58	57	----
Kentucky	52	57	5
Louisiana	50	60	10
Maine	52	52	----
Maryland	60	60	----
Massachusetts	62	61	----
Michigan	46	76	30
Minnesota	57	62	5
Mississippi	40	49	9
Missouri	57	63	6
Montana	42	54	12
Nebraska	48	55	7
Nevada	47	67	20
New Hampshire	60	55	—
New Jersey	69	69	—
New Mexico	56	55	--
New York	65	71	6
North Carolina	50	51	—
North Dakota	51	51	—
Ohio	47	69	22
Oklahoma	38	57	19
Oregon	55	62	—
Pennsylvania	60	62	—
Puerto Rico	36	36	—
Rhode Island	56	56	—
South Carolina	50	50	—
South Dakota	41	49	8
Tennessee	47	53	6
Texas	47	59	12
Utah	54	54	—
Vermont	56	57	—
Virginia	48	54	6
Washington	42	68	26
West Virginia	49	62	13
Wisconsin	68	64	—
Wyoming	53	53	—

[1] Under the proposal veterans will receive whichever is the higher of (1) the States maximum weekly benefit amount or (2) the amount computed at 50 percent of the average weekly wage in the State.

[2] Does not include dependent's allowances provided in 9 States.

[3] Col. 4 shows the dollar increase under the proposal. If the maximum in col. 2 is equal to or more than the maximum in col. 3, "—" is entered.

FIFTY-FIRST ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION, ATLANTA, GA., AUGUST 26, 27, 28, 1969

Resolution No. 511.
Committee: Economic.
Subject: Support proposed legislation improving the Federal-State unemployment compensation program.

Whereas, millions of the 23 million veterans in the United States labor force are not covered by unemployment insurance and do not have the income maintenance protection enjoyed by over 50 million U.S. workers; and

Whereas, H.R. 12625, the Administration's bill to improve the Federal-State unemployment insurance program, would extend unemployment insurance coverage to 4.8 million additional workers, of whom at least 1.5 million are estimated to be veterans; and

Whereas, workers over 45 years of age, a high percentage of whom are veterans, who become involuntarily unemployed often have great difficulty in finding new employment during periods of high unemployment; and

Whereas, H.R. 12625 provides for up to 13 weeks of additional unemployment insurance benefits when the national unemployment rate of insured workers equals or exceeds 4.5 percent for three months; and

Whereas, twenty-five states now pay unemployment insurance benefits, including Unemployment Compensation for Ex-Servicemen to insured veterans and other insured workers, including returning Vietnam veterans, who chose to take approved training courses to learn new occupational skills to increase their employability; and

Whereas, H.R. 12625 would require all states to pay unemployment insurance benefits to insured veterans and other insured workers who take training to improve their employability: Now, therefore, be it

Resolved, by The American Legion in National Convention assembled in Atlanta, Georgia, August 26, 27, 28, 1969, That The American Legion does hereby go on record that it support the Administration position, as outlined in H.R. 12625, which seeks to improve the Federal-State Unemployment Insurance Program.

FIFTIETH ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION, NEW ORLEANS, LA., SEPTEMBER 10, 11, 12, 1968

Resolution No. 308.
Committee: Economic.
Subject: Accord discharged servicemen the same rights as a Federal employee under unemployment compensation benefits program.

Whereas, military personnel released from active duty by the various services receive accrued leave and payment therefore on being terminated from active service; and

Whereas, military personnel released from active service are prevented from receiving unemployment compensation until after their accrued terminal leave has expired; and

Whereas, civilian employees on being terminated from governmental service with accrued leave may draw unemployment compensation immediately on termination of employment and before accrued leave has expired; and

Whereas, there are on the order of 600,000 military personnel being released from active duty annually under current situation; and

Whereas, military personnel particularly on foreign service and combat service have no opportunity to take leave except at the discretion of the military services and being outside the continental limits of the United States have no opportunity to seek other employment before being released from active service as do their counterpart in the civilian employment: Now, therefore, be it

Resolved, by The American Legion in National Convention assembled in New Orleans, Louisiana, September 10, 11, 12, 1968, That we urge the Congress of the United States to amend the Social Security Act to permit military personnel upon separation from the military service to immediately become eligible to apply for and to receive unemployment compensation benefits in the same manner as their counterpart in the civilian employment of the governmental services.

FIFTIETH ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION, NEW ORLEANS, LA., SEPTEMBER 10, 11, 12, 1968

Resolution No. 542.
Committee: Economic.
Subject: Legislation to modify and make more uniform the disqualifications imposed on veterans claiming unemployment compensation for ex-servicemen.

Whereas, the Federal Government provides unemployment compensation for ex-servicemen for the purpose of assisting veterans in readjusting to civilian life; and

Whereas, the Secretary of Labor, acting for the Federal Government, has entered into agreements with the agencies administering the State Unemployment Compensation Laws under which the States act as agents of the Secretary of Labor and make payments of compensation in the same amount, on the same terms and subject to the same conditions provided in the State law; and

Whereas, many State laws have disqualification provisions in their unemployment compensation laws which (1) either reduce or cancel the benefits provided by the Federal Government of (2) disqualify the veteran for the duration of unemployment which prevents him from drawing unemployment compensation benefits until such time as he becomes reemployed and earns a certain amount, thus effectively canceling his rights to this Federal benefit; and

Whereas, many State laws provide that ex-servicemen be disqualified for leaving their employment even though they had good personal cause: Now, therefore, be it

Resolved, by The American Legion in National Convention assembled in New Orleans, Louisiana, September 10, 11, 12, 1968, That The American Legion sponsor and support legislation in the Congress of the United States to amend the Federal law (Chapter 85, Title 5, U.S. Code—unemployment compensation for Federal employees and the ex-servicemen's unemployment compensation program), to provide that ex-servicemen filing for unemployment compensation benefits in a State will be subject to the same eligibility and disqualification provisions as are provided in the State unemployment compensation law, provided: (1) disqualifications of the ex-serviceman will not result in cancellation or reduction of unemployment benefits based on Federal Service, (2) disqualifications of the ex-serviceman will not result in a postponement of benefits for a period to exceed seven weeks from the date of the disqualifying action, and (3) an ex-serviceman will not be disqualified for voluntarily leaving his employment if he had good personal reason for leaving.

FIFTIETH ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION, NEW ORLEANS, LA., SEPTEMBER 10, 11, 12, 1968

Resolution No. 541.
Committee: Economic.
Subject: Legislation to remove the finality provisions that now apply to "the reason for termination of such services" as they appear in section 8506(a), chapter 85, title 5, U.S. Code.

Whereas, the Federal Government has provided unemployment compensation for Federal employees and many veterans are employed by the Federal Government as civilian employees; and

Whereas, the reason for leaving employment is a primary consideration in determining a claimant's right to unemployment benefits; and

Whereas, the reason for separation from Federal civilian employment is determined by the Federal agency and by law must be considered as "final and conclusive" (Chapter 85, Title 5, U.S. Code, Section 8506(a)); and

Whereas, many veterans are denied unemployment compensation benefits because of the reason for separation as provided by the Federal agency with no consideration to statements by the veteran, which conflict with the Federal agency's statement; and

Whereas, the reason for separation should be the determination of the employment security agency and based on statements of the employer and the veteran: Now, therefore, be it

Resolved, by The American Legion in National Convention assembled in New Orleans, Louisiana, September 10, 11, 12, 1968, That The American Legion go on record urging that "the reasons for termination of such service" be removed from the findings made by the employing agency to be considered as "final and conclusive."

FIFTIETH ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION, NEW ORLEANS, LA., SEPTEMBER 10, 11, 12, 1968

Resolution No. 544.
Committee: Economic.
Subject: Legislation to place a floor under the maximum weekly benefit amounts paid to veterans under the Federal law providing unemployment compensation to ex-servicemen.

Whereas, the Federal Government has provided unemployment compensation for ex-servicemen for the purpose of assisting the ex-serviceman in readjusting to civilian life; and

Whereas, the Secretary of Labor, acting for the Federal Government, has entered into agreements with the agencies administering the State unemployment compensation laws under which the States act as agents of the Secretary of Labor, and make payments of compensation in the same amount as would be payable under the State unemployment compensation law; and

Whereas, the maximum weekly benefit amount established by State unemployment compensation laws varies from $34 to $65; and

Whereas, it is the conclusion of this Committee that a floor be placed on the maximum benefit amount and that it be related to the average weekly wage in covered employment in that State in which the ex-serviceman first files his claim for unemployment compensation: Now, therefore, be it

Resolved, by The American Legion in National Convention assembled in New Orleans, Louisiana, September 10, 11, 12, 1968, That the Legislative Commission be, and it is hereby authorized and directed to introduce and support legislation in the Congress of the United States to amend Chapter 85, Title 5, U.S. Code—unemployment compensation for Federal employees and the ex-servicemen's unemployment compensation program—to provide that the maximum weekly benefit amount for ex-servicemen will be an amount not lower than 50 percent of the average weekly wage in covered employment in that State in which the serviceman first files his claim for unemployment compensation after his most recent discharge or release.

FIFTIETH ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION, NEW ORLEANS, LA., SEPTEMBER 10, 11, 12, 1968

Resolution No. 539.
Committee: Economic.
Subject: Funding UCFE–UCX benefits.

Whereas, congressional appropriations are now made on a fiscal year basis for the payment of unemployment compensation for ex-servicemen, (UCX) and for Federal employees (UCFE), as authorized by Chapter 85, Title V, U.S. Code; and

Whereas, funds thus appropriated can be used only for the payment of unemployment compensation claims so that the amount of expenditure is controlled by the number of claims rather than by amounts allocated for particular periods of time; and

Whereas, the volume of claims and payments may change rapidly due to such factors as the closing of Federal installations, the rate of discharge of servicemen, or economic conditions in a given area or state, and such factors make it difficult to predict the State-by-State and national rate of expenditures; and

Whereas, in the past there have actually been suspensions or interruptions of payments due to the fact that adequate funds were not available for the volume of claims and payments experienced; and

Whereas, such interruption of payments creates an inconvenience and hardship to claimants and an embarrassment to both the State and Federal Governments; and

Whereas, in order to avoid the exhaustion of funds available to an individual State Agency at a time when another State may have more than adequate funds on hand the Bureau of Employment Security has resorted to numerous telephonic and telegraphic requests for reports from individual State Agencies, which has proved to be both burdensome and difficult; and

Whereas, the best interests of unemployed Federal workers and ex-servicemen, as well as the proper discharge of responsibilities of the State Agencies in their role as agents for the Federal Government, depend upon the continuing availability of funds and the uninterrupted payment of benefits; and

Whereas, the appropriation by fiscal year places limitations on the use of appropriated funds in the subsequent fiscal year and thus involves risk of delay in the payment of claims during early periods of each new fiscal year despite the statutory commitment to pay these claims whenever the obligation is incurred; and

Whereas, the appropriation by fiscal year requires authorization for advance spending, adjustment of accounting records to show separately those obligations incurred in a single year but which were paid from separate year authorizations, and other additional record keeping that serves no real or useful purpose in the control of amounts spent or accountability for funds: Now, therefore, be it

Resolved, by The American Legion in National Convention assembled in New Orleans, Louisiana, September 10 11, 12, 1968, That The American Legion hereby urges that the Bureau of Employment Security seek to obtain funds for payment of unemployment compensation to ex-servicemen and Federal employees through a permanent indefinite appropriation rather than one limited to a specific fiscal year; and be it further

Resolved, That copies of this resolution be sent to the Bureau of the Budget and to appropriate members of Congress.

[From the Congressional Record—House, Feb. 6, 1969]

SUPPLEMENTAL APPROPRIATION, 1969

Mr. MAHON. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (H.J. Res. 414) making a supplemental appropriation for the fiscal year ending June 30, 1969, and for other purposes, and I ask unanimous consent that the joint resolution be considered in the House as in the Committee of the Whole.

The Clerk read the title of the joint resolution.

The SPEAKER. Is there objection to the request of the gentleman from Texas for the immediate consideration of the joint resolution?

There was no objection.

The SPEAKER. Is there objection to the request of the gentleman from Texas that the joint resolution be considered in the House as in the Committee of the Whole?

There was no objection.

The Clerk read the joint resolution as follows:

"H.J. RES. 414

"*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* That the following sum is appropriated out of any money in the Treasury not otherwise appropriated, to supply a supplemental appropriation for the fiscal year ending June 30, 1969, and for other purposes, namely:

"DEPARTMENT OF LABOR

"Bureau of Employment Security

"For an additional amount for 'Unemployment compensation for Federal employees and ex-servicemen', $36,000,000."

Mr. MAHON. Mr. Speaker, I move to strike the last word.

Mr. Speaker, this is a joint resolution which provides an appropriation of $36,000,000 for unemployment compensation for Federal employees and, more especially for ex-servicemen.

This request came to Congress in a supplemental request in mid-January. It is a routine request. The funds are required by law.

The appropriations for this legislation are normally handled by the Subcommittee on Labor, and Health, Education, and Welfare, headed by the gentleman from Pennsylvania, Mr. FLOOD, who is here beside me and would be glad to answer any technical questions that Members may have. However, I know of no objection and no controversy.

Mr. BOW. Mr. Speaker, will the gentleman yield?

Mr. MAHON. I yield to the gentleman from Ohio.

Mr. BOW. Mr. Speaker, I thank the gentleman for yielding to me.

There is no objection to this appropriation on the part of the minority side of the committee. It is a matter of appropriating the $36 million which is in the budget message sent to us.

I am advised that the balance available as of February 1 was $4 million, and that probably will be used, within the next week.

These payments are made to ex-servicemen coming from Vietnam and other areas of the world. When they are discharged and cannot find employment they are entitled to this under the law. It would seem to be a great mistake if we did not provide the money so that these veterans could be paid. This also provides for unemployed Federal workers. It is an obligation which must be met. It seems to me it is advisable to meet it at this time.

Mr. MAHON. We are advised that if we do not provide the funds now, payments due next week cannot be made.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. MAHON. I yield to the gentleman from Iowa.

Mr. GROSS. I thank the gentleman for yielding.

When in January did this come down? Did the request come in with the budget on January 15?

Mr. MAHON. Yes. It is a part of the whole program of the Government. It was cranked into the budget, specifically—in the budget that came to Congress last month.

Mr. GROSS. Let me ask the gentleman: Is this a result of a failure of the Johnson administration to request enough money for this purpose?

Mr. MAHON. We provided some $92 million last year, which was our best estimate at that time, but it has proven to be inadequate. The year before it was $93 million and the year before that $90 million. It has fluctuated, and it is somewhat unpredictable for in advance. This was the best estimate that could be made at that time. We appropriated the full budget request last year.

Mr. GROSS. It is apparently increasing, but from what the gentleman just said apparently the figures, the total expenditures, were not too far apart in each of those years. How many submissions of a deficiency of this kind have we had in the last 3 years? Have we had one every year?

Mr. MAHON. We had one last year.

Mr. GROSS. Did you have one the year before?

Mr. MAHON. We did not.

Mr. GROSS. But you had an underestimated budget last year and this is the second year in succession that the Johnson administration sent up a patently underestimated budget. Is that true?

Mr. MAHON. I would not say it was patently underestimated. It is a matter of one not being able to foretell how many Federal employees will be entitled to unemployment compensation payments and how many Vietnam veterans and other veterans will be entitled to it. It is somewhat unpredictable. I would assume the Budget Director, whether he be a Democrat or a Republican, would usually hold it down to the lowest figure reasonably possible, but you just cannot predict the amount which will be due, as a matter of law, well over a year ahead of time. And that is what they are required to do under our budget system.

Mr. GROSS. But $36 million seems to be quite an underestimation for this particular purpose.

Mr. MAHON. It was, but the original estimate was about the same as the previous 2 years' experience.

Mr. GROSS. With the number of ex-servicemen growing and they knew that it was growing, how could they underestimate to this extent? That is the point I am trying to make. Was this for the purpose of making their budget look good when they submitted it a year ago?

Mr. MAHON. I would not believe so, but, of course, the object is and the effort is always made to hold the figures as low as they reasonably can be.

Mr. HALL. Mr. Speaker, will the gentleman yield?

Mr. MAHON. I yield to the gentleman from Missouri.

Mr. HALL. I appreciate the gentleman from Texas yielding.

As I understand it, this is to make up for previously committed funds for our returning servicemen and unemployed Federal employees, and it is a "must" as far as the Congress is concerned in the opinion of the chairman of the Committee on Appropriations and the subcommittee chairman and certainly the distinguished ranking minority member of the committee from Ohio.

Mr. MAHON. Yes.

Mr. HALL. My concern, first of all, is that there has been an underestimate in order to make budget figures look good, as was just brought out by my distinguished colleague from Iowa.

Beyond that, Mr. Speaker, I wonder if the distinguished chairman could give us any indication or pledge that we will not have additional fragmented deficiency actions—by unanimous consent—in this or in other departments before the new appropriation bill comes out.

Mr. MAHON. The new budget of last month contained well over $4 billion in supplemental requests for fiscal 1969. That was presented to us in mid-January. We would like to consider them all in one package, in one bill, but in view of the fact that the funds for the purposes explained here have almost been exhausted, it was felt that action had to be taken before the recess in this particular field.

Now, we might get into this kind of thing on some other portion of the pending supplemental requests. However, I do not foresee it at the moment. Yet I cannot foreclose the idea that there may be other items which will have to be taken up separately.

Mr. HALL. Mr. Speaker, if the gentleman will yield further, I appreciate the gentleman's statement. I understand it is estimated that this fund will run out of money by February 10 while we are in our infamous recess. But, be that as it may, what I want to know is whether or not there will be other reports brought up, and other such requests made, before we have an opportunity to act upon the budgeted appropriations bills as a whole? Of course, I know that depends upon the authorizing activities of the legislative committees. However, can we have some assurance that this so-called supplemental or emergency deficiency action wherein unanimous consent is requested will not be repeated again unless it is absolutely necessary, and that it will show up in the deficit or surplus as reported for this particular fiscal year?

Mr. MAHON. Well, we have not had an opportunity yet to have before us the new Director of the Bureau of the Budget, the new Secretary of the Treasury, and other witnesses. We cannot foresee just what may develop with reference to the subject. But I would hope that we could have one bill for the whole package of supplementals at a later time and I would hope that would be the first regular bill that the House would consider from the Committee on Appropriations. But these funds were all in the budget. This $36 million is not outside the forecast that was made in the new budget as to a projected surplus.

Mr. HALL. Mr. Speaker, if the gentleman will yield further, the $36 million that we pass here today—and I think we must pass here today and I therefore agree with the gentleman's statement—will be deducted from the alleged Johnson surplus even though that surplus involved trust funds; is that correct?

Mr. MAHON. No; not in any way. It has already been taken into consideration in computing the surplus. It was cranked into the figures for fiscal 1969 sent up in the President's budget for 1970. This does not change the surplus predicted in the budget.

Mr. HALL. I see, then, that we have to revert to the statements made in the well of the House so often that the surplus was from the trust funds and the revolving funds; whereas the actual expenditure funds will be in a deficit situation, but this will not add to that deficit?

Mr. MAHON. This will not subtract from the surplus heretofore projected for fiscal 1969 in the new budget received last month.

(Mr. Michel asked and was given permission to extend his remarks at this point in the Record.)

[Mr. Michel's remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER. The question is on the engrossment and third reading of the joint resolution.

The joint resolution was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the joint resolution.

The joint resolution was passed.

A motion to reconsider was laid on the table.

[From the Congressional Record—Senate, Feb. 7, 1969]

A SUPPLEMENTAL APPROPRIATION

Mr. RUSSELL. Mr. President, I ask the Chair to lay before the Senate a message from the House of Representatives on House Joint Resolution 414.

The PRESIDING OFFICER laid before the Senate, House Joint Resolution 414,

making a supplemental appropriation for the fiscal year ending June 30, 1969, and for other purposes, which was read twice by its title.

Mr. RUSSELL. I ask unanimous consent that the Senate proceed to its immediate consideration.

The VICE PRESIDENT. Is there objection to the present consideration of the joint resolution?

There being no objection, the Senate proceeded to consider the resolution.

Mr. RUSSELL. Mr. President, yesterday the House of Representatives passed this joint resolution, making a supplemental appropriation of $36 million to the Bureau of Employment Security under the Department of Labor for unemployment compensation for Federal employees and ex-servicemen.

Under the program, claims of unemployed Federal employees and ex-servicemen are processed by the State unemployment insurance agencies on the same basis as claims of other unemployed workers whose employment is covered under the State unemployment compensation law. Federal funds are allocated to the States, which act as agents for the Federal Government in the payment of these benefits. The period of extended coverage varies from 22 to 39 weeks among the States. During the first half of fiscal year 1969, the average payment for Federal employees was $44.20 each week for a period of 8.9 weeks, while the average for ex-servicemen was a weekly payment of $44.60 for 5.1 weeks.

The Department of Labor submitted a budget request of $99,800,000 for the 1969 program to the Bureau of the Budget, which in turn approved an estimate of only $92,200,000, the amount of the 1969 appropriation.

Separations under each category have exceeded the original estimates; thus, the President's message of January 17, 1969, requesting supplemental appropriations for fiscal year 1969, included an additional $36 million for the program.

The appropriation of funds for this program has become most urgent in that as of February 1, 1969, only $4.4 million remained available. Expenditures for the month of January were $13.8 million. The Department of Labor advises that States will not be able to make payments after the close of business today. Unless funds are provided at once, the thousands of persons including servicemen returned from Vietnam for separation—will go to their local unemployment compensation offices next week to find their payments delayed until these additional funds are appropriated.

I am sure none of us wishes to see the servicemen returning from Vietnam for separation finding it impossible to draw these funds from their local unemployment compensation offices.

I now, by agreement reached with leaders of the Committee on Appropriations, request that this item be promptly passed as now embraced in House Joint Resolution 414.

Mr. HRUSKA. Mr. President, will the Senator yield?

Mr. RUSSELL. I yield.

Mr. HRUSKA. Mr. President, on behalf of the minority leader, I am pleased to say that the minority joins in the request for immediate consideration and favorable action. Several colleagues have received word from their States indicating the need for the appropriation—the most recent was received this morning. The junior Senator from Michigan informed me that unless this money is allowed, there will not be any further payments starting on Monday morning.

This obligation has already been contracted. The problem arises because of underestimating the amounts required.

The resolution has been here since the middle of January, and I join in the Senator's request for immediate consideration and favorable action.

Mr. RUSSELL. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a telegram from the National Legislative Commission of the American Legion, which points out the grave condition that will exist if this joint resolution is not passed.

There being no objection, the telegram was ordered to be printed in the Record, as follows:

"WASHINGTON, D.C., *February 6, 1969.*

"Hon. RICHARD B. RUSSELL,
"*Chairman, Senate Committee on Appropriations, Old Senate Office Building, Washington, D.C.:*

"The American Legion is deeply concerned that many recently discharged veterans are denied unemployment compensation because UC funds are exhausted. We understand that $19.8 million insupplemental funds for this purpose was requested by the President January 17 last. Failure of the Congress to provide this money prior to the upcoming recess will work asevere hardship on thousands

of needy ex-servicemen across the country. We respectfully urge you to take prompt action to assist these jobless veterans during their readjustment to civilian life.

"HERALD E. STRINGER,
Director,
National Legislative Commission,
"The American Legion."

Mr. YOUNG of North Dakota Mr. President, on many occasions the Congress has had to provide additional sums of money to take care of the needs for the unemployment compensation for Federal employes and ex-servicemen program. I do not believe there is any way a firm estimate can be submitted to Congress on amounts of money which will be necesary to operate this program in any one given fiscal year. These additional funds that we are providing here today in all probability will not be sufficient to carry this program through fiscal year 1969.

Mr. President, I ask unanimous consent to insert in the Record, a 10-year table showing the amount provided for this program which includes the supplemental appropriations.

There being no objection, the table was ordered to be printed in the Record, as follows:

ESTIMATES		APPROPRIATIONS	
1959	$186,800,000	1959	$120,800,000
Supp. (H. Doc. 58)	41,200,000	Supp. (P.L. 30)	40,000,000
1960	135,000,000	1960	125,000,000
Supp. (H. Doc. 384)	8,000,000	Supp. (P.L. 535)	6,000,000
1961	112,000,000	1961	107,000,000
Supp. (H. Docs. 58 and 91)	70,000,000	Supp. (P.L. 14): Appropriation	5,648,000
1962	147,000,000	Transfers	[1] 64,352,000
1963	131,000,000	1962	147,000,000
Supp. (H. Docs. 61 and 89)	24,000,000	1963	129,000,000
Supp. (H. Doc. 127)	1,100,000	Supp. (P.L. 88-25)	22,000,000
1964	119,000,000	Supp.	———
Supp. (H. Doc. 203)	30,000,000	1964	110,000,000
Supp. (H. Doc. 284)	12,000,000	Supp. (P.L. 88-295)	42,000,000
1965	126,000,000	1965	126,000,000
Supp. (H. Doc. 80)	17,000,000	Supp. (P.L. 89-16)	11,000,000
1966	141,000,000	1966	131,000,000
1967	107,000,000	1967	90,000,000
1968	65,000,000	1968	[2] 65,000,000
1969	[3] 92,200,000		

[1] Transferred from the appropriations "Salaries and expenses, Bureau of Employment Security" and "Grants to States for unemployment compensation and employment service administration."

[2] The Budget indicates that a supplemental appropriation of $28,800,000 will be requested.

[3] Excludes $1,400,000 for activities transferred in the estimates to "Trade Adjustment Activities." The amounts obligated in 1967 and 1968 are shown in the schedule as comparative transfers.

The VICE PRESIDENT. The joint resolution is open to amendment. If there be no amendment to be proposed, the question is on the third reading and passage of the joint resolution.

The joint resolution (H.J. Res. 414) was ordered to a third reading, was read the third time, and passed.

DISABLED AMERICAN VETERANS,
NATIONAL SERVICE HEADQUARTERS,
Washington, D.C., February 13, 1970.

Re Employment security amendments.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate, New Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: The delegates in attendance at our most recent National Convention adopted two resolutions calling for the enactment of legislation by

the United States Congress to extend and improve the Federal-State Unemployment Compensation Program.

One of the resolutions, No. 395, places the Disabled American Veterans on record as being strongly in support of those provisions of H.R. 14705 which:

1. Extend unemployment insurance coverage to an additional 4.5 million workers, of whom at least 1.5 million are estimated to be veterans.
2. Provide for up to 13 weeks of extended unemployment insurance benefits for workers, including ex-servicemen, who exhaust their regular entitlement to state benefits during a period of high unemployment.
3. Encourage veterans, and other insured workers, to learn new occupational skills to increase their employability by removing the existing impediments and allowing such individuals to continue to draw unemployment benefits while engaged in an approved course of training.
4. Insure that ex-servicemen and women will be treated, in each state, as are all other claimants for unemployment compensation by repealing Section 8524 of Title 5, United States Code, which prevents the payment of unemployment compensation to former members of the Armed Forces for periods in which they are paid for accrued leave.

The other resolution, No. 365, gives recognition to the fact that, due to overburdened facilities, many of the casualties returning from the war in Vietnam are being placed on terminal leave to await their medical discharge or disability retirement from the Armed Forces.

As many of these veterans are still in a convalescent status, they are denied unemployment compensation under the "Able and Available" clause contained in the unemployment compensation codes of the several states.

The Disabled American Veterans does not believe that any veterans should be denied these important benefits during the critical period in which he is attempting to become readjusted to civilian pursuits. We therefore respectfully request that Subchapter II of Chapter 85, Title 5, United States Code, be amended as as to provide that no veteran will be deprived of the benefits of unemployment compensation based solely on his inability to seek or accept employment by reason of service connected disability.

I am enclosing a copy of Resolutions No. 365 and No. 395 with the request that they be considered by the Senate Committee on Finance as representing the official views of the Disabled American Veterans in connection with the Employment Security Amendments.

Respectfully yours,

CHARLES L. HUBER,
National Director of Legislation.

(Resolution No. 365, Legislative)

REQUESTING A CHANGE IN UNEMPLOYMENT COMPENSATION LAWS

Whereas, casualties returning from the present armed conflict are burdening our Military and Veterans' Administration Hospitals beyond capacity, resulting in the release of patients while still convalescent to a terminal leave status, while awaiting medical discharge or retirement; and

Whereas, a majority of these Veterans apply for Disability Compensation under provisions of Title 38, U.S. Code; and

Whereas, occasional administrative delays, or errors leave these Veterans without any source of income during a very critical period of Convalescence and Rehabilitation; and

Whereas, Disabled American Veterans has observed cases where these Veterans have been deprived of Unemployment Compensation based on their inability to seek, or accept employment; and

Whereas, the members of the Disabled American Veterans, feel that they are compelled, by the Preamble to the Constitution of this Organization, to seek equal justice for their Disabled Comrades of the present conflict, under existing Laws of the Land; and

Whereas, the members of the Disabled American Veterans, are of one opinion that no Disabled Veteran should be deprived of every source of income, due to administrative delay or error, during that period of convalescence when he is attempting to become re-adjusted to civilian pursuits; and

Whereas, the "able and available" clause, (contained in the Unemployment Compensation Codes of the several States), when strictly applied to Veterans who were separated by reason of service incurred, or aggravated, disabilities, becomes

a penalty clause against those Veterans and, therefore, discriminatory against those very Comrades we are pledged to support. We believe it is also in direct conflict with Chapter 85, Sub-Chapter II, sub-section (a) (1) (A) of section 8521, Title 5, U.S. Code: Now, therefore, be it

Resolved, That the Disabled American Veterans in National Convention assembled at Miami Beach, Florida, August 24 to 30, 1969, urgently recommends that this Organization seek, through legislation, a modification or amendment of Sub-Chapter II, Chapter 85, Title 5, U.S. Code, either as a sub-section (c) of section 8521, or as new section 8526 the following: "The provisions of Sub-Chapter I, section 8502 notwithstanding, no individual who otherwise meets the conditions set forth in Sub-Chapter II, section 8521 of this Title, shall be deprived of unemployment compensation based solely on his, or her, inability to seek or accept employment. Such individual shall be entitled to unemployment compensation, subject to the same conditions as every other ex-serviceman under section 8521, until one of the following conditions exist; (1) he has obtained suitable employment, or, (2) he is receiving benefits as provided by Part 2 and/or Part 3 of Title 38 U.S. Code, or, (3) he is receiving Medical Retirement Pension from the branch of the service from which he was medically discharged or retired, or, (4) he has exhausted his entitlement under the provisions of this Title."

(Resolution No. 395, Legislative)

UNEMPLOYMENT INSURANCE PROGRAM IMPROVEMENTS

Whereas, millions of veterans in the United States labor force are not covered by unemployment insurance and do not have the income maintenance protection enjoyed by over 50 million U.S. Workers; and

Whereas, H.R. 12625, the Administration's bill to improve the Federal-State unemployment insurance program, would extend unemployment insurance coverage to 4.8 million additional workers, of whom at least 1.5 million are estimated to be veterans; and

Whereas, workers over 45 years of age, a high percentage of whom are veterans, who become involuntarily unemployed often have great difficulty in finding new employment during periods of high unemployment; and

Whereas, H.R. 12625 provides for up to 13 weeks of additional unemployment insurance benefits when the national unemployment rate of insured workers equals or exceeds 4.5 percent for three months; and

Whereas, 25 States now pay unemployment insurance benefits, including Unemployment Compensation for Ex-Servicemen, to insured veterans and other insured workers, including returning Vietnam veterans, who chose to take approved training courses to learn new occupational skills to increase their employability; and

Whereas, H.R. 12625 would require all States to pay unemployment insurance benefits to insured veterans and other insured workers who take training to improve their employability: Now, Therefore, be it

Resolved, That the Disabled American Veterans in National Convention assembled at Miami Beach, Florida, August 24 to 30, 1969, inform the Congress that it strongly supports H.R. 12625.

TESTIMONY ON THE EXTENSION OF UNEMPLOYMENT COMPENSATION PROVISIONS TO COVER FARM WORKERS AND OTHERS, PRESENTED BY THE REVEREND WILLIAM E. SCHOLES, ASSOCIATE FOR FIELD SERVICES OF THE DIVISION OF CHRISTIAN LIFE AND MISSION OF THE NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.

The National Council of the Churches of Christ in the U.S.A., in its Policy Statement adopted by its General Board, February 24, 1966, states specifically that coverage under unemployment insurance should be extended to all employees who receive income, without regard to size, nature, or place of employing unit. Moreover, it has also expressed support of the *specific application* of this policy with regard to *agricultural workers*.

The National Council of Churches is an agency comprising representatives of Protestant and Orthodox communions. We make no claim to be speaking for these member churches nor for their members. The viewpoints presented in this statement however are based on the above official statements of the General

Board of the National Council which is broadly representative of its member church bodies.

Therefore, we would strongly support the principles as reflected in H.R. 14705 *provided specific provision for the covering of hired farm workers is included* to the greatest extent feasible.

While we would hope that as soon as possible all hired farm workers be covered—we would respectfully request that at the least it cover farm employers with four or more hired workers during any 20 weeks out of the year.

We urge the above inclusion on the following bases:

1. Pure justice demands that hired farm workers, who are so necessary to our basic agricultural economy, yet have the greatest instability of employment, be given the same benefits available to other workers so as to remove a portion of the present blatant discrimination.

2. Their instability of employment is due, not to any lack of initiative or drive on their part, but to the seasonal nature of the agricultural economy and the often resultant need to move about to shorter term and varied tasks to meet *our* needs.

3. Farm labor needs the stability these provisions would provide in order to dignify the occupation and assure a more constant supply of help in competition with industry.

4. It would provide desperately needed funds for basic human needs such as food and clothing during slack periods in specific farm industry areas when the worker, in his terminology has to "starve it out."

5. The vagaries of weather and crop changes make him particularly susceptible to periods of "starving it out," when he must actually go hungry or find some sort of relief which, if available, is also costly.

We recognize that technical difficulties are involved but technical difficulties have been overcome before and can be so again if there is enough concern to do so. And there is concern enough among church people throughout the nation to urge that they be worked out and farm workers coverage be extended.

U.S. CATHOLIC CONFERENCE,
Washington, D.C., February 20, 1970.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of the United States Catholic Conference, the national agency of the Catholic Bishops of the United States, may I present to you the views of the Conference with respect to H.R. 14705, to amend the unemployment compensation law. I also speak on behalf of the National Conference of Catholic Charities.

On July 18, 1966, when this Committee was last considering expansion of the federal-state unemployment compensation program, this organization presented testimony to the then pending proposed H.R. 8282. At that time we suggested the Committee give separate treatment to non-profit organizations by waiving the federal tax and by authorizing a self-insurance program. In the bill reported, both the House and Senate approved provisions we urged in respect to non-profit organizations both as to waiver of federal taxes and as to inclusion of a self-insured program on an optional basis.

In the pending H.R. 14705, in the section relating to non-profit organizations, we note with approval that these needed and desirable provisions are preserved. We urge the Committee to retain these special provisions for newly covered non-profit tax exempt organizations.

In November of 1968 the Catholic Bishops of the United States issued a statement publicly expressing their concern for the problems of farm labor in this country. A copy of their statement is enclosed. As you will note one of the specific remedies urged by the Bishops was the inclusions of farm workers under the unemployment insurance programs.

On behalf of the body of Bishops of the United States Catholic Conference, I strongly endorse the President's recommendation on this point and earnestly request the Committee's support for it when it is again under consideration by your Committee.

Very truly yours,

Most Rev. JOSEPH L. BERNARDIN,
General Secretary.

STATEMENT ON FARM LABOR, BY THE NATIONAL CONFERENCE OF CATHOLIC BISHOPS

The problems of farm workers have been receiving increased attention in this country in recent years. Greater awareness on the part of the general public has resulted in some progress such as is mirrored in the Migrant Health Act. However the workers' dramatic struggle to improve their lot has sometimes produced divisions and protracted conflict in the relations between the two parties.

We, the Catholic bishops of the United States, address ourselves to this problem with the high hope of assisting in a reconciliation between grower and worker.

For thirty years the disadvantaged field workers of this nation have stood by helplessly and listened to other Americans debating the farm labor problem. Burdened by low wage scales, mounting health problems, inadequate educational opportunities, substandard housing, and a lack of year-round employment, they have often been forced to live a life devoid of security, dignity, and reasonable comfort. For the past three years, however, many of them have been attempting to take their destiny into their own hands. This is a very healthy development.

Farm workers are now very painfully aware that not only do they have to struggle against economic, educational, and social inequities, but they have also been excluded from almost every piece of social legislation as well.

The conflict that began in California is now spreading throughout the nation and is clearly a national issue. Farm workers are demanding legislative protection for their natural right to organize for purposes of collective bargaining. They are demanding inclusion under a law which has protected the bargaining rights of other American workers for thirty-three years, namely the National Labor Relations Act.

Tragic as is the plight of farm workers, American growers and farmers also find themselves in a sea of difficulties. Mounting costs, foreign competition, water shortages, and many other problems are closing in upon them.

We are aware that the small grower is often the victim of circumstances beyond his control, and that his sincere willingness to pay higher wages meets with obstacles which he cannot overcome without a realistic coordination of all his strengths. We urge him to examine his situation carefully in order to see that his so-called independence is unreal and could result in his vanishing from the American economy. We believe that this would be tragic for our country. To protect himself, his interests, and the interests of the farm workers, we plead with him to unite with his fellow farmers and growers in associations proper to themselves. This is their natural right and perhaps even their duty at the present moment of our history. At the same time we wish to note that throughout this century, our state and federal governments have done much to assist growers and farmers with their difficulties. The same, unfortunately, cannot be said for the men working in the fields.

Catholic bishops in several of the states most deeply affected by the current crisis in the field of farm labor have already addressed themselves to the need for federal legislation to provide machinery for the peaceful settlement of disputes between growers and farm workers. In this statement, speaking in the name of the National Conference of Catholic Bishops, we wish to add our support to the position taken by these individual bishops, since the problem and its solution are national in scope.

We urge the 91st Congress to provide the legislation necessary both to protect the rights of farm workers and to provide the peace and stability so essential to the well being and prosperity of the agricultural industry. Specifically we urge that Congress enact legislation:

1. To include farm workers under the National Labor Relations Act,

2. To include farm workers more effectively under a national minimum wage which will ensure them a decent standard of living, and

3. To include farm workers under the national unemployment insurance program.

As a servant of justice, the Church must speak out on controversial issues such as these even with the knowledge that she might be misunderstood. Sensitive to the problems of both sides, the Church must encourage dialogue by helping to create an atmosphere of charity and justice. It was in this spirit and for this purpose that the Second Vatican Council reaffirmed the traditional teaching of the Church with regard to the right of workers to organize and bargain collectively and, under certain conditions, to resort to the strike. These matters were treated by the council in its Pastoral Constitution on the Church in the Modern World, which reads, in part, as follows:

"Among the basic rights of the human person must be counted the right of freely founding labor unions. These unions should be truly able to represent the workers and to contribute to the proper arrangement of economic life. Another such right is that of taking part freely in the activity of these unions without risk of reprisal. Through this sort of orderly participation, joined with an ongoing formation in economic and social matters, all will grow day by day in the awareness of their own function and responsibility. Thus they will be brought to feel that according to their own proper capacities and aptitudes they are associates in the whole task of economic and social development and in the attainment of the universal common good.

"When, however, socio-economic disputes arise, efforts must be made to come to a peaceful settlement. Recourse must always be had above all to sincere discussion between the parties. Even in present-day circumstances, however, the strike can still be a necessary, though ultimate, means for the defense of the workers' own rights, and the fulfillment of their just demands. As soon as possible, however, ways should be sought to resume negotiations and the discussion of reconciliation." (Paragraph 68.)

In calling for the legal protection of the rights of farm workers, we, the bishops of the United States, do so in this same spirit and with sympathetic awareness of the problems faced by the growers and, more specifically, by family farmers. It is our prayerful hope that ways can be found at the earliest possible date "to resume negotiations" and to bring about a "reconciliation" between the parties to the current farm labor dispute. We pledge our united efforts to achieve this objective.

Statement of United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)

The UAW's views on the pending unemployment compensation bill now before the Senate Finance Committee are substantially what they were when we presented testimony to the House Ways and Means Committee last October.

However, the tragic rise in unemployment since October 1969 makes our comments about the deficiencies in the administration's bill unfortunately more pertinent as the number and percentage of the unemployed grows.

Essentially, the UAW believes we need legislation providing for a system of Federal unemployment insurance standards, larger benefits, longer duration of benefits, and broader coverage. The administration's bill makes some gestures in this direction, but compared to the dimensions of the need, the bill is deficient.

Mr. Paul W. McCracken, chairman of the President's Council of Economic Advisers, recently (The New York Times, October 2, 1969) told an audience of businessmen that "we must not lose our cool if we see a good many of the wrong things entering the picture." The present fiscal and monetary restraints, which he said ". . . were beginning to bite," begin to bite deeper as the economy cools.

Mr. McCracken told the lunching members of the National Industrial Conference Board: "This is bound to happen during an interlude in a transition period for the economy."

The question is who is going to be bitten most severely, and the answer is easy: not the members of the National Industrial Conference Board or the Council of Economic Advisers but wage-earners, particularly those wage-earners whose existence tends to be one long transitional interlude at the bottom of the economic and social heap. When unemployment strikes for such workers, they have no access to corporate reserves, few if any personal savings. What they have is the far from cooling prospect that obstacles put by State law between them and an unemployment check will deny them any help; or that the check, if they manage to qualify for one, will cut family income by half or more.[1]

The central and fundamental flaw in the Administration's unemployment insurance proposals is that they do not assure improvement of average benefits as a proportion of lost wages. In this crucial matter—crucial to men and women facing the personal setbacks and deprivations of unemployment—the Administration bill offers only the pious hope that the several States, given two more years of grace in which to raise benefits ("thereby averting the need for Federal action"—President Nixon) will energetically come to grips with a problem most have evaded since the unemployment insurance system was established.

The government—both the White House and the Congress—has a heavy economic and moral obligation during the present legislative session to abandon this

[1] For further details on size of group affected by unemployment see Appendix.

unrealistic expectation that the States, left to their own devices, will come up with adequate UI benefits in the short span of two years, after they have failed to produce them in the fifteen years since the 1959 Eisenhower plea for action. Mr. McCracken is not alone in detecting a cooling trend. *The Wall Street Journal* (September 30, 1969) reported that "most economists," while doubting recession, see a flattening out of real GNP, accompanied by a rise in unemployment. (As this is written it is reported that unemployment has risen to 4 percent of the labor force.) According to the paper, William H. Gassett, economist for the Boston investment firm of Eaton & Howard Inc., predicts that:

"the jobless rate will climb to about 4.3% of the labor force before mid-1970 and then will 'stay there.' This would be nearly a percentage point higher than the 3.5% that has recently prevailed . . ."

Economics being the inexact science that it is, such predictions are subject to greater error than weather forecasts. The business section of *The New York Times* (September 28, 1969) reports:

"To many people, the crucial question is whether the delicate transition to less restraint on the economy can be accomplished in time to prevent a serious recession and sharp rise in unemployment, and yet still avoid a further fanning of the flames of inflation . . ."

If unemployment is now to increase because of a deliberate Administration choice of anti-inflationary policies that will bear most severely upon the workers, the Administration has the obligation to provide the victims of such economic policies with better unemployment insurance than it presently proposes.

Under the circumstances, the President and the Congress cannot afford to indulge any new-federalist hopes of rapid and substantial improvement of benefits through State action.

States Are Not Ready

The States are not prepared to assume the responsibility the Administration's unemployment insurance bill seeks to hand them under the banner of the new federalism. Most of them have spotty and sorry records of response to social needs. While under our Constitution they have important powers, they have failed to use them or adapt them in order to cope with the recent and growing crises of urban America.

The states have not acted to improve unemployment insurance and are unlikely to act in response to mere exhortation. Under experience rating the states are in competition with each other to offer employers the lowest politically practicable unemployment insurance contribution rates in an effort to attract and hold industry. Employers have not been reluctant to hold the threat of plant relocation over the heads of state legislators contemplating unemployment insurance improvements.

Because of this competition to save employers money at the expense of unemployed workers the states will not act separately in any meaningful way. They can be made to move together by effective Federal action.

State unemployment security agencies over the years have been among the foremost practitioners of retrograde social policies. Under the experience rating provisions of the law, they have administered an unemployment insurance system which has been akin to welfare programs in that it has been more intent upon saving money for employers than shoring up worker's incomes and lives in critical periods. State legislatures, UI agencies and employers have gone to cruel and ingenious lengths to frustrate the original intent of unemployment compensation: the payment of benefits to unemployed workers.

According to the 1969 Manpower Report of the President, "1 out of every 4 workers in the country is still excluded altogether from UI protection," and by mid-1968 only 21 states out of the 50 "had basic maximums amounting to 50 percent or more of their workers' average weekly wage." [2]

In a September 29, 1969 address on manpower policy before a conference of employment security administrators, Secretary of Labor Shultz spoke of responsibilities expected to devolve on state employment security agencies under the proposed Administration manpower training bill. His remarks suggest an acute awareness of administrative shortcomings in the state agencies. The Secretary said that those agencies that have earned good marks for past performance "should have no fear of subjecting themselves to the admittedly more

[2] For further details on postwar trend see Appendix.

rigorous demands which implementation of this bill would make," and he continued:

". . . there are much greater risks under intense public scrutiny. The Employment Security agencies as the main line manpower agency will be placed squarely on the line of producing or failing in their responsibilities.

"It is our intent, and indeed the intent of this Administration, to enhance the capacity of existing institutions to deal with the problems of the 1970s while preserving the capacity to innovate."

This may be the Administrator's intent, but H.R. 12625 is a frail vessel to embark on such an ambitious course with respect to unemployment insurance. It has a hole in its hull before it ever sets to sea: the failure to set Federal standards requiring the States to raise benefit maximums high enough to assure benefits of 50 percent of wages to at least 80 percent of insured workers.

The President opened the hole himself in his July 8, 1969 message to the Congress, when he stated:

"Up to now, the responsibility for determining benefit amounts has been the responsibility of the States. There are advantages in States having that freedom. *However, the overriding consideration is that the objective of adequate benefits be achieved.* I call upon the States to act within the next two years to meet this goal, thereby averting the need for Federal action." (Emphasis added.)

Federal Standards Essential

Like so many aspects of the Administration's policy initiatives, this Presidential statement faces in two directions and is clouded with ambiguity. On the one hand the overriding consideration is achievement of adequate benefits; on the other hand, the overriding consideration is to avert the need for Federal action and therefore the States should be given two more years to do what they could not or would not do in decades.

Let the Administration and the Congress face the facts in this matter, a matter which can be crucial to million of the most forgotten Americans. In federalism old or new, a strong Federal lead is essential. Secretary Shultz himself, in a White House press conference on the President's unemployment insurance message, touched on the problem of benefit levels in these words:

"A second area has to do with the level of benefits. Here the President calls for strong action by the States. The problem is that while the States almost all say that a person is eligible for 50 percent of his wages, they have in addition a dollar maximum, that is, you can receive 50 percent up to this dollar maximum and the dollar maximum cuts people off before they get to the 50 percent.

"Currently, taking the nation as a whole, it cuts off approximately 45 percent of those who become eligible for unemployment compensation. That means since you have a mixture of men and women here that a much higher proportion of the men, probably on the order of two-thirds of the men, do not receive half their weekly wage in unemployment compensation when they are unemployed."

At the very least the Administration should amend this bill to provide for prompt and specific Federal action to assure the benefit levels proposed by the President, if the States fail to heed his call for reform within two years. But why wait? Why not bite the bullet now with respect to the clear need for a Federal requirement that the States assure at least 50 percent of wages to at least 80 percent of insured workers.

If members of the Congress, who recently received a substantial salary increase, were to meditate upon their probable condition and their mood if their salaries had instead been cut in half, they would be inclined to sympathize with the plight of wage-earners faced by the prospect of a slash in income of 50 percent or more, when they have difficulty making ends meet while working.

In his message the President stressed that unemployment insurance is an earned benefit, and that it acts as an economic stabilizer. Clearly it is a rather frail reed, both with respect to sustaining personal and family income and in checking an economic downturn by braking a decline in purchasing power, if it fails to guarantee even one-half of a covered worker's wage.

As for UI as an earned benefit, it appears that as our society becomes more productive and affluent, it becomes more grudging in protecting the well-being of citizens on the lower rungs of the economic ladder. According to data furnished by Secretary Shultz (DLR, 7-25-69), the system paid out an average weekly benefit of $10.04 in 1939, when the average weekly wage of covered workers was $25.28; in 1968 the average weekly wage of covered workers was $126.61, the average weekly benefit amounted to $43.43. There has been a decline of nine per-

centage points—from 43.3 to 34.3 percent in the proportion of lost wages replaced by unemployment insurance benefits.

In its 1966 report, the National Commission on Technology, Automation, and Economic Progress, in a section on income maintenance, stated:

"We are convinced that rising productivity has brought this country to the point at last when all citizens may have a decent standard of living at a cost in resources the economy can easily bear . . ."

Vital to the worker and to the utility of the system as an economic stabilizer is the proportion of lost wage income made up by benefit income. The Automation Commission said:

"Improvement in our unemployment insurance system could directly facilitate adjustment to change. In his study for the Commission, Stieber reports:

" 'Unemployed workers receive a higher proportion of former earnings in all countries studied (Great Britain, France, West Germany, Sweden, and Netherlands), with the possible exception of Great Britain, than in the United States. Insurance payments almost always average more than 50 percent of earnings, and often reach 80 to 90 percent in some countries. This compares with the average of about 35 percent of former earnings in the United States as a whole though some States pay considerably more.'

"In June 1965, the Commission publicly took note of the inadequacies in our present system of Federal-State unemployment insurance, unanimously urging in a letter to congressional leaders that:

" 'Benefit levels must be increased; benefit periods must be lengthened; coverage must be extended; Federal standards must be provided to assure that workers unemployed by factors incident to a national economy, receive adequate protection regardless of the State of residence; a permanent Federal program for protection of the long-term unemployed must be added. Supplementation of the public system by private agreement must be encouraged by removing restrictions which exist, including regulations in certain States which eliminate or reduce benefits to those receiving supplementary unemployment benefits, severance pay, early retirement, and similar private payments.' "

Secretary Shultz in his aforementioned September address stated:

"In these times, social policy and economic policy are closely inter-related . . . The problems of those who have difficulty in finding suitable work, in holding jobs, or in earning enough to support themselves and their dependents decently and with dignity are not only the problems of individuals but also of society."

Our unemployment insurance system will never be a reliable, effective and compassionate instrument of enlightened social policy in what is now essentially a national economy and a labor market which transcends local and State boundaries until it is federalized. A genuinely new federalism would comprise a Federal system of unemployment insurance, as part of a comprehensive manpower and income maintenance system which would put a national floor under income above current poverty levels and provide employment opportunity to all who are able to work.

The next best thing to a Federal system of unemployment insurance is amendment of the present bill to provide Federal standards.

To Strengthen H.R. 12625

The bill should require the States to provide benefit levels at least equal to 50 percent of wages for at least 80 percent of insured workers.

The President's message declared that "there is a clear social need today to cover as many more employees as we can." We support the bill's provision for coverage of an additional 4.8 million workers, but we do not accept at face value the implication that these 4.8 million workers are as many additional workers as we can protect. The President's message states that there are 17 million workers not now covered. That number is about two million more than the roughly 15 million workers not covered when unemployment insurance improvements were before the Congress in 1965 and 1966. An effort should be made now to cover all employees who can be insured through Federal requirement.

With regard to coverage of agricultural labor, we call attention to the fact that there are many farm workers who work a substantial proportion of each year, but who may work for several employers in one or more States, none of whom employs four or more workers in each of 20 weeks. The bill appears to neglect their need for unemployment insurance; and to apply the President's phrase, there is certainly "a clear social need" to cover them. We urge that the bill's language be written to assure such coverage.

The language dealing with a qualifying requirement in employment or the equivalent in wages is retrogressive. Whereas some states now permit a worker to qualify for benefits with 14 weeks of employment in his base year, the Administration bill will set a *minimum* of 15 weeks. This is a Federal standard but a negative and restrictive one.

The language dealing with workers on strike is mischievous and irresponsible, and completely in the spirit of the old, discredited federalism that has been the guiding spirit of State administration of unemployment insurance laws. The spirit has been one of restriction and denial of insurance rights, rather than a spirit of making the laws the most effective possible instruments for protecting workers during periods of unemployment.

The numer of workers who receive compensation who should not receive it are a small minority. Thousands upon thousands of workers, many more than those legitimately disqualified, are denied benefits by the chiseling of employers seeking to reduce their tax rate and by State agencies operating under outrageously unfair and restrictive laws.

Congress should seize the opportunity to amend H.R. 12625 to include a Federal requirement that such unfair restrictions be eliminated. In the matter of labor disputes, for example, there should be a requirement that workers shall not be disqualified when such a dispute leads to a lock-out; or when the employer is guilty of an unfair labor practice or not in compliance with fair labor or work standards, or where workers not themselves concerned with the issues in dispute are laid off because of a strike in another plant of the same company.

The source of such inequities lies in the experience rating formula, which has twisted state unemployment compensation laws into procedures for tax reduction and has driven employers to lobby callously (and effectively) for unjust disqualification provisions and to resist all claims, however legitimate and reasonable, which might increase their tax liability.

Experience rating should be ended, and replaced by a uniform tax on employers, which would have the effect of ending interstate competition for industry based on holding down benefits paid under unemployment insurance laws.

The "search for work" provisions of State laws should also be eliminated. They are a cruel anachronism in the computer age, when the matching of workers and jobs can well be done electronically. They also give employers an incentive not to list job openings with the public employment service.

Talk of computerized employment listing has become fashionable in administration circles. Reforms in the unemployment insurance structure is an ideal place to make computerization of job vacancies a reality. Very few real job openings, however, are available on any computer, whether maintained by the federal government, the states, or by private establishments.

Most nations of the world have abolished private employment agencies so that job listings can be rationally fed into central information banks. The UAW believes that the federal unemployment insurance system should penalize those employers who persist in ignoring the services of the U.S. Employment Service.

We support a program of Federal insurance for long-term unemployment, but we strongly oppose triggering devices based upon national rates of unemployment. We believe that the Federal government should assure the financing of such a program, but that the continuation of benefits should not be cut off on the basis of general unemployment rates. They should last as long as any worker is unemployed because he cannot find a suitable job, regardless of the rate of employment.

Finally, the taxable wage base should be raised higher than H.R. 12625 proposes, at least as high as the base adopted for Old-Age and Survivors Insurance.

Appendix

1. Persons Affected by Unemployment

In the last year unemployment every month amounted to approximately 3 million or approximately 3.5 percent of the civilian labor force. While this percentage is much larger than in most European countries it still seems small. It seems to suggest that only a very small portion of the labor force is affected by unemployment. Actually this conclusion is wrong. The reason can be explained as follows:

If unemployment amounts to 3 million in September and 3 million in October then unemployment affects 3 million people in those two months provided each of the persons unemployed in September is also unemployed in October. If on the

other hand none of the 3 million workers who are unemployed in October had been unemployed in September then unemployment in these two months affected 6 million workers. If in the last 12 months all persons out of work had been unemployed for four weeks or less, unemployment would have affected 12 times 3 million=36 million workers.

Actually more than 50 percent of all unemployed workers remain unemployed for 5 weeks or more. Consequently the number of workers affected by unemployment is less than 36 million but substantially more than 3 million. The attached table 1 shows that in 1967, the last year for which such information is available, the number of workers affected by unemployment amounted to 11.6 million or 12.0 percent of the civilian labor force. Since 1960 the yearly number of workers affected by unemployment fluctuated between 15.3 million in 1962 and 11.4 million in 1966.

These figures cover all unemployed including those who were unemployed for not more than 1-2 weeks. However, even excluding workers who were unemployed for a month or less, we find that in 1967, 6.8 million workers experienced an unemployment spell of 5 weeks or more. For the period since 1960 the yearly number of workers who experienced an unemployment spell of 5 weeks or more fluctuated between 11.1 million in 1962 and 6.8 million 1966 and 1967.

2. The Groups Hardest Hit by Unemployment

The attached table 2 shows the groups who are least affected by unemployment and the groups who are hit hardest. Overall unemployment as a percentage of the civilian labor force in 1968 amounted to 3.6 percent.

But the unemployment rate for highly skilled white collar workers is much lower, 1.0 percent for managers and 1.2 percent for professional workers. On the other hand, the rate for nonwhite workers, young workers and unskilled workers is much higher, amounting to 7.2 percent and 11.0 percent for nonfarm laborers and white teen-agers respectively. The group who are worst off are those who belong to two minority groups at the same time, workers who are young and nonwhite. The unemployment rate of young Negro workers amounted to approximately 25 percent.

Any slowdown of the economy is felt first and hardest among the minority groups living in the poverty areas of our largest cities. These groups were supposed to be the main beneficiaries of the antipoverty war which is now called off and they are the first victims of the current war against inflation. The so-called antiinflation measures of the Administration have resulted in a slowdown of the economy. Overall this slowdown has not yet resulted in a rise of unemployment but unemployment has been rising among the minority groups in the poverty areas of our largest cities. This can be seen from the attached table 3.

Between the second quarter of 1968 and the second quarter of 1969, overall unemployment in the largest cities still has been declining from 3.6 percent to 3.4 percent. Unemployment in the poverty areas for whites and nonwhites combined has remained constant but unemployment among nonwhites in the poverty areas has been rising from 7.3 percent in the second quarter of 1968 to 8.0 percent in the second quarter of 1969. Unemployment among Negroes in the poverty areas increased among all age and sex groups but the increase was worst among young Negro workers. In the second quarter of 1969, unemployment among young Negro workers in the poverty areas of large cities amounted to 34.7 percent.

3. Shortcomings of the Present Unemployment Compensation Legislation

(a) *The percentage of unemployed receiving compensation has been declining.*—If we compare the yearly number of persons who were unemployed at any time with the yearly number of persons who received unemployment compensation at any time, we find that at the end of the 1950's roughly half of all the unemployed received unemployment compensation. In recent years this portion has dropped to less than two-fifths.

(b) *Industries not covered by unemployment insurance.*—One of the reasons for the growing gap is the fact that not all industries are covered by unemployment insurance. In addition to workers in small firms, farm workers, domestic service workers, workers employed by nonprofit organizations and a substantial portion of workers employed by state and local government are not covered by any type of unemployment insurance. In 1968 employment in this not covered sector amounted to approximately 17 million. Roughly this represents 20–25 percent of all full time and part time employment.

(c) *Exhaustions.*—Another reason for the large gap between unemployed and unemployed receiving benefits is the fact that a significant number of unemployed who had received benefit payments exhaust their benefit rights.

In the great majority of states the maximum period during which workers are entitled to receive unemployment compensation amounts to 26 weeks. This maximum duration is not long enough even during a period of prosperity. In 1967, for example, the last year for which such information is available, there were 803,000 workers who during some time of the year experienced an unemployment spell of 27 weeks or more.

The conclusion that the current maximum duration provisions are inadequate is also supported by the data on the yearly number of unemployment benefit recipients who received final benefit payments. A small portion of this group, for technical reasons continue to draw benefits. But the great majority represents workers who continue to be unemployed but who do not receive unemployment benefit payments because they have exhausted their benefit rights. In 1968 the number of benefit recipients who received final benefit payments amounted to 818,000.

(d) *Relative Size of Unemployment Benefit Has Sharply Declined.*—The unemployed who do receive benefit payments receive benefits which are completely inadequate. Prior to World War II, at the time the insurance system was first introduced, the ratio of benefits to covered wages was much more favorable. In 1939, in most states, the maximum weekly benefit represented approximately two-thirds of the covered average weekly wage. Currently this ratio has dropped to less than 50 percent.

This deterioration of this ratio has gone on for a long time. To counteract this situation President Eisenhower, already in 1954, recommended to the states that they provide a maximum high enough to permit the great majority of covered workers to receive one-half their wages. Nevertheless the relative benefit size continued to decline.

Table 4 shows the trend since 1954. In this table we compare the maximum weekly benefit for a single worker with the average wage in manufacturing for the period 1951-1968. We are using, as an example, the three largest industrial states in the Midwest which at the same time combined account for approximately three-fifths (⅗) of the UAW's membership in the United States.

The table shows, as one would expect that the ratio of benefits to wages improves every time the legislation raises the maximum benefit amount. During periods in between legislative changes the ratio deteriorates with the passing of time, since wages continue to rise while benefits remain constant.

However, for each of the three states, the overall trend is downward. This becomes very clear if one compares the first and the last period. It so happens that in the period 1966-68 benefits are raised in each of the three states. Nevertheless, in each of the three states the ratio for the most recent period is lower than the ratio for the period 1954-1956.

In the period 1966-1968 in each of the three states the maximum weekly unemployment benefit represents less than one-third of the average weekly wage in manufacturing.

(e) *The ratio of maximum benefit to wages in various European countries.*—The attached table 5 shows the ratio of maximum unemployment benefit to wages for various European countries. The selection was dictated by the availability of suitable data. In various European countries the maximum benefit is determined by a range, where the actual maximum benefit depends on the occupational, industrial and income characteristics of the unemployed individual. In these cases it is impossible without protracted research to relate the maximum benefit to a suitable wage figure. Instead we used only the information for those countries where the maximum benefit amount is determined as a percentage of wages.

The table shows that the ratio is most favorable in Great Britain and in the Netherlands where it amounts to 85 percent and 80 percent respectively. In all the other countries covered the maximum benefit represents two-thirds of the wage. However, the base of the ratio varies somewhat in concept. It may either be the wage of the unemployed individual or the typical wage in the respective occupation or industry.

Measured by this yardstick it can be said that the average manufacturing worker in Western Europe is at least twice as well off as the average manufacturing worker in the U.S. In the U.S. the maximum benefit represents roughly one-third of the average wage whereas in Western Europe the maximum unemployment benefit accounts at least for two-thirds.

TABLE 1.—WORKERS AFFECTED BY UNEMPLOYMENT, 1960-67

	Persons unemployed at any time during the year			
	1 week or more		5 weeks or more	
	Number (thousands) [1]	Percent of labor force	Number (thousands) [1]	Percent of labor force
1967	11,564	12.0	6,826	7.6
1966	11,387	13.0	6,770	7.7
1965	12,334	14.1	7,976	9.1
1964	14,052	16.2	9,871	11.4
1963	14,211	16.7	10,264	12.1
1962	15,256	18.2	11,134	13.3
1961	15,096	18.4	10,962	13.4
1960	14,151	17.2	10,255	12.5

[1] 1960-65 persons 14 years and over; 1966-67 persons 16 years and over.

Source: Handbook of Labor Statistics, 1969.

TABLE 2.—*Selected unemployment rates, 1968*

	Percent
All civilian workers	3.6
White workers, 20 years and over	2.5
Nonwhite workers, 20 years and over	5.0
White workers, 16 to 19 years	11.0
Nonwhite workers, 16 to 19 years	24.9
Managers and officials	1.0
Professional and Technical workers	1.2
Operatives	4.5
Nonfarm laborers	7.2

Source: BLS, "Employment and Earnings," February 1969.

TABLE 3.—SELECTED UNEMPLOYMENT RATES IN URBAN AREAS [1] 2D QUARTER 1968, 2D QUARTER, 1969

(In percent)

	2d quarter of 1968	2d quarter of 1969
All urban areas: All civilian workers	3.6	3.4
Urban poverty areas:		
All civilian workers	5.7	5.7
All nonwhite workers	7.3	8.0
Nonwhite males 20 years and over	4.1	4.3
Nonwhite females 20 years and over	6.9	7.5
Nonwhite teenagers 16 to 19 years	29.1	34.7

[1] Pertains only to standard metropolitan statistical areas (SMSA's) with populations of 250,000 or more.

Source: BLS, "Employment Situation in Urban Poverty Areas, 2d Quarter 1969."

TABLE 4. -AVERAGE WEEKLY WAGE IN MANUFACTURING AND MAXIMUM STATE UNEMPLOYMENT COMPENSATION, MICHIGAN, OHIO, INDIANA, 1954-68

	Michigan			Ohio			Indiana		
	Average weekly wage manufacturing	Maximum unemployment compensation[1] benefit	Ratio (percent)	Average weekly wage manufacturing	Maximum unemployment compensation[1] benefit	Ratio (percent)	Average weekly wage manufacturing	Maximum unemployment compensation[1] benefit	Ratio (percent)
1954-56	$92.55	$30.00	32.4	$85.51	$31.00	36.3	$82.10	$28.00	34.1
1957-59	101.83	30.00	29.5	96.53	34.00	35.2	94.31	33.00	35.0
1960-62	115.25	30.00	26.0	107.96	42.00	38.9	103.85	36.00	34.7
1963-65	135.72	33.00	24.3	121.36	42.00	34.6	116.49	37.00	31.8
1966-68	151.68	44.00	29.0	135.54	44.00	32.5	129.99	40.00	30.8

[1] Unemployment compensation benefit for single worker.

Source: U.S. Department of Labor, Handbook for Labor Statistics, 1969. State employment security agencies.

TABLE 5.—*Maximum Unemployment Benefit*[1] *in Selected European Countries, 1967*

Belgium, 66⅔% of earnings.
Denmark, 66⅔% of average wages in insured worker's industry.
Finland, 66⅔% of normal earnings in insured worker's occupation.
France, 66⅔% of average earnings.
Netherlands, 80% of earnings.
Great Britain, 85% of earnings.

[1] For single worker.

Source: U.S. Social Security Administration, "Social Security Programs Throughout the World, 1967."

AMALGAMATED MEAT CUTTERS & BUTCHER WORKMEN OF NORTH AMERICA,
Chicago, Ill., February 20, 1970.

HON. RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: The Amalgamated Meat Cutters and Butcher Workmen, a labor union of 500,000 workers in the food, leather, fur and allied industries, strongly supports reform of the unemployment compensation legislation. We are delighted that your Committee is currently considering this legislation.

Our Union is vitally interested in two suggestions made to your Committee. Minimum federal benefit standards must be incorporated into the bill before your Committee if unemployment compensation is to regain its position as a viable social insurance mechanism in our society. Thirty-five years of federal neglect have left the nation with a program that compensates only four out of ten jobless workers under the best of conditions and then replaces less than 35 percent of the average weekly wage in covered employment.

S. 3421 and Amendment No. 489 represent efforts to improve this situation. They are limited efforts much more modest than our Union policy favors—but they represent a step in the right direction. We urge your Committee to incorporate the substance of these two proposals related to weekly benefit amounts and benefit duration into H.R. 14705.

Our Union also strongly favors extension of unemployment compensation protection to farm workers. We urge your Committee—as a minimum—to amend H.R. 14705 to include the original Administration proposal concerning farm workers. Unemployment compensation protection for farm workers is long overdue. Extending coverage now to agricultural employers employing four or more workers in twenty weeks presents no greater problems than now exist in covering industrial workers.

Farm workers are subject to even greater risks of unemployment as other workers. Their families and the communities in which they live and work have the same needs for the protection of the program as families and communities closely attached to industrial work. We therefore strongly urge the Committee to extend the protection of this program to agricultural laborers.

Very truly yours,

THOMAS J. LLOYD,
President.
PATRICK E. GORMAN,
Secretary-Treasurer.

STATEMENT OF LOUIS STULBERG, PRESIDENT AND GENERAL SECRETARY, INTERNATIONAL LADIES' GARMENT WORKERS' UNION (AFL-CIO)

This statement is submitted on behalf of the 430,000 members of the International Ladies' Garment Workers' Union who work in 38 States and the Commonwealth of Puerto Rico. The overwhelming majority of our members, 80 percent of whom are women, depend on their earnings to support themselves and their dependents or to supplement inadequate earnings of other family members.

The unemployment insurance system must provide adequate protection to a maximum number of persons subject to the possibility of unemployment if it is to properly maintain worker incomes and act as an automatic stabilizer for our economy. Since the existing federal-state unemployment compensation

structure came into being 30 years ago, it has lost much of its viability because it has failed to keep pace with evolving needs.

H.R. 14705, now before your Committee, does not provide the modernization needed by our unemployment insurance system. It expands coverage of unemployment insurance protection to more people but fails to extend it to many others sorely in need of a safeguard from the ravages of unemployment. It automatically extends benefit duration in periods of recession but fails to correct the inadequate benefit duration under the laws of the several states even in normal times. It raises the taxable wage base to only $4,200 and thus still leaves a large proportion of payrolls untaxed. To make up for the inadequacy of the tax base, the bill raises the tax retained by the Federal government, thus further intensifying the inequity of the tax structure. At the same time H.R. 14705, by providing judicial review of adverse determinations of the Secretary of Labor under the provisions of Title III of the Federal Unemployment Tax Act, defeats the very purpose for which the Secretary was given his existing powers which were never abused. The most glaring deficiencies of the bill are in its omissions. It fails to provide Federal standards for improvement of the entire benefit structure. Thus, it does nothing to induce the various States to raise benefits, a necessary measure since some 40 percent of the insured unemployed receive benefits of less than one-half of their wages.

There is a definite need to reform the existing unemployment insurance system. However, the matter cannot be left to state action alone. Interstate competition, if nothing else, deters needed improvements in the absence of standards promulgated in the form of appropriate Federal legislation. We hope, therefore, that your Committee in the course of its deliberations will recognize the manifold deficiencies of H.R. 14705 and will recommend the needed amendments, including guidelines binding on the individual states, that would modernize the federal-state unemployment insurance system. A start in that direction was made by the 89th Congress when the House of Representatives and the Senate deliberated on H.R. 15119. Even so, that bill in both its original version and its amended form left considerable room for needed improvements.

In the following wages, we propose to examine briefly some of the basic proposals which we hope your Committee will incorporate in the bill for consideration by the Congress.

COVERAGE

Millions of wage and salary earners are still not covered by the unemployment insurance system. While H.R. 14705 does propose the extension of unemployment insurance protection to about 4.5 million workers, it would leave an additional 12.5 million persons outside the system. There is no justification for excluding any wage or salaried worker from unemployment insurance protection, whether they work in a small establishment, in a household, for a nonprofit organization, for a governmental agency, or in agricultural or nonagricultural pursuits. We urge your Committee to extend the law's coverage to all persons working for salaries or wages.

BENEFIT STRUCTURES

The existing benefit structures need to be updated in several respects by means of appropriate Federal standards to be written into your recommendations.

In view of the dynamic nature of the labor market and rising wage levels, the maximum benefit rate for every state should be set at no less than two-thirds of the statewide average wage for covered employees, determinable each year by state authorities. This proposal is in line with the recommendations of the Federal Advisory Council on Employment Security, accepted by President Eisenhower as far back as 1954 and endorsed subsequently by Presidents Kennedy and Johnson. President Nixon also recognized the validity of this principle in his message to the Congress on July 8, 1969. However, by leaving the matter to enactment by individual states rather than to the Congress of the United States, he frustrated his intent. Judging by past experience, the states are not prone to act in this matter in the absence of a national standard set forth in Federal legislation. This formula would permit a periodic (annual or semi-annual) adaptation of maximum benefit amounts to changing wage standards. It would assure that only a minority of the unemployed would get benefits amounting to less than 50 percent of their lost earnings.

The Federal law should also require every state to provide benefits equal to at least two-thirds of full-time weekly wages to workers who qualify for benefits smaller than the maximum amount. This would enable the average unemployed person to meet non-discretionary, non-postponable expenses, including rent, food, medical care, and the like (studies of the National Industrial Conference Board show that approximately two-thirds of disposable personal income goes for meeting such outlays). Incomes would thus be maintained, particularly for those in the lower income brackets, in line with broad national objectives in combating poverty and individual distress.

There is also need to provide a Federal standard for the maximum duration of benefit payments to persons who remain jobless. In most states, duration of benefits is dependent on length of prior employment or earnings. This is unsound. Benefits should be payable up to a specified maximum number of weeks in the course of a benefit year irrespective of the past earnings of the individual claimant who is ready, willing and able to work. This is a valid principle since the length of unemployment experienced by claimants bears no direct correlation with either past earnings or the continuity of past employment.

Experience has demonstrated that many workers suffer more than 26 weeks of unemployment in the course of a benefit year. The rate of benefit-right exhaustion is, of course, greater when business climate is poor than when business is good. Exhaustions are thus a function of both the overall economic climate as well as of the specific characteristics and operating patterns in the different industries. Thus, for example, apparel workers who are seriously affected by unemployment because of the economic characteristics of that industry do not typically suffer from extended unemployment and their exhaustion rates are among the lowest. Contributing to the exhaustion rate is also the fact that some industries may be suffering from a business slowdown while the rest of the economy is booming. A realistic approach to this problem is to provide a flat benefit duration financed by contributions levied by the individual states for the first 26 weeks of unemployment and benefits for an additional period of 13 weeks financed by the Federal government from income received under the Federal Unemployment Tax Act or out of general revenue. This is sounder than the proposal contained for the extension of benefits in H.R. 14705.

To assure equity, it is important that each covered worker get maximum credit for employment and earnings in his base period. Thus, individuals working in more than one state should have their benefits computed on total earnings, irrespective of the jurisdiction where they were earned. This sound principle is recognized by H.R. 14705. Similarly, the level of benefit rights should not be cut back or wage credits cancelled for any reason, a principle recognized at least in part by H.R. 14705. Disqualifications imposed on claimants should be codified by Federal law. Unfortunately, over the years, inconsistent and unduly harsh penalties have crept into some statutes, with punishment incommensurate with the nature of the offense. Penalties should be reasonable and should not extend beyond that portion of the unemployment period which is deemed to be directly brought about by the offending action, estimated by responsible agencies such as the Federal Advisory Council on Employment Security and the Bureau of Employment Security to be 6 weeks at the maximum. This standard should be incorporated in the Federal law as a binding guideline for states to follow. It should be applicable to all types of disqualifications including those resulting from strikes.

The Federal law should also provide maximum standards beyond which individual states could not deny initial entitlement of workers to unemployment insurance. A wide diversity of practices, developed since the first passage of unemployment insurance legislation, has resulted in widely differing requirements as to prior employment or earnings before a worker is deemed to meet the intial entitlement to benefits. This patchwork quilt of varied requirements, frequently developed without justification in fact, can only be remedied by Congressional action and the promulgation of standards binding on all the states. In no case should a state be permitted to require more than 15 weeks of base period employment to qualify a worker for entry into the system or, in the alternative, require a maximum of 30 weeks of employment during the base period and the immediately preceding year provided there are at least 10 weeks of employment in the base period. Where states rely on base period earnings as a qualifying test, base period earnings requirements (on an equivalent basis to a standard measured in weeks of prior employment when benefit rates are set to approximate two-thirds of base period weekly wages) shall not exceed 20 times the weekly

benefit amount or 1.2 times the high quarter earnings. The states should also be prohibited from requiring employment to be measured in terms of a number of quarters in the base period and no claimant should be required to meet more than a single test of employment or wage qualifying requirement.

FINANCING OF UNEMPLOYMENT INSURANCE

We recommend that the same tax base should be adopted by the Congress for unemployment insurance purposes as for Old Age, Survivors and Disability Insurance.

When the original Social Security Act was first taken up by the Congress, it was proposed to levy a tax for unemployment insurance purposes on total covered payrolls. However, a $3,000 limitation was thereafter adopted, the same as for Old Age and Survivors Insurance, because the overwhelming number of covered workers did not earn much over $3,000 at that time. With the advances in wage and salary levels this ceiling became obsolete. While in the case of Old Age, Survivors and Disability Insurance it has been gradually lifted to $7,800 beginning with 1968, no change in taxable wage base has ever been made for the Federal Unemployment Insurance Tax. As a result, anomalies developed in the tax structure with some employers paying a lower proportion of their total payrolls than others. At the same time, inadequate financing, coupled with frequently unsound experience rating provisions, placed undue restraints on needed improvements in unemployment insurance legislation. In view of interstate competition, it is essential for Congress to provide at least the same tax base for unemployment isurance purposes as it has done for Old Age, Survivors and Disability Insurance. The proposed tax base in H.R. 14705 falls short even of the $6,000 recommended by President Nixon in his message and Secretary of Labor Shultz in his testimony before your Committee. The inequity is compounded by the delay proposed for the implementation of the higher tax base. A tax base identical to that used for Old Age, Survivors and Disability Insurance would provide both a sounder and more equitable form of taxation and would make it unnecessary to increase the share of the payroll tax retained by the Federal government.

In considering unemployment insurance financing, it is to be hoped that your Committee will also review the existing chaotic experience rating practices under the various state laws. These unwise provisions have often weakened reserve funds and fostered perpetuation of inadequate levels of benefits and of benefit duration. Hopefully, your Committee will agree with many authorities on the subject that experience rating should be eliminated from the system or, if it be retained, should be severely limited. The range of variation between minimum and maximum permissible tax rates has to be narrowed, with no rates permitted to fall below one percent of the total payroll of the taxed employer. In any event, the schedule of tax rates should vary up or down in such manner as to insure that available reserves do not fall below an amount equal to the highest benefit payments over a continuous 18 month period in the preceding 10 years.

CONCLUSION

We submit to your Committee that H.R. 14705 fails to meet the current needs of the United States for a modernized unemployment insurance system. We have provided your Committee with a number of recommendations for needed reforms, including the appropriate standards that are needed for the guidance of the state legislatures. We believe they have been made more urgent because of the present economic slowdown and rising unemployment. We hope that these will meet with your Committee's approval and will find their way into the bill that will be reported out.

STATEMENT CONCERNING THE EXTENSION OF UNEMPLOYMENT INSURANCE TO FARM EMPLOYEES, SUBMITTED BY J. J. MILLER, EXECUTIVE VICE PRESIDENT, ON BEHALF OF THE AGRICULTURAL PRODUCERS LABOR COMMITTEE,* LOS ANGELES, CALIF.

This statement is presented on behalf of approximately 12,000 citrus and avocado growers and establishments where citrus and avocado fruit is prepared for

*A report attached to this statement entitled "The California Farm Labor Force: A Profile," prepared for the Assembly Committee on Agriculture by the Advisory Committee on Farm Labor Research with the assistance of the California Department of Employment, was made a part of the official files of the Committee.

market in California and Arizona. Mr. Miller is also an officer and director of the Unemployment Insurance Association which is composed of both industrial and farm associations in California.

THE PROPOSAL

In presenting legislation to Congress to improve the Federal-State unemployment insurance system, the federal administration has urged that a certain part of the farm labor force be insured against the risk of unemployment.

The original proposal was that agricultural workers on farms employing four or more workers in each of 20 weeks of the year be covered by the federal law. In the nation this involved about 400,000 farm workers, 190,000 of whom are estimated to be working in California—*48% of the total involved!*

CALIFORNIA IS AWARE OF THE PROBLEM

Prior to this year there have been some 46 different bills filed with our legislature seeking in some way or another to repeal the exclusion of farm workers from unemployment insurance. Last month the Chairman (William M. Ketchum) of the California Assembly Committee on Agriculture in testifying before a Subcommittee of the U.S. Senate Committee on Agriculture stated:

"The California Legislature has been struggling with the problems of agricultural employment for years. . . . The members of my committee, together with California agriculture, generally support the principle of extending comprehensive unemployment insurance to farm workers, but so far efforts to enact such legislation have floundered on the problem of financing the anticipated annual deficit of $30,000,000 in the State Unemployment Insurance Fund that would ensue. . ."

Last year the California State Chamber of Commerce which is composed of leaders from both agriculture and industry changed its policy of opposition to farm coverage to that of qualified support *if* equitable eligibility and financing provisions could be attached.

And the position of Governor Ronald Reagan supporting coverage for "permanent" or "year-round" farm workers has already been placed before the committee by the Secretary of Labor.

This Committee then, in considering the next step, must reason through the economic and social facts which to date, in spite of this tremendous interest and effort, have produced only a modest change in our farm coverage provisions.

HIGHER COSTS WILL HURT FARMING

It is well known that the number of farm workers is declining in this country. In 1930 the average annual employment of hired farm workers was 3,190,000. In 1969 it was projected at 1,165,000.

In August 1969 one of the leading banks in California took occasion to point out in their research publication that California farmers and ranchers were still confronted with a price (profit) picture stagnant at 1940 levels while their costs were moving up at a brisk 1970 pace.

Farm production expenses in California already average about 75% of gross farm income compared with a national average of 69%.

Our State Director of Agriculture has identified the rising costs of production as follows: High wages, high taxes, considerable expense for water to irrigate, and high freight bills in marketing.

It seems clear that a way must be found to increase the prices which farmers receive for their food and fibre. But this involves many uncertainties not the least of which is the perishable nature of the product, the mood of the purchasing consumer and the competition which is now developing from Mexico and other foreign countries.

It is well known that Mexico has boosted its export of agricultural commodities to the United States most dramatically. By way of illustration, the following comment is contained in Research Service, Fruit Situation, U.S. Department of Agriculture (June 1969): "During the first 4 months of 1969, U.S. imports of fresh strawberries totaled nearly 36 million pounds, nearly double those of the same period last year. . . . Most come from Mexico."

It should be understandable that California farmers are most sensitive to this proposal which would impose still another payroll tax upon them which for them will always be at the maximum level prescribed!

UI BENEFITS, TAX COST, AND THE RESULTING DEFICIT

If this proposal for farm coverage had been in effect last year, insuring 190,000 farmworkers, the result in California would have been as follows (taxes computed on present $3,800 wage ceiling):

[In millions]

	UI benefits paid	Tax cost to farmers	Deficit
By way of further illustration, one of the bills filed in California in 1969 insuring 250,000 farm workers (AB 1204) would have produced these results	$45	$25.0	$20.0
	60	31.6	28.4

With the second bill, if California farmers paid the entire benefit cost, the tax rate for the year 1969 would be *7.8% of taxable farm wages!* And this was a year of high industrial prosperity.

In 1965 it was estimated that if farm workers were covered for benefits, the benefit cost figure would be 11.9% of taxable farm wages.

One aspect of this dilemma is this: farmers obviously can pay neither 7.8% nor 11.9% of taxable payroll for this single cost item and industrial employers in California do not feel it is proper for them to pay the deficit resulting from farm coverage.

WHY THE DEFICIT AND HIGH UI COST IN CALIFORNIA

In discussing the matter of farm coverage with our California legislature in November, 1966, Robert C. Goodwin as Administrator for the then Bureau of Employment Security, made this observation: "California's tradition of pioneering solutions to serious and difficult problems makes it altogether appropriate and not at all surprising to find the State's legislature committees reviewing this subject."

In 1946 California extended coverage to all Industrial employers with one or more employee. In the same year it enacted an unemployment compensation disability program which was extended to include all farm workers beginning in 1961.

California has an extended duration program (13 additional weeks for a total of 39 when program is operative) and provides retraining benefits. And the great majority of employees working in agricultural servicing and processing are already covered for UI as well as unemployment disability.

A review by the Department of Labor as early as 1964, revealed that California had enacted 9 out of 10 major labor laws covering farm workers, the tenth being unemployment insurance.

Wages in California are high. The average weekly wage of all employees presently covered for unemployment insurance is $153.50. Accordingly, the average UI weekly benefit amount has been the highest in the nation.

The eligibility standard has always been very low, presently a flat $720 in the base year. At average wages this requirement can be satisfied with only 5 weeks of work. In part, for this reason, California in 1968 paid out benefits of over $404 million as compared to $278 million in New York and $27 million in Texas.

In reviewing the Department of Labor Chart prepared for these hearings, "State Qualifying Requirements Compared with Proposed Standard," it would appear that of the 52 jurisdictions, California is near the bottom with Maine which has a flat $600 earnings requirement and West Virginia with $700.

Relating this to taxes paid by California employers, the following chart lists the average employer contribution rates as a percent of total wages paid in 1967 (selected states, farm and industrial):

	Percent		Percent
California	1.58	Michigan	0.80
Illinois	.19	New Jersey	1.05
Indiana	.57	New York	.91
Iowa	.32	Ohio	.63
Kansas	.67	Pennsylvania	1.40
Massachusetts	1.18	Texas	.35

California is the highest by far, its average rate being *more than four times that in Texas*, which is a major competitive state.

A PROFILE OF THE CALIFORNIA FARM LABOR FORCE

Much of the present discussion by the Secretary of Labor is devoted not to the farm worker as such but rather to the employer, the farmer. He states that the "most serious deficiency" of the present bill is its failure to tax the "large agricultural enterprises"—these "very large operators."

The Secretary states that he would be willing to accept the proposal which was seriously considered by the House Ways and Means Committee to include only those farmers which had 8 hired workers in 26 weeks (as against original 4 in 20).

IN A VERY IMPORTANT RESPECT THIS DOES NOT FULLY DEVELOP THE POINT INVOLVED

This is a people program. California law begins on this premise (Section 100, California UI Code).

It is people, their work habits, their desire to work or willingness to travel to secure work, that influence the productive process or on the other hand determine the size of the tax cost which must be paid. The study of the problem at hand must begin and end at this point—it cannot be solved merely by debating the size of the farm to be taxed.

The Secretary makes reference to the California study made in 1965–66 entitled, "The California's Farm Labor Force: A Profile". A copy of this study is attached. From it these points emerge:

(1) As to the annual earnings of California farm workers in agriculture; 59% had less than $1,000.

(2) As to period of work, only 41% of the farm workers (per sample) were fully employed for 27 weeks or more during 1965 (the year of the sample).

(3) An important and significant part of the farm labor force does not want work year-round and do not regard themselves as permanently in the labor force. This group is composed of students, housewives, elderly people and friends, neighbors and relatives who work for others just to help out during a brief period of time.

(4) Except for the year-round workers with only one employer, such as managers, office workers, milkers, general farm workers, truck drivers, etc., it is the *mobile worker* (the migrant) with multiple farm employers in a variety of crops that is more likely to be a professional farm worker with greater earnings and attachment to the labor market. It is this person who is usually "more successful than his less professional counter-parts in finding some employment throughout most of the year."

(5) For the purpose of this report, a "Professional Farm Worker" is defined as: "workers who are non-students, whose farm earnings composed at least 80% of their total earnings, and who had $1,000 or more in farm earnings."

COVERAGE AND ELIGIBILITY

"Coverage" is the technique or process which mainly identifies the employer who will pay the UI tax. Only to a limited extent is this helpful in establishing the right of any individual to receive benefits.

If Congress acted only in this area, it would create a serious and adverse problem for California because, as the Secretary has already pointed out, "In California, anyone who earns $720 in a year meets the qualifying earnings test." This action would not equalize California's competitive position with say Texas (our chief farm state competitor), but would actually throw it further out of balance.

It would put California itself out of balance because our small farmers would not be able to compete with the big farms for workers. And it would not be fair to the professional year-round farm worker who worked steadily but for several non-covered farms. *Mobility* is important in the farm labor market and such action would lessen or discourage it.

The best approach has been suggested by the California State Chamber of Commerce—to have farm coverage *only if* equitable eligibility and financing provisions can be established.

The original bill (H.R. 12625) did contain an eligibility provision which would establish at least a minimum standard of labor market attachment, i.e., 15 weeks of work or 30 times the weekly benefit amount, in order for a person to qualify for benefits. While this may not be adequate, it would at least serve as somewhat of a safeguard to offset what could be a serious problem for California if coverage under the present terms were enacted.

The Secretary in his presentation has recognized the need for a "reasonable qualifying earnings requirement". A bill including farm coverage should also include such a provision.

BASIC PURPOSE OF THIS PROGRAM MUST BE RECOGNIZED

It is the hope of everyone concerned that the "Employment Security Amendments of 1970" can emerge as a constructive force in the further development of this important program.

To achieve this objective, however, will require recognition of the basic premise that this is an *insurance system;* that benefits should be paid only to those individuals who are genuinely a part of the labor market. This will also give recogniton to the limited possibilities of the *payroll tax* as the means of funding this program. The use of this special type of tax may have already reached the point of diminishing returns and even now may be working against the expansion of employment.

Those individuals whose only work is casual or in short seasonal activities should not be insured under this program.

AMERICAN ASSOCIATION OF NURSERYMEN, INC.,
Washington, D.C., February 5, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Old Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: The American Association of Nurserymen, Inc., with offices at 835 Southern Building, Washington, D.C., is a trade association composed of nearly 1800 member firms engaged in the production, sale and planting of nursery stock or in services to the nursery industry. Members of our association do business in every state in the union. Our product is agricultural in nature which explains our concern over the proposal to extend Federal Unemployment Compensation Statutes to farm workers.

Nursery industry employment patterns are identical to others in the agricultural community. We therefore must oppose current efforts which would extend coverage of the Federal Unemployment Compensation Statutes to farmers.

We feel that the problem of temporary help during peak seasons makes the extension of Federal Unemployment laws to agriculture financially difficult if not impossible. Rarely are these employees the same from year to year. They are of a temporary nature and are hired as needs indicate for a short period of time. Many of these workers are housewives, students and even other farmers who supplement their income by working for nurserymen during seasonal peaks. Many of these people do not have (nor want) permanent employment. Entitling them to claim unemployment compensation once terminated would tax nurserymen and the country to supply income for individuals who are not genuinely "out of work."

The American Association of Nurserymen therefore requests that proposals to include agriculture in Federal Unemployment Compensation Statutes be rejected.

We respectfully request that this letter be included in the record of the hearings for your committee.

Sincerely yours,

ROBERT F. LEDERER,
Executive Vice President.

STATEMENT OF HELENE TETRAULT, UNEMPLOYMENT INSURANCE DEPARTMENT, ACTORS' EQUITY ASSOCIATION

SUMMARY

1. The problem of multi-state workers

(a) The employment of multi-state workers is "covered" in the sense that their employers are paying contributions on their services, yet many such workers are unable to draw benefits when employed and otherwise qualified, by virtue of the fact that their employment is for more than one employer in more than one state and they are unable to meet the highly diverse and individual base period requirements of the several states on a single claim.

(b) Because of the variations in the individual state laws, many multi-state workers who do receive benefits are receiving benefits far below those to which they would be entitled if all of their employment was covered in a single state.

(c) Existing State plans for combining wages on multi-state claims are woefully inadequate since they depend for their effectiveness on the full participation of all States and many States do not participate under the present voluntary system.

2. A solution to this problem

Workers who are employed for short successive periods in different states should be allowed to accumulate their work experience both for determining their eligibility as well as for calculating their benefit amount. Sec. 121(a)(9)(B), Part B of Title I would make this possible and provides a long needed and practical solution to the problem. Actors' Equity Association warmly endorses this provision and urges its passage.

STATEMENT

Actors' Equity Association deeply appreciates the opportunity to appear before this body in support of Section 121(a)(9)(B) of Part B of H.R. 14705 which would require the participation of all States in arrangements for payment of compensation based on the combining of an individual's work and wages in two or more states, such arrangements to include the use of a single base period. We are very pleased to note that the Committee on Finance fully recognized the unique discrimination against multi-state workers, inherent if not intentional, in our present system of widely divergent State laws, and in 1966 included in H.R. 15119, a provision which would eliminate this problem. While the language in the present bill differs from that in H.R. 15119, its intent is the same and we strongly urge its passage.

Since detailed testimony concerning the problems of multi-state workers due to the multiplicity of eligibility requirements and the diversity of base periods was submitted before this body in 1966 and also in testimony before the House Committee on Ways and Means on October 6 of last year, I will merely review the problem at this time. In essence, the difficulty faced by the multi-state worker stems from the fact that while his occupation often requires that he work in two or more states for two or more employers in the course of a single year, the present Federal State Unemployment Insurance system is geared to the less mobile intrastate worker. Since the multi-state worker works in more than one State, his services are covered in more than one State. Therefore, when he is unemployed, he is rarely able to satisfy the eligibility requirements of any one State, or if by chance, he can qualify, he is far too often unable to qualify for the amount of benefits to which he would be entitled had all his wages and employment been earned from a single source. His only hope then is to be able to file a combined or extended claim under a voluntary arrangement among the several States.

Over the years most States have made arrangements among themselves for participation in combined claims . . . a claim in which employment in two or more States can be put together to meet the requirements of the State in which the claim is filed . . . and extended claims . . . a claim in which weeks and wages in other States can be utilized to increase the claimant's benefit rate or duration of benefits in the State in which or against which the claim is filed. All States do not participate in these arrangements, however. To this day, there are still two which do not participate in combined claims, and there are five which do not participate in extended claims. Moreover, and herein lies the flaw

which renders these plans unworkable, more often than not, both the combined and extended claims plans provide that wages from two or more States may be utilized *only to the extent that the base period of the paying State and the base period of the transferring State coincide.* It is this condition which has frustrated the multi-state worker and effectively destroyed the meaning and purpose of these plans. When the base period of the State of New York, for example, is the fifty-two weeks ending with the Sunday preceding the filing of claim; the base period of the State of Illinois is the four quarters ending four to seven months before the filing of claim; and the base period of the State of North Carolina is the first four of the last six completed calendar quarters, how often and for how long do these base periods coincide? How many multi-state workers with the twenty weeks required in New York cannot use those twenty weeks because five of them are covered in Illinois or Florida or Connecticut and these States are not yet paying on the applicable quarters. And there are many cases of workers with far more than twenty weeks in covered employment who have been denied benefits because the base periods of the States in which their employment was covered simply did not mesh. How is it possible, for example, to combine wages in Massachusetts and New Hampshire, when there is no lag in Massachusetts before work credits can be used and in New Hampshire there is a lag of twelve to fifteen *months* before credits can be cited on a claim. Yet these two States are contiguous.

There has, of course, been a recent change in the picture. Prompted, we believe, by the increased Federal interest in this problem and the work of your Committee in uncovering the inequities involved, a number of States have since October 1, 1969, agreed to participate in a new plan . . . the Consolidated Wage Combining Plan in which for the first time, the subscriber States have agreed to utilize a single base period in connection with multi-state claims, waiving where necessary the base periods of the transferring States in favor of that of the paying State, generally the State in which or against which the claim is filed. With this partial breakthrough it has been argued by some that Federal action is no longer necessary. This, we feel most strongly, is untrue. The voluntary participation of some States merely points up the fact that an accommodation of this kind is, as we have long said it was, practical as well as fair.

It can and does work and it requires no additional financing. But so long as it is not uniform . . . so long as all States do not participate . . . the injustice remains.

Let us explore for a moment the present situation. Of fifty States, the Commonwealth of Puerto Rico and the District of Columbia, twenty-seven, approximately one-half, now participate. While this represents a great step forward, it cannot solve more than a portion of the problem since only a portion of the States are involved. Moreover, as the plan is set up, no one can file under it unless (a) he files from a participating State, and (b) all the wages to be used are covered in participating States.

As an example of the problem presented by the first requirement, let us consider the plight of an Illinois resident who has wages in New York and Pennsylvania which fall within his Illinois base period and meet Illinois' eligibility requirements. The use of these wages requires a waiver of New York's base period. New York would normally make the transfer since both New York and Pennsylvania now participate in the new Consolidated Claims plan. Illinois, however, does not. Therefore our Illinois resident cannot file under this plan and is denied benefits.

As to the second requirement, let us examine the actual case of an actor who recently filed a claim in New York with twenty-two weeks of covered employment and was denied benefits. He had twelve weeks covered in New York with New York's base period, six weeks covered in Florida which fell both within his base period in New York and his base period in Florida and six weeks covered in Pennsylvania which fell within his New York base period but not within his base period in Pennsylvania. Pennsylvania being a participant with New York in the new plan was willing to release credits, but Florida is not a participant. Therefore, even though the work performed in Florida fell within that State's base period, the plan could not be utilized and the claim was denied.

Ironically enough, at the same time that the argument has been advanced that Federal action is not now needed because the new State plan solves the problem, other arguments have been advanced as to why the non-participating States should not be required to join! It has been said, for example, that this

would create a problem in States which do not have request reporting. It is contended that should wage credits need to be obtained and transferred at a date earlier than that on which they would normally be utilized, a manual procedure might have to be followed. Yet it is most interesting to note that of the twenty-seven States already participating, twenty-one of these do not have request reporting indicating that the problem was far from insoluble, and of those which do have request reporting, and ostensibly no problem, six are not yet subscribers to the plan.

Approximately thirty years have gone by since the inception of the Federal State Unemployment Insurance system. There have been thirty years of discrimination against the multi-state worker. Surely, it is time to end it, and voluntary plans, while helpful, are not the answer. Although thirty years have gone by, there are still two States which do not participate in the most basic of accommodations, the combined claim. Although thirty years have elapsed, there are still five States which do not participate in extended claims. What guarantee does the multi-state worker have then that another thirty years will see the full participation of all States in Consolidated Claims. And why should he wait for another thirty years or even another five. There is, we submit, no further need for this game of geographical musical chairs. The multi-state worker is entitled to the same rights as other workers, and a solution to his problem has been found. It has been tested and found workable. It is included in H.R. 14705, and we urge that it be adopted.

STATEMENT OF THE BUREAU OF SALESMEN'S NATIONAL ASSOCIATIONS, SUBMITTED BY MARSHALL J. MANTLER, MANAGING DIRECTOR

This statement is made on behalf of the Bureau of Salesmen's National Associations to express the view of 40,000 salesmen in the apparel industry respecting H.R. 14705, the pending measure to extend and improve the Federal-State unemployment compensation program.

The Bureau enthusiastically supports efforts to extend coverage under the Federal Unemployment Tax Act, and thus strongly urges the Committee's approval of H.R. 14705 in its present form.

We particularly favor the use of the Social Security Act coverage provision in the Federal Unemployment Tax Act. Thus, under section 102(a) of the Bill, the definition of "employee" for purposes of unemployment compensation would include the many outside salesmen and commission salesmen who may not be clearly deemed "employees" under present law. See section 3306(i) of the Internal Revenue Code of 1954, which relies upon the less modern and humanistic common law rules. In brief, the more functional definition in the Social Security Act [§3121(d) of the Internal Revenue Code] is, we submit, equally desirable in such parallel social legislation as the Federal Unemployment Compensation Act.

In an era when the need for adequate social legislation has become increasingly recognized, it is mandatory that the customary benefits of the employer-employee relationship be extended to all persons who are in fact dependent upon another for their employment. While this need has been previously recognized under the Social Security Act, it has not been recognized insofar as the benefits of unemployment compensation are concerned.

An individual salesman in the apparel industry who must look to another for his livelihood does not enjoy the normal job security which employee groups in general have been able to achieve. In the case of such a salesman, the prospect of being deprived of his livelihood without unemployment compensation benefits simply aggravates an existing social and economic problem of the industry. Unemployment compensation is necessary not only to help the salesman breach the gap between jobs but, in some measure, to increase the economic onus falling on the apparel manufacturer who discharges him without adequate cause. In terms of financial independence, such salesmen are no less "employees" than are those persons presently within the protection of the Federal-State unemployment compensation program. In this respect, reliance upon the present definition of "employee" may bring about unjust and unequal treatment of persons similarly situated.

For the reasons outlined above, we strongly endorse the prompt enactment into law of H.R. 14705 in its present form.

STATEMENT OF MARVIN LEFFLER, CHAIRMAN OF THE BOARD, NATIONAL COUNCIL OF SALESMEN'S ORGANIZATIONS, INC.

Chairman, Mills, Distinguished Members of the Committee, Eminent Counsel to the Committee and Members of the Committee Staff: My name is Marvin Leffler, and I am Chairman of the Board of National Council of Salesmen's Organizations, Inc., which has its principal office in New York City. We are the parent council for fifty-nine salesmen's organizations whose members serve all industries in the United States and whose compensation is derived from commissions paid by those whose products they sell. (Appended to this statement is a list of our constituent member groups.)

SALESMEN'S HIGH RISK OF UNEMPLOYMENT

In addition to my work with National Council, I have personal experience as a sales representative, have authored two widely-distributed books relating to the position of the sales representative in our economy and have been concerned, on a daily basis, with the growing problem of those who earn their living as salesmen. It is heartening to me personally and to National Council and its Board of Directors, to see contained in the bill before you a provision for including many salesmen, who up to now, did not meet the statutory definition of employee.

SECTION 102—DEFINITION OF EMPLOYEE

We refer specifically to Section 102 of the proposed bill entitled definition of employee and will limit our testimony to an endorsement of the proposed new definition which, as you know, would include "a traveling or city salesman engaged on a full-time basis in the solicitation on behalf of, and the transmission to, his principal (except for sideline sales activities on behalf of some other person) of orders from wholesalers, retailers, etc. . . ."

This new definition for unemployment compensation eligibility is the one now contained in Section 3121(d) paragraph 3 of that section which, incidentally, governs the social security eligibility loss contained in its subparagraph D, the elements of the definition which, up to now, have been lacking, with the consequence that many employers have used the present Section 3306(i) as a means of eliminating the commission salesmen from coverage.

TERM "INDEPENDENT CONTRACTOR" HAS LED TO ABUSE

The crucial point is the elimination of the term "independent contractor" which appears in the current definition and which is currently eliminated from the definition proposed in Section 3121(d), paragraph 2. We hope that it will be useful for the Committee to receive from us today a brief picture of the problems faced by salesmen working on a commission basis who are currently being deprived of unemployment insurance coverage. These men, many of whom are members of our affiliated organizations, carry a principal line and occasionally supplement income with a few side lines. During the normal course of business events, a salesman leads a perilous existence for his retention of a line of merchandise depends upon constant sales performance and, in many cases, the salesman is sacrificed when sales plunge due to conditions beyond his control. In today's world of proliferating mergers and acquisitions, the salesman is being subjected to even greater risk of unemployment than he has faced throughout his normal business career. Yet the employer, by successfully contending that the salesman as a commissioned person is an independent contractor, has been able to bar the assessment of unemployment insurance tax and thus, the unemployed salesman, unlike his fellow members of the working force, is left without emergency help when it could be beneficially utilized.

MULTIPLE-LINE SALESMEN DEFINED

There will be those who might direct the attention of this Committee to the multiple-line salesman whose income is generally high, and whose operations are more in the nature of independent business, and they might assert that this multiple-line salesman could possibly utilize the proposed definition of Paragraph 3, Section d of 3121 to entitlement to unemployment insurance coverage. We therefore wish to state that many members of our constituent organizations are multiple-line salesmen and, while they would welcome a system which would

enable some provision to be made for unemployment coverage, they recognize that it would be difficult to establish exactly when they had become unemployed and thus, do not believe that the proposed legislation is the type which would be required to serve their special needs. It is perhaps interesting to note that the National Council of Salesmen's Organizations was formed in 1945 to press for the inclusion of its members in the Social Security Act which, as originally drawn, did not include the commissioned salesman. We wish to extend our compliments to the sponsors of H.R. 14705 who have recognized a need to clarify the status of the salesman insofar as unemployment insurance is concerned.

CONCLUSIONS AND RECOMMENDATIONS

We do not presume to be expert on other portions of the bill before you and therefore, will conclude our testimony with an urgent recommendation that the portion of it which deals with the definition of employee be included as written in the final bill with one exception, and that would be to better define the relationship between the terms "full time basis" and "side line sales activities" in Paragraph 3 D, section 3121(d). It would be our recommendation that "full time" be defined as involving at least 80% of the income of a salesman, while "side line activities" might constitute 20% of his income. By thus pinning down what is meant by both these terms, we feel that evasions will be limited for, if it is possible to place individual interpretation as to the meaning of full time, it is likely that those who should come under the protection of the proposed legislation might be left out, and those who should not at present be included could be possibly deemed to be covered.

We hope that H.R. 14705 will receive the approval of this Committee and go on to ultimate passage in the Congress.

CONSTITUENT MEMBER ORGANIZATIONS

Boot & Shoe Travelers' Assn. of N.Y.
Connecticut Assn. of Manufacturers' Reps.
Costume Jewelry Salesmen's Assn.
Empire State Furniture Mfrs. Reps.
Fabric Salesmen's Assn. of Boston
Furniture Mfrs. Reps. of New Jersey
Furniture Mfrs. Reps. of New York
Far Western Travelers Association
Housewares Hardware Reps. of Metro. N.Y.
Infants' & Children's Wear Sales. Guild
Infants' Furniture Reps. Assn. of N.Y.
Lighting, Lamp & Electrical Mfrs. Salesmen's Assn.
Luggage & Leather Goods Sales. Assn.
Natl. Fashion Accessories Sales. Guild
New Jersey Paint Travelers Assn.
New Jersey Sales Representatives
New York Candy Club
New York Paint Travelers
Philadelphia Mfrs. Reps. Assn.
Piece Goods Salesmen's Assn.
Sales Representatives Association
Toy Knights of America
Underwear Negligee Associates
The F.U.R.N. Club, Inc. of Denver, Colo.
Pittsburgh Home Furnishings Assn.
Natl. Home Furnishings Reps. Assn.
Furniture Club of St. Louis, Inc.
Furniture Mfrs. Reps. of Wisconsin
Kansas City Home Furnishings Reps. Assn.
Manufacturers Agents Club, Chicago, Ill.
Midwest Furniture Salesmen's Club
Minnesota Furniture Salesmen's Club
New England Home Furnishings Reps.
Ohio Home Furnishings Reps. Assn.
Furniture Club of Philadelphia.
Southwest Roadrunners, Inc.
Tennessee Furniture Travelers

Home Furnishings Reps. of Michigan
Florida Home Furnishings Travelers
Alabama Furniture Travelers
Maryland-D.C. Home Furn. Reps. Assn.
Virginia-Carolinas Home Furn. Reps.
Georgia Home Furn. Reps. Assn.
Kentucky Furnituremen
West Virginia Home Furns. Salesmen's Assn.
Indiana Home Furn. Club
Furniture Club of No. California
Cincinnati Wholesale Home Furn. Assn.
Cleveland Home Furn. Reps. Assn.
Furniture Club of So. California
Louisiana Home Furn. Reps. Assn.
Northwest Travelers of Home Furnishings (Oregon Chapter)
Mississippi Furniture Travelers
Northwest Travelers of Home Furnishings (Washington Chapter)
Arizona Home Furn. Reps. Club
San Diego Home Furnishings Reps. Assn.
Connecticut Paint Salesmen's Club

STATEMENT OF TAULMAN A. MILLER, PROFESSOR OF ECONOMICS, INDIANA UNIVERSITY

It is a privilege to appear before this Committee in support of legislation to modernize and improve the nation's unemployment insurance system. The bill before you, H.R. 14705, takes important steps in the direction of desirable modernization though I should like to see it go further. I hope the Committee will recommend some revisions in the bill, but in any event, the enactment of H.R. 14705 would bring about substantial improvement in our system of unemployment insurance.

In summary, my statement attempts to make the following points:

(A) The taxable wage base must be increased over the present level of $3,000. The increase to $4,200 in 1972 is desirable, but insufficient in amount. More appropriate would be an increase to $4,800 in 1972 and $6,000 in 1975. The present $3,000 base limits desired revenue yields; it is obsolete in terms of present levels of wages and many state benefit formulas; and creates significant tax inequities.

(B) Extensions of coverage of the unemployment insurance system are desirable. An excluded employee who loses his job is just as much in need of unemployment benefits as is the covered worker in the same position. A coverage provision to include employees of large agricultural establishments should be added to the bill. Extension of coverage to the services of individuals employed by public and private institutions of higher education is desirable, but raises some difficult problems that call for modifications of the language of Section 104 of the bill.

(C) Other major sections of H.R. 14705 represent significant forward steps in the development of unemployment insurance. The extended unemployment compensation program is essential as viewed in the light of experience. The establishment of an Advisory Council and a research program provide the opportunity for continuing review of the program to keep it creative and dynamic and to achieve maximum efficiency in its operations.

(D) The greatest weakness in our present unemployment insurance system is inadequate benefit levels. Although H.R. 14705 does not deal directly with benefit amounts, I hope that the Congress and the Administration will continue to direct attention to this critical issue.

A. THE TAXABLE WAGE BASE

The fundamental goal of unemployment insurance is the replacement of a reasonable portion of wages lost as a result of involuntary unemployment for limited periods of time by workers with a history of previous employment. Replacement of wage loss provides a measure of economic security for workers; and in helping to sustain spending for goods and services, the flow of unemployment insurance payments supports the business community as well. Adequate,

efficient and equitable financial arrangements to provide for meeting the potential unemployment benefit costs of the 1970's are essential.

The taxable wage base is a crucial element in financing provisions. The present level of $3,000 is perhaps the most critically obsolete of any feature of federal unemployment insurance legislation. The Social Security Act of 1935 specified that unemployment taxes were to be levied on total wages in covered employment. In 1939, the financing provisions for unemployment insurance were reenacted as the Federal Unemployment Tax Act and the tax base redefined as the first $3,000 of wages paid to an employee during a calendar year. At the time it was considered desirable that the tax base for unemployment insurance be the same as that for old-age insurance. This objective apparently has long been forgotten, for the old-age insurance tax base has been raised several times and presently stands at $7,800, while the unemployment insurance tax base has remained frozen at $3,000 in Federal law and in the majority of States.

Without venturing any predictions of the number or severity of possible recessions during the 1970's, one can be fairly confident that the potential liability of the unemployment insurance system for benefit payments will continue to expand steadily. The number of covered workers enlarges with the growth in total employment; average weekly benefit payments increase modestly with rising wages; and we can probably expect from state legislatures further statutory increases in benefit amounts payable.

As total wages continue their upward trend, total benefit payments will rise, sharply in the event of recession. But because the annual earnings of most workers are already above the tax base, particularly where the $3,000 ceiling exists, increases in wages do not bring more money into state reserve funds. Thus increases in benefits sufficient to diminish reserves appreciably will, through the operations of experience rating, put strong upward pressure on employer tax rates and perhaps jeopardize the operation of experience rating systems.

One way thus argue that to maintain approximately the present level of benefits during the 1970's increases in revenues are needed. And improvement of benefit levels, which are presently inadequate, will require further increases in revenues. Finally, the Secretary of Labor has testified to the need for additional funds for administration of the program, and indeed H.R. 14705 includes a permanent increase in the net Federal tax for that purpose. An increase in the tax base is clearly the more equitable way to meet the needs for increased revenues.

Failure to increase the tax base appropriately has been the greatest weakness in the tax structure of our unemployment insurance system. The steady rise of wage levels has opened an increasing gap between taxable wages and total wages. Taxable wages amounted to approximately 98 percent of total wages in 1938 and 1939, dropped to 61 percent in 1960, and stood at approximately 50 percent of total wages at the end of 1968. Consequently, the standard unemployment tax rate of 2.7 percent of *taxable* payrolls is currently equivalent to a rate of about 1.35 percent of *total* payrolls, a reduction of nearly one-half since 1938–39.

The average employer tax rate for 1968 was estimated at 1.5 percent of *taxable* payrolls (the result of experience rating) and 0.8 percent of *total* payrolls, again nearly 50 percent less. Thus there has been a substantial reduction in the effective rate of unemployment insurance taxation over and above the reductions generated by experience rating. This kind of tax reduction is inconsistent with the need for increased revenues to finance an adequate benefit structure.

The steady decline in the ratio of taxable to total wages also introduces an element of inequity into the unemployment tax structure. The effective tax rate (the rate assigned to an employer expressed as a percentage of his total payroll) varies with the level of wages paid to his employees. Employers in low-wage firms, industries, or areas pay taxes on substantially higher percentage of their total wage bill than do employers in high-wage firms, industries, or areas.

For example, under a maximum $3,000 tax base, an employer with a 2 percent contribution rate whose employees are paid $4,000 per year has an effective tax rate of 1.5 percent; a second employer with the same 2 percent contribution rate whose employees earn $6,000 per year has an effective tax rate of 1 percent. An increase in the tax base would reduce this kind of inequity.

Another consequence of a low tax base that may have adverse implications for benefit financing arises out of the tax base's interaction with the formulas used to compute benefits. In a large number of States, benefit payments, both the weekly amount and the total amount payable in the benefit year, may be based on earnings that are greater than the maximum tax base. Thus a portion of benefits are paid on the basis of earnings not subject to tax payment. This resembles an insurance plan which promises benefits of $5,000, but collects premiums on the basis of a maximum risk of $3,000.

As total wages rise, the tax base must rise to preserve a reasonable relationship between taxable and total wages. H.R. 14705 provides for an increase of $4,200 effective in 1972, but as the Secretary of Labor pointed out in his testimony this does not go far enough to reduce existing tax inequities significantly. I support the Secretary's suggestion that the tax base be increased to $4,800 in 1972 and $6,000 in 1975. The increased revenues generated would encourage the enactment of more adequate benefit structures and eliminate the need for a permanent increase in the Federal Unemployment Tax. Inequities in the tax structure would be reduced. If the increased revenues generated by the higher tax base were in excess of requirements for benefit financing, state systems of experience rating would reduce employer tax rates.

B. COVERAGE PROVISIONS

If one accepts the proposition that unemployment insurance is a desirable part of the nation's broad effort to provide the largest possible measure of economic security for its population, it naturally follows that coverage of the unemployment insurance system should be as nearly universal as is practical and feasible. After nearly thirty-five years of experience with unemployment insurance, significant expansion of coverage is not only timely but overdue. In general I endorse the provisions of H.R. 14705 that accomplish this significant expansion. Although the states may expand coverage under existing federal law they have been slow to do so. Hence, the method envisaged by H.R. 14705 is the only sure way to extend the protection of unemployment insurance to a larger portion of the nation's labor force.

I regret that the bill before you does not include a provision to cover wage labor on large farms. The Secretary of Labor has presented effective arguments for such a provision and I support his proposals completely. There is no evidence that workers employed in agriculture have less need for protection against the hazard of unemployment, in fact many of them may be less regularly employed than their industrial counterparts. There are no administrative problems beyond the capacity of state agencies to handle. The limitation of coverage to large farms precludes the imposition of any new financial burden on the traditional family farm. The evidence seems to be that the cost of benefits would be no higher than benefit costs in the construction industry which has been covered. In short, I find it difficult to conceive of strong arguments for continued exclusion of employees of large farms.

The Secretary recommended inclusion of a provision to cover employing agricultural establishments that had 4 workers in 20 weeks during a calendar year. This provision was initially recommended by the President and is the provision that is now applicable to industry generally. If this provision appeared to be too large an initial step into an area hitherto excluded, an alternate proposal to cover farms with 8 or more employees in 26 weeks during a calendar year was suggested as a smaller step. I urge the Committee to take at least this smaller step in order to initiate the extension of unemployment insurance to employees who need its protection fully as much as do those now covered. Once again we cannot rely on state initiative to achieve the goal of nation-wide protection for employees of large farms. The spectre of imposing a competitive disadvantage on employers in their own states continues, apparently, to inhibit action by state legislatures.

I am in favor of the extension of coverage to the employees of non-profit organizations and state hospitals and institutions of higher education and concur in the methods set forth in the bill to achieve such coverage. Although employing units in these classifications (i.e. non-profit organizations and state hospitals and institutions of higher education) differ in many respects from a private firm, their employees are subject to the risk of unemployment and should be afforded the protection of unemployment insurance. The general case for coverage is the same as that for employees of small firms or agricultural workers.

It is clearly stated in the bill that as condition of certification of state laws, a state must extend to non-profit organizations the option to agree to reimburse the State unemployment fund for any benefits paid to its employees in lieu of making regular tax payments. This is a desirable provision analogous to existing arrangements for payment of benefits to certain federal employees. However, I do not find in the bill or in the various summaries I have examined an unambiguous satement that state laws must extend the same option to state hospitals and institutions of higher education. There seems to an inference of intent to require the reimbursement option for these institutions and existing law may already provide it. However, the present bill would be improved by a clear statement to this effect. Acceptance of coverage as contemplated by H.R. 14705 on the part of administrators of State hospitals and institutions of higher education would be enhanced by a guarantee that the reimbursement option would be available.

Coverage of employees of institutions of higher education both public and private raises some special problems resulting from the nature of contracts of employment in higher education. Employees of such institutions fall into two major categories: academic and non-academic. The latter are engaged in a variety of service, maintenance, custodial and clerical jobs completely analogous to such jobs in private industry. Since many such employees are paid by the hour week or month, they are subject to lay-off as well as separation and thus to the risk of unemployment. In my opinion such employees should be covered in exactly the same manner as employees in private industry and be eligible for benefits under state law without exception or special restriction.

Academic employees, instructional personnel, some research workers and a smaller proportion of administrators are employed on annual salary but are at work usually two semesters or three quarters of the year. Unless such employees are paid on a twelve-month's basis, and many of them are not, they would be eligible for unemployment benefits during the summer months. The absence of "suitable employment" in most college and university communities during the summer virtually guarantees such eligibility. These conditions create a situation in which unemployment insurance funds are in effect used as annual salary supplements, a use which is clearly a perversion of the fundamental purpose of unemployment insurance. This situation could arise only in the case of full-time academic employees. Students employed by a college or university in a part-time instructional, research or other capacity during the regular academic year would not be eligible for benefits during the summer months since service performed in the employ of a school college or university by a regularly enrolled student is not covered employment within the meaning of the Federal Unemployment Tax Act, hence cannot serve as a basis for benefit eligibility.

The bill before you attempts to resolve the problems considered above in two ways. In the first place it excludes from coverage service performed for institutions of higher education, public or private, by individuals employed in an instructional, research or principal administrative capacity. The Secretary of Labor opposes this exclusion and has urged your Committee to strike it from the bill. His arguments are impressive and I believe that the exclusion should be eliminated. Its retention would resolve the problem of unwarranted benefit payment during the summer months, but in addition to questions of the propriety of excluding certain workers within a covered establishment, problems of interpretation and definition of the terms "instructional," "research" and "principal administrative" capacity, the exclusion would deprive individuals of the protection of unemployment insurance in the event of termination of employment.

The second provision of H.R. 14705 that seeks to resolve the problem of unwarranted benefit payment is the language in Section 104 of the bill that permits the states to provide the extent to which unemployment compensation shall not be payable on the basis of service for institutions of higher education from the end of the institution's regular spring term until the beginning of the institution's next regular fall term. If this can be read as barring the payment of all benefits to all benefits to all employees of institutions of higher education, it is much too broad because it could deprive non-academic employees, whose risk of temporary unemployment is comparable to that of their counterparts in private industry, of benefit payments during the summer months. It might also solve the problem of what I called unwarranted summer benefits, but like the exclusion provision it goes too far.

I have raised what seem to me to be a difficult problem even though it is one that may affect relatively small number of people. One solution that may be feasible and achieve the objectives I have stated—(1) to allow benefit payments at any time, summer included, to non-academic employees who are not on annual salary and (2) to prevent the payment of unwarranted summer benefits to academic employees on annual salary whose services have not been terminated—is to revise and limit the authority granted to the states to regulate payment of unemployment compensation during the summer interval between regular terms. The essence of such a provision should be that state law may provide the extent to which unemployment compensation shall not be payable during the summer interval to employees of institutions of higher education paid an annual salary whose services have not been terminated by the institution.

C. OTHER PROVISIONS OF H.R. 14705

The extended benfits program provided by H.R. 14705 should certainly be enacted. We should be prepared for the conditions under which extension of duration of benefit payments to unemployed workers is essential for income maintenance. As the House Ways and Means Committee noted, "a program of this type should not be enacted under the pressure of an emergency situation when a recesssion is underway."

I believe the program should be regarded as frankly experimental, though I am sure that it has had the benefit of a great deal of study. The bill calls for an equal sharing of the costs of extended benefits between the Federal Government and the States. Perhaps some other formula for allocation of costs may be more defensible in the future. I think a case can be made for full Federal responsibility but the enactment of a plan of this sort would be equally experimental. The triggering system is complex but seems rational. Continuing study and perhaps experience will be required to determine whether it is operationally efficient.

The inference to be drawn from these remarks imply my strong support of a Federal Advisory Council and the establishment of a continuing research program. Any program of the magnitude and complexity of unemployment insurance needs continuing study to keep it flexible and dynamic.

D. LEVEL OF UNEMPLOYMENT BENEFITS

Benefits payable under our unemployment insurance system are inadequate. The average weekly unemployment payment is only a little bit above one-third of the average weekly wage of workers covered by the system. An unemployment insurance system which yields such results has fallen considerably short of a reasonable replacement of wages lost as a result of unemployment.

I can understand the reasons why H.R. 14705 does not deal directly with the problem of benefit amounts. Although I am still convinced that the enactment of Federal minimum benefits standards offers the best hope for the solution of the benefit adequacy problem, perhaps the enactment of H.R. 14705 and continuing attention to the issues of unemployment insurancy on the Congress and the Administration will awaken national interest and concern and result in further improvements in unemployment insurance at the state level.

LOYOLA UNIVERSITY OF CHICAGO,
INSTITUTE OF INDUSTRIAL RELATIONS,
OFFICE OF THE DIRECTOR,
February 9, 1970.

HON. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: My comments are being submitted for your consideration and for inclusion in the hearings on H.R. 14705, a bill to extend and improve the Federal-State unemployment insurance program.

I endorse the extension of coverage provided in the bill. It is recommended, however, that these provisions be expanded to include farm workers and be amended by deleting the exemption relating to instructors and individuals in research and in a principal administrative capacity in institutions of higher education. The raising of the taxable wage base to an amount reasonably related

to annual wages is strongly recommended. A number of provisions in the bill make significant improvements in the unemployment insurance program such as extended benefits and research and staff training programs which are long overdue. Similarly, there has been a need for some time for the provisions for requirements to be met by state laws relating to limitations or cancellation or total reduction of benefit rights, discrimination against interstate workers and against claimants who desire to participate in training programs.

It is hoped that your Committee will strengthen this bill not only on coverage and the wage base but also in providing for benefit standards which I believe are necessary to provide an unemployment insurance system which meets the demands of social justice. Adequate benefits are so important, especially for the family breadwinner, that I strongly urge the addition of Federal benefit standards to these amendments. Since the inadequate benefit problem is with us despite exhortations to the states over many years, I am convinced that benefits high enough to prevent a severe cut in a worker's standard of living when he is unemployed cannot be achieved without Federal action.

COVERAGE

I note with approval the provisions in H.R. 14705 for reducing by approximately one-fourth the grave injustice done to some seventeen million workers who currently are denied the protection given other workers should they become unemployed through no fault of their own.

It is of concern to me, however, that the coverage provisions of H.R. 14705 would exclude some one million workers who would have been covered under the provisions of the bill originally considered by the House Committee. The exemption of individuals "employed in an instructional, research or principal administrative capacity" from the requirement of coverage for State and nonprofit institutions of higher education is particularly inequitable and discriminatory to individuals who would be protected under the program if they had been employed in the same profession or occupation in private industry. I hope that your Committee also will correct another inequity by giving favorable consideration to the addition of farm workers to coverage or at least to extend coverage to regular agricultural workers employed by large farm employers as a step in this direction.

The current exclusions from coverage of large groups of workers, such as those on farms and in domestic service and those employed by small firms and nonprofit organizations, violate the sound principle that social insurance programs should have uniform application irrespective of the economic sector where individuals work. As one concerned over the sixteen and one-half million workers who currently are denied the right to wage loss protection when they are unemployed. I urge that action be taken by the Senate to provide a much more significant advance in bringing these excluded workers into the program than is provided in H.R. 14705.

TAXABLE WAGE BASE

I am particularly concerned over the inadequate provision for financing in H.R. 14705 by raising the taxable wage base to only $4200. No provision is made for future increases in the base in order to meet the long range needs of the program and to reduce the inequitable impact of the tax among employers. The increase in the rate of the tax will further aggravate this inequity since it will bear more heavily on low-wage than high-wage employers.

My current study of unemployment insurance claimants indicates the need for adequate administrative financing provisions to enable employment security agencies to provide claimants with the essential services needed to assist them in adjusting to changing labor market conditions in order to secure steady employment.

It is urged that the taxable wage base be raised to at least $4800 for 1972 and 1973 and to at least $6000 for years after 1973. If this is not done, the current problem of inadequate funds to finance the administrative costs of the employment security system will reoccur in a few years. Unless the base is raised to an amount high enough to continue to be related on some reasonable basis to annual wages of covered workers, it will be necessary to revise the tax structure frequently in order to counteract an eroding wage base.

Since there is a tendency for such revisions to lag long after the need for change arises, it is essential that adequate administrative financing be provided

for at least a ten-year period in the present bill if the program is to operate effectively.

I appreciate this opportunity to present my views on the sections of H.R. 14705 on which I have expressed interest and support for a number of years. Since I believe the need for expanding and strengthening the unemployment insurance system is so urgent, I hope that action by the Senate will be given a very high priority.

Sincerely,

LOUIS F. BUCKLEY,
Professor of Economics.

THE UNIVERSITY OF MICHIGAN,
SCHOOL OF SOCIAL WORK,
Ann Arbor, Mich., February 13, 1970.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: I would like to share with you some observations on H.R. 14705, the Employment Security Amendments of 1969, which your Committee is about to consider. I am writing as a student of social insurance and former staff member of the Bureau of Employment Security. The following observations are intended for your consideration and inclusion in the record of hearings on H.R. 14705.

The amendments adopted by the House of Representatives on November 13, 1969, and now before your Committee, are similar in most respects to changes adopted in 1965-66 by both branches of the Congress—changes which failed of final enactment. I am limiting my comments to provisions of the bill which I have supported in past years—extension of coverage, extended benefit protection, a higher taxable wage base, protection of claimants' benefit rights when they move across state lines, or participate in training courses, and protection against cancellation of wage credits.

Improvements of this sort are overdue and even more necessary than they were in 1965-66. Their desirability is underscored by recent increases in unemployment, especially since the duration and intensity of this rising volume of joblessness is impossible to predict. These current proposals for strengthening the unemployment insurance system are not only urgently needed, but the situation requires that we should go beyond the steps taken by the House of Representatives. As the Senate takes up the bill, it will have the opportunity to remedy the shortcomings in the House measure, and I believe it should do so.

First, the proposed extension of coverage to smaller firms, to employees in non-profit and state higher educational organizations is highly desirable. As your Committee is no doubt aware, the growth of the economy and of the labor force has led to an increase in the number of jobs outside the system: the total now comes to over 17 million, a larger number than at any time in the past two decades. And the number of individual workers so excluded, because of movement between industries and occupations, is probably even greater than the 17 million jobs.

This points up the desirability of extending protection to farm workers, beginning with those in larger farms, as recommended by the President, but not adopted by the House of Representatives. Many people who work part of the year on farms, in addition to working in covered employment, do not acquire benefit rights in their farm jobs. It is my understanding that between three and four of every ten people who engage in farm work also earn wages in non-farm employment. In California, for example, for every two adult men who worked only in agriculture in 1967, (totalling 210,000) another man worked in both farm and non-farm employment; the latter group totalled 115,000, and four-fifths of them had a substantially regular work record, being employed in three or four calendar quarters of that year. Because of the exclusion of farm employment, these workers' benefit entitlement, in respect to eligibility, weekly benefits and duration, was less than it would have been if all of their work had been treated as a covered employment.

Testimony opposing such coverage extension which was presented to the Committee on Ways and Means emphasized the likelihood that farm workers would experience unemployment, file claims and draw benefits, probably more in benefits than the contributions paid on their earnings. However, the findings

from the data cited by these witnesses are not conclusive; for example, the findings are not put in terms of coverage of the larger farm establishments as proposed by the Administration. But, more importantly, that line of argument begs a major question of public policy with which your Committee should be concerned. Thus, if high benefit costs were to be regarded as a barrier to extension of protection, a narrow view to be sure, then the building construction, food processing, textile and garment manufacturing industries, with benefit costs of 10 percent or more, would not have been brought under the program.

The opposition to extending coverage to such "new" groups as farm workers and university staffs, by the way, takes on curiously contradictory views—on the one hand, we hear it argued that farm workers have too high a risk of unemployment, making coverage imprudent, while university staffs, by contrast, have such steady work as to make benefit protection unnecessary. Surely, the Committee must reject both these lines of argument in favor of a broader and inclusive coverage policy.

Moreover, it has been demonstrated that individual state action cannot be expected to remedy this inequitable exclusion; only federal law can bring farm workers into the mainstream of unemployment insurance—as has been done already in respect to fair labor standards, and the OASDHI program.

My second point concerns the House action which raised the taxable wage base from the present (long-obsolete) base of $3,000 to $4,200, effective in 1972; the tax rate also would be raised from 3.1 to 3.2 percent, effective as from January 1, 1970. The Administration's proposal, by contrast, calls for a higher wage base, $4,800 in 1972–73 and going up to $6,000 for 1974 and thereafter. Had the President's wage base proposal been accepted, incidentally, substantially below the current FICA level, it would not be necessary to increase the tax rate in order to support the extended benefit features of the bill as well as to finance the costs of program administration This course of action seems, to me, far more desirable.

For example, a taxable wage base of $4,200 would mean that only 43 percent of all wages in covered employment in 1975 would be subject to contributions; the $4,800 wages base, by contrast, would cover 59 percent of total wages in 1972, and the $6,000 base, 63 percent of 1975 wages. Surely this would provide more equitable treatment of high and low payroll employers; under the House bill, the former would bear a far lesser share, proportionately, of the costs of unemployment insurance. In fact, some now pay contributions on less than 20 percent of their payrolls, in contrast to 80–90 percent for lower payroll employers. In your Committee's consideration, I trust that you will follow the course recommended by the President.

A third point concerns the failure of the House to move toward providing necessary underpinning for the system's benefit structure by placing a floor under benefits. Benefits paid under existing state laws have continued to lag behind wages and now compensate for less than $2 of every $5 of the wage loss suffered by unemployed workers. And it is the mature, experienced family breadwinner, rather than the younger worker, without family obligations, who is treated most unfavorably. Only four years ago, the Senate did take action to place a floor under benefits in its action on H.R. 15119; it then recognized, in my view, that effectiveness of this basic nation-wide program which is founded on a Federal tax, called for responsible action by the national legislative branch.

In the face of rising unemployment, as well as the soundness of the reasoning behind its action of 1966, the Senate should adopt the same position in 1970. Experience since 1966 (in fact, since the 1950's), has demonstrated the lack of effectiveness of exhortation of the states as the road to achieving more nearly adequate unemployment benefits; only Federal action can remedy inequitable interstate treatment of workers in different states who work for the same pay, but get substantially different benefits when out of work.

As in the case of extension of coverage, the obstacle to state action providing more adequate benefits has been the threat of interstate competition—the objection that any state taking such initiatives would place itself at a competitive disadvantage with other states.

Finally, Mr. Chairman, the year 1970, as we are all aware, marks the 35th anniversary of passage of the Social Security Act, the establishment of the foundation of what was expected to become a comprehensive system of income maintenance for American workers and American society. Unemployment insurance has not risen above that foundation in providing effective protection against

unemployment for more than 17 million workers, nor in providing adequate benefits for those who are protected. I trust that your Committee will seize this opportunity to erect a more substantial and sound structure upon the 35-year old foundation.

Sincerely yours,

PHILIP BOOTH,
Lecturer in Social Work.

STATEMENT OF DANIEL H. KRUGER, PROFESSOR OF INDUSTRIAL RELATIONS, MICHIGAN STATE UNIVERSITY

One important objective of public policy with respect to manpower is to provide security against the hazards of unemployment. The Federal-State Unemployment Insurance program was designed to provide a measure of economic security for wage earners in covered employment through partial compensation for wage loss incurred through involuntary short term transitional unemployment.

Unemployment Insurance is, therefore, an important aspect of manpower policy in a job economy. Job economy is more than a descriptive phrase. Our economy has, in fact, become a job economy. The overwhelming majority, of over 90 percent, of the Nation's total labor force make their living through having a job. This has not always been the way Americans have earned their livelihood. In earlier periods in the Nation's history, a substantial proportion of the people worked on the land. At a later time, millions of persons were, in effect, "working for themselves" in self-owned professional, business, and service activities.

As our society evolved into a highly urbanized and industralized economy, self-employment declined; and working as an employee in private enterprise and in government increased significantly. The job became the most important economic activity in the lives of most Americans because it provided the central means for earning income.

It is the centrality of the job which is the distinguishing characteristic of the job economy. Consequently, preparing for a job, getting, holding, and separating from a job, having income when laid off to tide one over between jobs, and finding another job to replace the one lost are crucial matters for large numbers of American workers.

Unemployment Insurance plays a major role in the job economy. It is the first line of economic defense for unemployed workers in covered employment. In a labor force of over 82 million approximately 58 million workers are covered by the Federal-State Unemployment Insurance system. Nearly 17 million workers are not protected. Even in times of high levels of economic activity, Unemployment Insurance meets an important need. For example, in 1968, two billion dollars were paid in benefits.

The implementation of the Unemployment Insurance program is a Federal-State responsibility. The Federal government establishes general policy guidelines which the states translate into the action programs which they administer. It is, therefore, the responsibility of the Federal government to shape and mold the kind of Unemployment Insurance program which is required by the changing nature of the job economy.

The heart and core of an Unemployment Insurance program are the provisions dealing with coverage, benefit amounts and duration, the application of eligibility requirements and the disqualification provisions. Moreover, an Unemployment Insurance program designed to meet the needs of unemployed workers must be adequately financed.

Unemployment Insurance is more than just an income maintenance program. It must be integrated and interrelated with national economic and manpower policies.

H.R. 14705, would improve and strengthen the Nation's Unemployment Insurance program. This bill, however, while extending coverage to an additional 4.5 million workers of the 16.6 million who are not covered, excludes from coverage hired farm workers and individuals in state and non-profit institutions of higher education employed in an instructional, research or principal administrative capacity.

The exclusion of hired farm labor is a serious omission. One of the goals of Unemployment Insurance is to cover everyone who works for an employer and who is subject to the risk of unemployment. Hired farm workers should have the same protection against unemployment as hired workers have in non-farm industries. This is especially true in view of the increasing dependency of the

farm economy on hired farm labor. Farm employment is highly concentrated in a small number of large commercial farming operations.

According to the 1964 Census of Agriculture, three percent of the farm operator employers paid 53 percent of total farm wages and accounted for about one-third of all farm jobs. Put another way, this 1964 Census showed that three-tenths of one percent of farm operator employers paid 27.5 percent of the total farm wages and accounted for about 16 percent of all farm jobs. It is apparent that large scale farming is increasing. Workers employed in these kinds of farm operations need coverage. Unemployment Insurance coverage would help to stabilize the farm labor force and would tend to reduce costs of recruitment and turnover. Moreover, Unemployment Insurance coverage for farm workers would improve the competitive position of farmers in attracting farm workers vis-a-vis non-farm employers. Furthermore coverage under Federal law would eliminate the cost disadvantage of those farmers operating in states with Unemployment Insurance coverage for farm workers with those farm employers in states not having Unemployment Insurance coverage. The Committee, therefore, should include in the legislation coverage of those farm employers with four or more workers in 20 weeks.

The individuals in state and non profit institutions of higher education employed in instructional, research or principal administrative capacity should also be included within the Unemployment Insurance system. Professional personnel employed in the Federal government and private industry are covered. While unemployment among this group of employers in universities and colleges may be low, those who are laid off because of cutbacks in Federal support of contract research, reduced state appropriations or termination of Foundation support for a project need protection while unemployed. Their unemployment is as real as for other employees in state and non profit institutions of higher education who are to be covered by the legislation currently before this Committee. It would be difficult administratively to include segments of the work force of one institution and exclude another segment of the work force at the same institution. This provision, as it now stands, would lead to a variety of interpretations by the states which could create needless friction and inequities. These could be avoided by providing coverage for all employees of institutions of higher education.

As noted, an Unemployment Insurance program to be effective must be adequately financed. The $3000 taxable wage base in the Federal Unemployment Tax Act (FUTA) is outdated and unrealistic. It has served as a deterrent to improvements being made in benefit amounts and duration. The $3000 taxable wage base was introduced in 1939 in order to conform with the tax base used in the Old Age Insurance program. The rationale was to make it convenient for employers for their record keeping and reporting. This tax base was appropriate in 1940 when 93 percent of all wages in covered employment were then taxable. In 1969 only 46 percent of all wages in covered employment are taxable under the FUTA. H.R. 14705 would raise the taxable wage base from $3000 to $4200 effective January 1, 1972. While this is an improvement, it is still inadequate. It will affect about 53 percent of total wages in covered employment in 1972, but only 48 percent in 1975.

The Administration's proposal would provide more adequate financing of the program by raising the taxable wage base in two stages from $3000 to $4800 for 1972–1974 and $6000 thereafter. Such a tax base would affect 59 percent of total wages in 1972 and 63 percent in 1975.

There has been a steady decline in the ratio of taxable to total wages which has introduced inequities into the unemployment tax structure. The effective tax rate, which is the rate assigned to an employer expressed as a percentage of his total payroll, varies with the level of wages paid to his employees. Employers in low wage firms pay taxes on substantially higher percentages of their total wage bill than do employers in high wage firms. For example, under a maximum $3000 tax base, an employer with a two percent contribution rate whose employees are paid $4000 a year has an effective tax of 1.5 percent. A second employer with the same two percent contribution rate whose employees earn $6000 per year, has an effective tax rate of one percent. The actual tax rates are the same but the effective tax rates are different.

With a low tax base of $3000, different employers are taxed on a widely differing percentage of their total payrolls. Thus a state's maximum contribution rate for certain employers with the worst unemployment experience can turn out to be a lower rate on total payrolls for some employers than the minimum

contribution rate is for other employers. These unfair tax assessments would be reduced by increasing substantially the taxable wage base.

There is another important need for increasing the tax base. Additional funds are required both for administration of the program and for the extended benefits provided in H.R. 14705. Salaries of state personnel charged with the responsibility of implementing the Nation's Unemployment Insurance program are, in far too many instances, inadequate to attract and retain competent personnel. For example, in July 1968, 40 states had an annual starting salary for their Unemployment Claims Deputy of less than $7000. This job entails the following:

"This is technical work involving the non-monetary determinations on unemployment insurance claims including the adjudication of questionable or contested claims An employee in this class may supervise claims clerks in the processing of the more routine claims. A working knowledge of unemployment compensation laws and related labor laws and regulations as well as of labor relations and employment problems is required. This class usually requires graduation from high school and considerable training and experience. College education may be substituted for some experience." (Taken from *State Salary Ranges*, Department of Health, Education and Welfare, July 1968.)

Funds will be needed to finance the extended benefits provided in H.R. 14705. The provision is needed because the present Unemployment Insurance system is not designed to meet the problems of experienced workers with firm labor force attachment and who are unemployed because their job has vanished or their skills have become obsolete. A worker's ability to find a job is decreased when there are many other workers looking for jobs at the same time.

This provision makes the Unemployment Insurance program an integral part of manpower policy and its automatic triggering is especially important. The triggering mechanism is responsive to changes taking place in the job economy, both national and on a state basis.

H.R. 14705 establishes a Federal-State program of extended benefits. Each state would pay half the costs of extended benefits in that state and the Federal government would pay half the costs. Such benefits would be paid for a period not to exceed 13 weeks.

This Extended Unemployment Benefit program should include provision for vocational guidance, job training and retraining. The current federally supported manpower programs are geared to increasing the employability of workers who, for the most part, do not qualify because of previous work experience for Unemployment Insurance, young workers who never held jobs, the disadvantaged and the hard core unemployed. The unemployed workers with a firm labor force attachment are also in need of manpower services in order to qualify for suitable jobs. It is apparent that manpower services for this group have declined as a result of the emphasis on providing such services to the disadvantaged. According to he Manpower Report of the President for 1969 only 8.9 percent of the MDTA trainees enrolled in institutional training programs in fiscal 1968 were Unemployment Insurance claimants. By comparison with fiscal 1963 when the MDTA program became operational, 31.5 percent of the MDTA trainees were claimants.

In view of the decline of manpower services to unemployment compensation claimants I urge the Committee to add a provision to the extended benefit title (Section 203) to provide manpower services including vocational guidance, testing, job training and supportive services to claimants. These services would be of particular significance to the long term unemployed and those who have exhausted 26 weeks of benefits.

There is also need for what I call a Vocational Readjustment Benefit program. This benefit would be paid to a claimant who has exhausted 26 weeks of benefits and who still has not found a job.

This benefit would be extended only if the individual is willing to take the necessary steps towards his vocational readjustment including training and retraining.

This Vocational Readjustment benefit is significantly different from the Unemployment Compensation benefit. The latter is a matter of right and entitlement. Unemployment Compensation benefits cannot be extended indefinitely. If the worker wants to qualify for the Vocational Readjustment benefit, he must be willing to participate in an approved training program. The Vocational Readjustment benefit is analogous to the rehabilitation of disabled workers under the Social Security program and under the state workmen's compensation

programs. There is need for vocational readjustment of those unemployed workers with a firm labor force attachment in order to improve their employability.

The Vocational Readjustment benefit program could be paid for by the federal government or by the states from the interest received on its monies in the Trust Fund. In both instances legislative authority must be provided by the Congress.

In my view, it is necessary that a provision providing for manpower services to Unemployment Insurance claimants be tied in with the extended benefit program provided in HR 14705. Moreover, the Vocational Readjustment Benefit program will add another dimension to the Unemployment Insurance program. Togther these additional provisions would strengthen the relationship of the Unemployment Insurance program to the Nation's manpower efforts.

HR 14705 provides for an extended benefit program in which the costs are shared equally by the states and the Federal government. High national unemployment, however, is attributable to national monetary and fiscal policies. Thus, it seems that there is a need for an extended benefit program to be entirely Federally financed. The states have little control over high rates of unemployment, yet, under HR 14705 the states are being asked to share in the costs. This seems to be inequitable.

SUMMARY

The Congress has a unique opportunity in H.R. 14705 to strengthen the Federal-state Unemployment Insurance program in order that it might better fulfill its role in the Nation's job economy. The Senate Finance Committee has an opportunity to expand coverage to include hired farm workers and certain categories of employees of institutions of higher education. Morover, it should give serious attention to raising the taxable wage base from $3000 to $4800 and then to $6000 as recommended by the Administration. With the Extended Benefit program provided for in this bill the Nation's Unemployment Insurance program will be more interrelated with national economic policy. Furthermore, I hope this Committee will give serious consideration to the inclusion of the Vocational Readjustment Benefit program which I have suggested. Such a provision would add a manpower dimension to the Unemployment Insurance program.

Statement on Behalf of the Conference of State Manufacturer Associations, by John J. Bachalis

SUMMARY

1. *Coverage.*—Reduction of coverage requirement, as proposed, will not accomplish desired results. Would tax employers whose employees might not be eligible for benefits under most state laws. Provisions under proposed 1966 act would be more desirable.

2. *Regulations in State Law.*—Agree with statement of President that unemployment insurance system is excellent example of creative Federal-state partnership. Proposed standards already adopted by many states. If precedent of 30 years abandoned Congress might be faced with continuous job of regulating standards.

3. *Judicial Review.*—Present act does not provide sufficient scope in appeals to Court from rulings of Secretary of Labor in "state conformity cases." Proposed act of 1966 contained more equitable method of judicial review.

4. *Extended Benefits.*—National-state "trigger" points take into consideration economic and employment conditions in various states. Sharing of cost of extended benefits on a 50–50 Federal-state basis supported.

5. *Wage Base for Tax.*—States have full authority to set wage base and tax rate and make changes when needed to maintain sound Trust Fund. Money for Federal administrative funds might be obtained by increase in Federal tax rate.

STATEMENT

My name is John J. Bachalis. I am Vice President of the New Jersey Manufacturers Association. I am substituting for C. W. Tuley, Executive Vice President of the Tennessee Manufacturers Association, who, because of business reasons,

could not be here. My appearance today is on behalf of the Conference of State Manufacturer Associations, of which the following member organizations have approved and join in the statement here presented:

Associated Industries of Alabama
Arizona Association of Manufacturers
Associated Industries of Arkansas
California Manufacturers Association
Colorado Association of Commerce and Industry
Manufacturers Association of Connecticut
Associated Industries of Florida
Georgia Business and Industry Association
Illinois Manufacturers Association
Indiana Manufacturers Association
Iowa Manufacturers Association
Associated Industries of Kentucky
Louisiana Manufacturers Association
Associated Industries of Maine
Michigan Manufacturers Association
Minnesota Association of Commerce and Industry
Mississippi Manufacturers Association
Associated Industries of Missouri
Nebraska Association of Commerce and Industry
New Hampshire Manufacturers Association
New Jersey Manufacturers Association
Associated Industries of New York State
Associated Industries of Oklahoma
Associated Oregon Industries
Pennsylvania Manufacturers Association
Puerto Rico Manufacturers Association
Tennessee Manufacturers Association
Utah Manufacturers Association
Virginia Manufacturers Association
Association of Washington Industries
Wisconsin Manufacturers Association

At the outset I should like to say the organizations for which I speak thoroughly agree with the premise contained in President Nixon's statement which was sent to the Congress with H.R. 12625 of last year to the effect that the best time to consider unemployment compensation legislation is during a period of full employment. We agree that should it be deemed necessary to make amendments to this law, consideration of proposals should be in a time of stable economy so that no one will act with emotion at a time during which all people might be subject to emotion.

While we are not completely persuaded that the Federal-state system of unemployment compensation now needs substantial revision, nevertheless we wish to present to the Committee our views on certain portions of the pending proposal and express appreciation for the privilege of so doing.

COVERAGE

The first item upon which we will comment relates to the amendment to the coverage provisions of the Act. We are constrained to suggest to the Committee that reducing the coverage requirement in the Federal Act from four employees during twenty weeks to any employer with $800 or more payroll in any calendar quarter will not, we believe, accomplish the desired result. The law of most states requires an individual to have had earnings in more than a single quarter before being entitled to benefits. Thus it would seem that the only thing which would be accomplished by the adoption of this amendment would be to tax the employer many, if not all, of whose employees likely could not qualify as beneficiaries in case of unemployment.

It has long been policy in the field of unemployment compensation in every jurisdiction that a person should have a fairly fixed attachment to the labor market by working a specified number of weeks or by having earned a minimum amount of wages before he should fairly be considered eligible for unemployment compensation.

In 1966 a proposal was made and approved by the House in H.R. 15119 to extend coverage to employers with one or more employees in twenty weeks or who had a payroll of as much as $1500 in a quarter. It will be recalled that the bill on the same subject passed by the Senate in the same session contained no such provision. We submit that if it is the judgment of this Committee that the coverage should be extended to employers of one or more employees the provision of H.R. 15119 would be more realistic, more workable and more equitable.

REGULATIONS IN STATE LAW

For the first time, certain provisions or standards would be included in unemployment compensation laws of all states.

In presenting his proposals to the Congress, another premise pronounced by President Nixon was to the effect that the unemployment insurance system in this country is a foremost example of creative Federal-state partnership. President Nixon pointed out that most decisions about the program are left to the states and that this arrangement makes the system far more flexible and attuned to local needs and special circumstances of local economies. The organizations which join in this statement heartily concur in the views expressed by the President. We would remind the Committee that through all the years since the enactment of the first unemployment compensation law this Committee and the Congress have diligently and faithfully and courageously followed the principle that most decisions about the nature of the program, particularly in the fields of eligibility for benefits, disqualifications and related matters be left to the states. By the adoption of standards, desirable as they may be, the Congress would be abandoning the long-standing sound principle to which I have referred.

All of the associations represented by this statement devote a substantial portion of their efforts to working with other interested groups and with state administrators of the UC system to bring about the correction of abuses in the programs of the respective states. As an example, the States of Tennessee and New Jersey where over the course of years by conference and compromise every one of the standards now proposed has been adopted and is part of the law of those states. Other instances could be recited but for the sake of brevity, we believe this will suffice.

Some or all of the standards proposed are attractive to many people. Nevertheless, if they should be enacted, the result would be the abandonment of precedent of more than thirty years that the states have the right and privilege of determining questions of eligibility, qualification and disqualification with respect to benefits. Should this bill be enacted, we suggest that within a very brief period of time this Committee will be almost continuously faced with legislation relating to other standards and perhaps even to the elimination of those now suggested should they be enacted into law.

We respectfully request that the Committee once again resist Federal standards and omit standards from any bill which it might report.

JUDICIAL REVIEW

Under consideration is a provision for judicial review of decisions of the Secretary of Labor in so-called state conformity cases. This is a desirable change.

In 1966, after lengthy hearings on all phases of the unemployment compensation program, H.R. 15119 included a section on the subject of judicial review. The proposal was enacted by the House and concurred in by the Senate.

It is recognized that in appeals from one court to another court the higher court generally is bound by the findings of fact by the lower court if supported by substantial evidence or in some cases by any evidence. However, it is our view that in the review of decisions of an administrative official the court to which appeal is taken should not be bound by findings of fact even though supported by substantial evidence. On the contrary the court should have the power to review the entire record and determine for itself the weight of the evidence.

H.R. 15119 came close to a desirable rule when it provided that a court review in such cases would be upon the basis of the record with the Secretary's findings being conclusive only if such findings were not contrary to the weight of the evidence. The bill now before the Committee provides that such findings by the Secretary shall be conclusive if supported by substantial evidence.

EXTENDED BENEFITS

We come now to the provisions relating to extended unemployment benefits during periods of exceptionally high unemployment. We support this program.

It will be recalled that on two occasions in the past few years in periods of recession the Congress took emergency action in the field of unemployment compensation providing extended benefits during such period. Some believe that

the relief provided came later than was needed for unemployed persons in some states and continued beyond the period of need in other states.

Some years ago, extensive hearings were conducted and much consideration was given to this subject which led to its being covered by H.R. 15119. That bill provided for an extension of benefits up to thirteen weeks when the insured unemployment rate was 5% for three or more consecutive months. It also made such extended benefit applicable by way of two trigger points. Extended benefits would have been payable when a state's unemployment rate reached a certain percentage. If the national unemployment rate reached a certain percentage, then all states would pay extended benefits.

Implementing extended benefit payments on a state basis as well as a nationwide basis would be more equitable to unemployed workers in states or regions which experience extensive decline in employment when employment in the nation as a whole is fairly stable. Furthermore, if extended benefits were provided on a 50-50% Federal-state basis, it would give the states and the employer incentive to more adequately police such benefit payments and indeed to minimize unemployment as much as possible. It would, moreover, provide whatever benefit might be gained by the employer taxpayer by making at least 50% of the cost of extended benefits subject to experience rating formula for the state portion of the tax. A 50-50% Federal-state sharing of the cost of extended benefits would certainly be in keeping with the principal of Federal-state partnership in providing unemployment compensation benefits.

WAGE BASE FOR TAX

H.R. 14705 would raise additional revenue for Federal administrative purposes and for the program of extended benefits by increasing the net Federal unemployment tax from 0.4% to 0.5% of taxable payroll beginning January 1, 1970 and by increasing the taxable wage base from the present $3,000 to $4,200 beginning January 1, 1972. Each of the states would be required to implement their state statutes by including the increased wage base.

We do not believe it necessary to dwell at length upon a subject with which this Committee is thoroughly familiar. The wage base provides financing at the state level for state unemployment benefits and at the Federal level for administrative costs. When there is need for funds to assure maintenance of a sound Trust Fund, the states have full authority to set the wage base and tax rate at any amount necessary to raise sufficient funds for such purpose. Indeed, twenty-two states have increasd the base above the $3,000 provision in Federal law and thirty-six states have adopted a tax rate in excess of the usual 2.7% rate.

There is no suggestion made that the states have not acted responsibly in meeting the financial requirements of their unemployment compensation trust fund.

We again make reference to the action of the House in the enactment of H.R. 15119 in 1966. At that time, there was recognition of possible need for additional funds for the Department of Labor and it was provided that the tax rate be increased along with a modest increase of the wage base. There was not then demonstrated nor is there now shown a compelling reason why the state portion of the tax in question needs supplementation. There was response to the need of additional funds by the Federal Government by an increase in the tax rate of .2%.

Rather than increase the base for taxation by Federal act, it is suggested that the Congress might well provide for an increase in that portion of the tax levied by the Federal Government. Leave to the states the financing of the state program in which area they have acted responsibly in the past.

STATEMENT PRESENTED ON BEHALF OF THE NEW JERSEY MANUFACTURERS ASSOCIATION, BY JAMES R. TOBIN, CHAIRMAN, EMPLOYMENT SECURITY COMMITTEE

My name is James R. Tobin. I am Director of Community Relations for Becton, Dickinson and Company in Rutherford, New Jersey. My company is a manufacturer of medical instruments and supplies. I am Chairman of the Employment Security Committee of the New Jersey Manufacturers Association, The Association is representative of over 14,000 manufacturing, commercial

and service companies, which vary in size from very small to very big. Over 75 percent of the membership, however, employ less than 25 employees. We are grateful for this opportunity to present a short statement in behalf of the New Jersey Manufacturers Association.

While we would have preferred to testify in person before your Committee on H.R. 14705, we appreciate the opportunity to present, for your consideration, this statement in support of that bill without further modification particularly in respect of the wage base. Even the $4,200 taxable wage suggested in that bill is, in our view, unnecessary to adequately fund the present benefit program in our State which is among the highest, if not the highest, in the country today.

FEDERAL STANDARDS

There are certain features of H.R. 14705 which we believe objectionable. Under the "Provisions Required to be Included in State Laws," the Federal Government would not only legislatively but also administratively affect the very heart of state unemployment compensation systems by prescribing who shall and who shall not be the beneficiaries of unemployment compensation benefits. We strongly believe that these are matters best left for determination by the individual state legislatures and their respective constituencies who are closer to those situations requiring their special attention. Neither has been insensitive to the needs of the unemployed.

Not one of the requirements in this section would affect New Jersey.

1. New Jersey requires an individual who has received compensation to have had work in order to qualify for benefits. New Jersey uses a wage-qualifying period of 52 weeks preceding the week of filing a claim. Thus there is no so-called "double dip."

2. New Jersey does not deny an eligible claimant UC benefits where he is in training approved by a State agency.

3. New Jersey does not reduce or deny benefits to a claimant because he resides in another state.

4. New Jersey participates in wage-combining plans with other states or the Federal Government or both.

5. New Jersey does not cancel wage credits or reduce benefit rights, except for fraud, where only a part of the benefit entitlement is reduced.

These provisions *were not* a part of the original New Jersey law passed in 1936. All were enacted subsequently and some as late as 1968. A substantial majority of the states have acted similarly.

Undoubtedly, there are persons who believe that progress is too slow, but each year State unemployment compensation laws give evidence of their dynamic quality through amendments added thereto annually. We are convinced that it is only a question of time before all of these provisions, with local preferments, will eventually become part of state laws if for no other reason than the changing economic times. Our concern is that with the introduction of such standards on the Federal level the flexibility of the states to meet changing economic times becomes rigidly fixed.

It is difficult for us to perceive that these proposals should be of national concern because of the relatively few people affected. In our view, once enacted, such provisions would not only be expanded, or even eliminated, but would require enlarged Federal agencies to enforce uniform application. We sincerely request that you permit the states to retain control of such detailed decisions enabling them to deal with their own peculiar economic circumstances.

EXTENDED UNEMPLOYMENT BENEFITS

H.R. 14705 would provide for extended unemployment compensation payments where claimants have exhausted their entitlements during periods of economic slowdown. Our experience with two previous Federal programs of extended benefits led us to testify in favor of such a recession hedge before the House Committee in 1965 on H.R. 8282. Our reservations then were directed to the need for relating such benefits to earned benefit entitlements and the most effective method of starting and financing such payments. H.R. 14705, we believe, adequately meets these criteria.

H.R. 14705 does contain provision for payment of additional duration equal to one-half a claimant's state entitlement which is acceptable.

H.R. 14705 also provides for national and state "on" and "off" indicators which we favor. Signs of economic downturn, including substantially increased unem-

ployment sometimes are not only slow in developing but also do not uniformly affect each area of the country or even each area of a state simultaneously. It is notable that during past periods of "good times", nationally, a few of the states experienced serious unemployment problems while the rest of the country did not. Under such circumstances use of a state "on" indicator would more quickly trigger in an extended program of benefits and more effectively supply needed economic stimulus. Thus, we do not endorse a single national rate of unemployment as the sole determinative of the need within state borders for extended unemployment benefits. This could prove to be too little and too late.

Consistent with the above proposal for a national-state trigger, we agree with the need for the program to be financed 50% by the states and 50% by the Federal Government. This would indicate the bale Federal-state interest in maintenance of a sound program of benefits payments, free of abuse, and an additional stimulus within state borders for minimizing unemployment. It would enable the states, if they so desired, to provide for experience rating of a part of such costs importantly affecting not only the program of extended benefits but also the over-all financing of the states' unemployment compensation systems.

FINANCING

H.R. 14705 would increase the taxable wage base for Federal unemployment tax purposes from the present $3,000 to $4,200 for calendar year beginning in 1972.

If we can accept a literal reading of this provision that its purpose is to increase the "take" of the Federal unemployment tax, then it is our view that the suggested taxable wage base is excessive. On the other hand, if this is a device to increase the states' unemployment compensation reserves, it is also our view that the suggested taxable wage base is excessive.

In order to put the proposal in proper perspective, it is well to see what New Jersey has done with its Unemployment Compensation Law. Briefly, effective January 1, 1968, New Jersey increased its weekly benefit maximum to 50% of the average annual wage per covered job, recomputed annually. The New Jersey benefit was $62 weekly in 1968, $65 in 1969 and is $69 in 1970. In 1971, it is our estimate that the weekly benefit rate will be about $73 or $74. To finance the higher benefit the New Jersey taxable wage base was increased to $3,600 beginning in 1968. Costs to both New Jersey employers and employees rose accordingly. New Jersey is one of three states which provides for an employee contribution of ¼ of 1% of taxable wages.

Thus, while New Jersey unemployment benefit amount continues to escalate annually, the New Jersey Unemployment Trust Fund has also continued to increase. At year end of December, 1969, although the total unemployment compensation benefits paid for that year totaled $162,393,619, the New Jersey Unemployment Trust Fund reserves had increased approximately $30 million. The reasons, therefore, can be ascribed to exceptionally stable economic activity, experience rating in the UC Law combined with the taxable wage base increase. Under such circumstances why should employers and employees in New Jersey be asked to pay a tax on a $4,800 or $6,000 wage base when a $3,600 base is adequately supporting its present benefit level? Experience in the past 30 years has shown that New Jersey has never failed to act, nor have many other states, when their unemployment compensation benefit costs indicated a need for additional revenue.

Consistently argument is made that in 1939 98% of wages were subject to the Federal unemployment tax whereas only 50% is taxed today. No one seems to consider that in 1939, with unemployment levels in excess of 20%, the need for substantial taxes to establish and maintain any kind of unemployment compensation system was imperative. That need does not exist today. It may tomorrow but not today. If need did arise tomorrow, I would unhesitatingly say that we in New Jersey, as well as other states, would actively support additional sources of revenue, provided the present system of increasing tax revenue was shown to be inadequate.

We have another compelling reason for objecting to the taxable wage base increase. Such increase is said to be for Federal unemployment tax purposes. New Jersey, under the $3,000 taxable wage base, provides the Federal Government with substantial taxes in excess of the State's administrative expenses. A brief review of New Jersey data for the past several years will show that

amounts ranging from $1.6 to $5 million annually have never been returned to New Jersey. New Jersey, consistently, over the past 30 years has been subsidizing the administrative expenses of other states.

Experience of the last five years is as follows:

Year	FUTA employer taxes	Administrative expenses	Excess of taxes over expenses
1968	[1] 25,000,000	23,401,047	1,598,953
1967	23,600,000	21,386,090	2,213,910
1966	22,680,000	19,188,356	2,491,644
1965	21,400,000	18,354,584	3,054,416
1964	20,240,000	17,374,192	+2,865,808

[1] Estimate.

If the Federal taxable wage for 1968 had been $3,600, as it is currently in New Jersey, the excess of taxes over expenses would have been $4,198,952.

The Federal unemployment tax is simply a device for raising money to pay costs of administering unemployment compensation programs, state and Federal. We do not object to adequate financing of costs of administration. If such is the purpose, we believe a more modest increase in wage base, not beyond that currently in use in New Jersey, and/or a modest increase in tax rate would supply sufficient funding for costs of administration.

We are opposed to the establishment of this extraordinarily high taxable wage base which, we believe, is not needed currently at the state level and is unreasonably high for Federal purposes.

COVERAGE

We do not oppose extension of coverages to additional employees. New Jersey recently extended its coverage to any employing unit of one or more employees and where remuneration has been paid for employment during any calendar year in the amount of $1,000. We question the wisdom, however, of requiring only $800 in any calendar quarter, which could also be the only wages earned for the calendar year. It would appear that this would attempt to bring under coverage many small employers who, as a rule, do not have regular employees. In many instances persons so employed are not interested in attachment to the labor market other than for short periods. Such short periods of work would not enable a person to qulify for benefits but it would add additional overhead costs to an employer, assuming, of course, he would comply with the filing requirements of the law.

Since New Jersey expanded coverage to employers of one or more employees and a payroll of $1,000 a year, the total number of new employers added to the unemployment compensation system has not reached the estimates predicted. This may be indicative of either an overestimation of employers to be covered, a potential reduction of work opportunity for short-time or part-time work or an administrative enforcement problem. As this is only the first year for such expanded coverage, perhaps future experience and collected data will enable a more accurate evalution.

The provision in H.R. 14705 for coverge of employers of one or more employee on any day in 20 or more calendar weeks has not been objectionable to us for many years. Additionally, it would make use of the present provisions of the Federal Unemployment Tax Act and be least disruptive administratively.

STATEMENT BY WALTER J. MACKEY, ON BEHALF OF THE OHIO MANUFACTURERS' ASSOCIATION

Mr. Chairman and members of the committee, I am Walter J. Mackey and I am appearing on behalf of the Ohio Manufacturers' Association for which I have been special counsel for 27 years.

The Ohio Manufacturers' Association is comprised of some 1500 manufacturing firms doing business in Ohio employing approximately 1½ million workers. Manufacturing firms in Ohio provide nearly 60% of the taxes to finance the state's unemployment benefit program.

To further identify myself, I have been closely associated with the unemployment compensation program since its enactment some 33 years ago, having been appointed to the first Unemployment Commission in 1936. I later served on the Unemployment Compensation Board of Review, and am presently Chairman, and an industry representative on the State Unemployment Compensation Advisory Council.

I wish to briefly address myself to only three features of the bill now before you which we feel warrant further careful consideration and improvement by this Committee. This is not to say there are not other important provisions worthy of comment, but to us these seem most important. I will therefore restrict my comments to the following features of H.R. 14705:

(1) the increase in the taxable wage base from the present $3,000 to $4,200;

(2) the unequal effect on the several states of the proposed plan for paying federal extended benefits based upon 50% of State benefits, without some floor or minimum duration of State benefits as an entitlement for such federal benefits; and

(3) the effect on the present State benefit trust funds of advancing benefits to the newly covered employees of non-profit organizations, state hospitals and state institutions of higher learning proposed in this bill and then leaving it up to the state administrators to attempt to collect this money from these non-profit organizations.

May I state at this point that we are fully conscious of the improvements in this bill which were made in the House since its introduction as H.R. 12625.

(1) Increase in tax rate vs. increase in taxable wage base

We do not believe an increase in the taxable wage base is necessary or proper to finance the increased cost of this program.

In the first place there is no logic in the theory that the higher wage employer should pay a disproportionate amount of any increased administrative cost of this program compared with the low wage employer. In fact, it is strongly suggested just the opposite may be the case. If anything, administrative costs have a more direct relation to the number of employees covered than to the level of their wages.

Further, the states do not need an increase in their taxable wage base in order to finance benefit costs. Ohio has proven this to be true. When our fund was running low a few years ago, the state legislature revised our merit rates, and provided a maximum rate of 4.7%. Our fund has now been restored to a reasonably safe level of about $700-million with no increase in the present $3,000 base.

We cannot fail to again call attention to the extremely high administrative cost of this program at the present time. Last year our average state rate in Ohio for benefit purposes was about 1% of taxable payroll. The fixed uniform federal tax for administrative purposes was .4% or 40% as much as the benefit cost. We do not believe the case has been made for the need for the amount of increased taxes proposed in this bill.

(2) Inequities in the extended benefit proposal

It is noted this bill proposes extended benefits during periods of high unemployment be financed by 50% by the states and 50% by the federal government. Participation by the states in the cost of this plan is a distinct improvement over the provision in the original bill which provided for 100% financing by the federal government.

By requiring he states to participate and to merit rate their portion of the cost, if they so desire, there should be some of the restraints and care in the payment of extended benefits now inherent in the regular merit rated state programs.

The bill proposes, upon exhausting state benefits, to extend the right to benefits for an additional period equal to one-half the duration for which a claimant is paid under the regular state program. The federal government would then reimburse the states for one-half of these extended benefits up to 13 additional weeks.

The problem raised by this provision stems from the fact that a claimant in one state may exhaust his benefits after a minimum duration of 20 weeks, for example, while in another state he may exhaust his benefits after only 10 weeks.

Ohio pays 20 weeks of benefits for 20 weeks of work. When these 20 weeks are exhausted a claimant could draw extended benefits under this bill for another 10 weeks—one-half to be paid for by the federal government.

Now let us take a neighboring state which qualifies a claimant for as few as 12 weeks during a benefit year. When this claimant exhausts his state benefits, he

would be entitled to another 6 weeks of extended benefits under this bill—again, one-half to be paid by the federal government—but during the same period the Ohio employee is drawing benefits from the state program which is 100% financed by Ohio employers.

If the claimants in both states, under the above typical example, return to work after the 18 weeks of unemployment, the effect would be that Ohio employers would be paying for *all* 18 weeks of unemployment, for the Ohio employee, *plus* a share of the 6 weeks for the neighboring state employee through the uniform fixed federal tax which finances these extended benefits.

The employers in this neighboring state are paying for only 12 weeks of state benefits and the additional 6 weeks of extended benefits are being subsidized by employers in other states. This is manifestly unfair and discriminates against those states providing longer periods of benefits.

A "floor" in the form of a minimum number of weeks of state benefits (20 for example) as an entitlement for extended federal benefits should be considered. Otherwise, the inevitable consequence will be to provide an incentive for a state to shorten the duration of state benefits in order to more quickly qualify for the federal subsidy—the exact *opposite* to the desired result.

(3) *The effect on State trust funds resulting from advancing benefits to those becoming unemployed from non-profit organizations.*

The bill requires the states to extend coverage to certain nonprofit organizations, state hospitals and state institutions of higher education which employ 4 or more employees in 20 weeks in a year.

The problem here is the states would be required, if these organizations so elected, to pay the unemployment benefits out of the existing private employers' trust fund and then attempt to collect such payments later from these nonprofit organizations. At the same time these organizations are not required to pay any of the administrative costs involved, since they would be exempt from the federal .5% (now .4%) federal unemployment compensation tax used for paying administrative expenses. Therefore, this cost of administration would also be borne by private employers.

While the bill authorizes a state legislature to provide some intended safeguards in securing the repayment of this money to the trust fund by requiring bond or discontinuing future benefit payments, the practical problems in collecting from such institutions will be substantial and a headache to state administrators.

If these organizations are to be covered, they should be subject to the same conditions and requirements as all other employers in the state. They should also bear their share of the administrative costs. Only in this way will the integrity of the present state trust funds be protected.

It is noted that the Secretary of Labor, in his statement before this Committee, advocated the coverage of certain agricultural workers.

Although on its face this sounds reasonable, there are many financial and administrative problems inherent in this proposal which are not present in most other types of coverage under the present state programs.

The highly seasonal character of this type of agricultural employment would undoubtedly require a tax rate well beyond the highest merit rate now provided in the state laws if this industry were to finance these benefits on a sustaining basis. This is inherent under the regular state merit rating systems. The result would be that other employers presently covered would have to subsidize a large part of the benefit costs to these agricultural employers. This would have a distinct adverse effect on the present state trust funds.

If this type of employment is to be covered we believe further consideration should be given to the method of financing the benefit costs because of the highly seasonal nature of this employment. The experience of other states who have experimented with this type of coverage should be studied.

Thank you for your interest and attention. If there are any questions, I will be glad to attempt to answer them.

STATEMENT OF JAMES F. MALONE, PRESIDENT, PENNSYLVANIA MANUFACTURERS' ASSOCIATION, AND THE PENNSYLVANIA MANUFACTURERS' ASSOCIATION INSURANCE CO.

Pennsylvania Manufacturers' Association is a voluntary employer organization representing business and industry in the Commonwealth of Pennsylvania. The Association is more representative of the smaller employers rather than the giant corporations.

The Pennsylvania Manufactures' Association Insurance Company is a Pennsylvania Corporation, licensed as a stock participating casualty insurance company.

INTENT OF CONGRESS

Ever since the Congress of the United States enacted the Social Security Act of 1935, that portion relating to unemployment compensation has been closely scrutinized by succeeding Congresses in order to up-date the law to better reflect the changing times.

Although the federal unemployment tax has been increased, coverage requirements lowered from eight or more employees to four or more, and the taxable wage base retained at $3,000, there has been no legislation enacted up to this time which would require the States to conform to federal standards of benefits, eligibility or disqualifications.

Over the years, legislation was introduced which if adopted would have created federal benefit standards. Several Republican and Democratic Presidents have supported bills to up-date U.C. laws—but they always included federal benefit standards. Twice we have had federal recessionary measures of extended benefits—1958 and 1961. Pennsylvania was a party to both programs.

When the Congress adopted the original unemployment compensation legislation, its intent was clear: it was to be a balanced federal-state program.

This meant that the federal level would concern itself with administration of the overall program including the collection of the federal employer tax for such administration.

It was also clear that the States would have the responsibility for the financing and payment of benefits, as well as complete discretion in determining who should be eligible for benefits and for setting benefit levels.

Some who advocate federal standards become concerned over the disparities between States as to terms and conditions under which workers become eligible for unemployment compensation and as to the amount and duration of such benefits.

Congess on the other hand has always recognized that the problem of unemployment varied with the degree and nature of industrial development. An adequate program in an agricultural state is not wholly adequate in an industrial state. Alaska whose economy may depend largely upon one or two major industries and those mostly seasonal, is certainly different than Pennsylvania. Hence, the Unemployment Compensation Laws of all states will vary according to each one's particular need.

Arguments have been advanced that the reason for federal standards or eventual nationalization of unemployment compensation is because the states do not react fast enough or not at all in liberalizing their respective U. C. laws. Therefore, to bring them up to a national pattern of respectability, the only way to do this is by federal standards.

We reject these arguments as being without foundation. The record of the States proves otherwise.

PMA SUPPORTS H.R. 14705

It is a matter of record that PMA recognizing the federal-state relationship in this program, supports the right of the federal government to draw certain guidelines in the non-benefit area, but strongly resists any federal tampering with benefits, eligibility and disqualification provisions which would lead to *specific* federal standards.

PMA supports the coverage of *one or more* employees and the additional coverage of employees who heretofore have been excluded from protection of the act. It should be pointed out that Pennsylvania has *included* coverage of *one or more* employees since the law was passed December 5, 1936. The addition of certain agricultural processing workers, other employees who under common law rules were previously excluded should present no real problems. Coverage extended to nonprofit organizations generally (including institutions of higher learning) should likewise offer no problems. We are not so sure about hospitals (state or private) where labor turnover is quite high in the service and maintenance occupations. We do not favor extension of coverage to agricultural workers.

PMA supports the work requirement test before an individual may file for a second consecutive year of benefits (prohibiting the so-called "double dip" without intervening employment).

PMA supports the non-cancellation of benefit rights except in cases of misconduct connected with an individual's work or fraud involving a claim for

benefits. In the case of pension payments, vacation pay, separation allowances and holiday pay, deduction of such amounts from benefits should be applied. Disqualification of an individual who voluntarily quits without good cause or refuses suitable employment should be for the period of unemployment, but benefit rights would not be disturbed.

PMA supports the individual who avails himself of a training opportunity to help himself obtain gainful employment and agrees that benefits should not be denied while he is in such training.

PMA always has believed that a claimant conscientiously seeking employment whether in his labor market area or elsewhere should be paid his state benefit rate so long as he follows the prescribed procedures.

PMA has advocated for years *judicial review* of the Secretary of Labor's "conformity" or "administrative decisions" which may adversely affect any state in the application of its U. C. law.

PMA supports an extended benefits program in times of indivdual state recession or a nation-wide recession period. Pennsylvania adopted a state recessionary extended benefits program in 1964.

PMA supports the increase in federal tax rate from 3.1 per cent to 3.2 per cent (net tax from 0.4% to 0.5%) recognizing that costs generally whether for salaries, buildings, maintenance or travel, have been rising in both governmental and private enterprise. While we still feel that any additional revenue needed should primarily be obtained from a *tax rate* increase rather than a sizable hike of the tax base (from $3,000 to $4,200 beginning in 1972), we will support the wage base increase in the spirit of cooperation. (See additional comments under "Employer Cost").

EMPLOYER COST

It should be made quite clear that the federal-state program is supported *entirely* by direct taxation upon employers:

(*a*) the *federal unemployment tax* which is used exclusively for the administration of the program—both in the states as well as in Washington.

(*b*) the *state unemployment tax* which is used exclusively for the *payment of benefits*. Such tax is paid directly by the employer to the State where he has employees.

It should be emphasized over and over again that there is no relationship between the tax levied by the federal government for administration purposes and the tax levied by individual states for the payment of benefits.

Each of these taxes performs an entirely different function; therefore, the taxes are structured differently.

The federal tax is one to raise revenues for *services* rendered to employers and indivduals applying for unemployment compensation and employment services.

The state tax is one to raise revenues to *pay unemployment compensation benefits*—and nothing else.

In fact, there is no valid reason why states should be compelled to follow any federal tax base standard in order to raise revenue to pay state benefits.

Even Secretary of Labor Shultz must admit that the taxing proposals found in H.R. 14705 will produce the revenue needed for administration purposes.

We are unalterably opposed to any further increase in the federal unemployment tax and wage base except that which has been proposed in H.R. 14705.

Pennsylvania employers at the present time pay $40 million each year as their federal unemployment tax requirements. Some $36 million is returned for salaries of 4300 Pennsylvania Bureau of Employment Security personnel and for buildings, travel, heat, light and maintenance. Thus, Pennsylvania is contributing some $4 million for federal administration and assistance to some other states who do not produce sufficient revenues to cover cost of administration.

The Pennsylvania U.C. Fund in 1959 and 1960 was almost bankrupt and forced the Commonwealth to borrow $112 million from the federal government to remain solvent. The loan has not only been repaid but the Fund has been rebuilt in a decade and has now passed the $850 million mark.

How Pennsylvania bounced back from the brink of fiscal disaster under an unemployment compensation program that was patterned along the lines of the defeated federal benefit standards under H.R. 8282 (1966), makes "The Pennsylvania UC Story" as dramatic as some fiction novels.

While benefits were increased and a recessionary extended benefits program was adopted in Pennsylvania, a corresponding tightening up in qualifications for

benefits was instituted and employer taxes increased to pay for the increased benefits and the rebuilding of the U.C. Fund.

We support the 0.1% increase in the federal unemployment tax, and wage base increase to $4,200 effective January 1, 1972.

PMA OPPOSED TO FEDERAL BENEFIT STANDARDS

NOTE.—Although benefit standards are not included in the House Bill before the Senate Finance Committee, it is our understanding that the Labor Department representatives appearing at the Hearing and some Senators on the Committee, have discussed such standards. We, therefore, feel it is necessary to comment on benefit standards.

President Nixon did not include "benefit standards" in the U. C. bill sent to the Congress, but by threat of federal action two years hence, he warned the states to adjust their respective maximum weekly benefits upward until 80% of insured workers would be guaranteed at least 50% of their wages if unemployed.

To achieve this goal, the President said the maximum weekly benefit must be raised to two-thirds of the average weekly wage in the state.

In 1968 the average weekly wage of production workers in manufacturing in Pennsylvania was $119.20. If we *lumped* all wages and struck an average, it would be lower than $119 a week that year. But, be that as it may, Pennsylvania's maximum U.C. benefit was legislated at $60 a week in 1968 which was 50% of the average production workers wage in Pennsylvania. Two-thirds of $120 ($119.20 rounded to $120) would equal $80 if we followed the Nixon formula; which, of course, is income tax-free, social security-medicare tax free. For a family of four, take home pay would be $104 ($10 income tax withholding plus $5.76 social security and medicare).

If cost of transportation, work clothing, and lunches were subtracted, another $10 would reduce *spendable income* to $94. With a $60 maximum benefit, the individual would be receiving 64% of his take home pay. If the maximum were $80, he would be receiving 85% of his take home pay. What incentive would there be to seek employment if a cash benefit for not working becomes 85% of the pay you get for working. Furloughed automobile workers get as high as 95% of their take home pay from a combination of state benefits and SUB (employer paid unemployment benefits).

It has been reported that Pennsylvania in 1968 met 61% of the 80% goal set by the President. In other words, 61% of the beneficiaries received at least half their average *gross* weekly wage.

Experts in the field of unemployment compensation contend that too little is known about the average weekly wages earned by claimants. It is a claimant's weekly wage which determines his weekly amount of benefits. But we don't know what such average wages are in a state for *all claimants* in a year.

It should be made abundantly clear that any individual whose average weekly wage in Pennsylvania (whether it be computed by his actual wage or if this is not constant, by his highest quarterly wage) is $120 or less, his weekly benefit amount must equal 50% or more of his gross weekly wage.

Once beyond the $120 a week mark, the benefit amount percentage-wise reduces in direct proportion to the gross dollar figure.

If 61% of the 53,717 average weekly number of claimants—32,767—received 50% of their gross weekly wage; then, 20,950 in the higher wage brackets did not. But we don't know how much higher the $60 maximum should be raised so that a larger majority than 61% would receive 50%.

Pennsylvania's claimant population changes from year to year with a few notable exceptions: the ever present apparel and textile claimants and construction workers amount to 37% of the average number of weekly payments made. Here we find comparatively low paying industries and the highest paying (construction) leading all other industry year after year in the payment of unemployment benefits.

Are we trying to make a maximum weekly benefit so that the construction worker will receive 50% of his gross weekly wage? A $6 plus per hour skilled union construction worker wage is common. Thus, for a 40 hour work week this amounts to $240. One-half this wage is $120. Is this what we are after?

Or, in the case of garment and textile workers, who average around $2.34 per hour and perhaps average 36 hours per week for $84; should the maximum be as low as $42 (one-half the weekly wage)?

One way to determine the fairness of any maximum benefit would be to find out the experience of *beneficiaries*. This would entail a review of past records. Unfortunately, no previous administration was willing to request such information from the states. Labor Department technicians continue to cling to their theory that the only way to establish a proper maximum weekly benefit is by using 66⅔ percent of the average weekly wage in a state.

It is our understanding that Secretary of Labor Schultz was to see to it that claimant wage information and other vital facts would commence to be collected and published. So far we have seen no such information.

The maximum benefit amount places a ceiling on benefits so that high wage earners do not receive a benefit amount in actual dollars which would not only discourage job seeking but would give a monetary advantage over the more unfortunate lower paid workers.

Eldred Hill of Unemployment Benefit Advisors, Washington, D.C., hit right on target when he wrote:

"The only reasonable test of benefit adequacy is the relation of the benefit amount actually being paid claimants to the spendable earnings those claimants had been receiving from past wages."

It would seem to us that the Department should make a thorough study of this problem along the lines as promised by the Secretary, before any legislative action is considered.

We, therefore, recommend that any legislation on maximum weekly benefit amount be abandoned at this time.

RECOMMENDATION

Pennsylvania Manufacturer's Association therefore supports the House passed unemployment compensation bill H.R. 14705 and recommends it without amendment to the Senate Finance Committee for their consideration.

STATEMENT ON BEHALF OF THE TEXAS MANUFACTURERS ASSOCIATION, PRESENTED BY L. W. GRAY, VICE PRESIDENT

I. INTRODUCTION

This statement is filed on behalf of the Texas Manufacturers Association with offices at 1212 Main Street, Houston, Texas, 77002. The Association is composed of three thousand five hundred (3,500) business firms in Texas most of whom are covered employers under the Texas Unemployment Compensation Act.

The Texas Manufacturers Association has adopted the following policy pertaining to unemployment compensation:

"Employment Stabilization and Unemployment Compensation."

The Texas Manufacturers Association proposes the following fundamental principles as a guide to interpretation, study or modification of the existing State law dealing with unemployment compensation:

1. Unemployment compensation benefits should not be at a level so high as to destroy the desire to seek employment immediately or the incentive to work; neither should they be at a level so low as to require eligible workers to resort to public relief while on benefit status.

2. Such benefits should be afforded those individuals who comply with eligibility standards established by State law, including the requirements that laid-off workers must: (a) register for work, (b) actually seek work, and (c) be able to perform it.

3. Such benefits should relate directly to the amount of taxable wages paid to the worker. The unemployment tax liability rate should be directly related to each employer's experience and in keeping with the relatively stabilized employment conditions existing in the State.

4. Unemployment benefits should be based upon a "percent of" take-home pay and restricted to the unemployed individual who is normally in the regular work force.

5. Such unemployment benefits should be extended to an eligible worker for a reasonable length of time to enable the individual to find employment.

TMA urges that any State level consideration of the employment compensation law be directed toward maintaining incentives to industry through experience

rating and to the unemployed individual through emphasis on the need to actually seek employment.

"Furthermore, the Texas Manufacturers Association adheres to the principle that unemployment compensation laws should be administered at the State level, and that the National Government should refrain from interfering with or bringing undue pressure upon the state administrative agencies in the performance of their duty as directed by the respective state legislatures."

Our interest in this legislation is occasioned by the fact that H.R. 14705 conflicts with the above stated policy in that the proposal under consideration seeks to prescribe certain minimum federal standards with respect to the terms and conditions under which unemployment compensation is paid under the laws of the several states and the further fact that the covered employers of the State of Texas have a vital interest in unemployment compensation because they pay the costs of the program through a payroll tax.

II. SUMMARY OF POSITION

A. The Texas Manufacturers Association favors continuation of the existing Federal-State relationship as created by the Social Security Act of 1935. Under this system the State law must comply with several procedural requirements, and after these are met, the states have wide latitude in determining the provisions of their state unemployment compensation laws.

B. H.R. 14705 as a package is opposed, as its enactment would impair the existing Federal-State structure of the unemployment insurance system by interfering with the traditional and historic rights of the states to determine the provisions of their state unemployment compensation laws.

C. The Texas Manufacturers Association favors judicial review, a permanent as opposed to a temporary extended benefits program, and the need for adequate and equitable financing provisions; however, the judicial review provision as contained in H.R. 14705, without amendment, is not acceptable.

D. It is recommended that the administration of the unemployment compensation program at the Federal level be removed from the jurisdiction of the Department of Labor.

The Federal-State unemployment insurance system was created by the enactment of the Social Security Act in 1935. The Federal-State relationship created by that Act has continued to operate since that time with little fundamental change. Under the present system, the State law must comply with several procedural requirements in order to obtain the necessary monies to administer the State unemployment compensation program and in order to receive credit against the Federal tax. After these procedural requirements are met, the States have had wide latitude in determining the provisions of their state unemployment compensation laws.

The Legislatures of the individual States have exercised their prerogatives to determine what benefits should be paid to eligible claimants, the eligibility and disqualification provisions applicable to claimants, and the duration of the weeks of benefits payable to the claimants. The Texas Manufacturers Association strongly favors the continuation of this system.

President Nixon in his message sending this legislation to the Congress also indicated his support of the present Federal-State relationship, when he stated:

"Unemployment insurance is one of the foremost examples of creative Federal-State partnerships. Although the system was created by Federal law, most decisions about the nature of the program are left to the States, which administer the system with State employees. This makes the system far more flexible and attuned to local needs and special circumstances of local economies."

While we concur with the principle enunciated by President Nixon as quoted above, an analysis of H.R. 14705, in our opinion, reveals that some of its major proposals annot be reconciled with the statement of principle made by the President.

The basic issue is whether or not the enactment of H.R. 14705, pending before this Committee, would impair the existing Federal-State structure of our unemployment insurance system by interfering with the traditional and historic rights of the individual States to determine the provisions of their State unemployment compensation laws. While not all of the provisions of the pending legislation would interfere with this traditional Federal-State relationship, certain provisions of the proposed legislation do conflict with this principle, and for that reason, the Texas Manufacturers Association opposes H.R. 14705 as a package.

IV. OBJECTIONS TO CERTAIN PROPOSALS—H.R. 14705

The following is an analysis of two of the major proposals contained within H.R. 14705, outlining the position of the Texas Manufacturers Association on each proposal.

A. Provisions required to be in State laws

H.R. 14705 would require all state laws to conform to the following standards: (1) Deny benefits to individuals who have not worked in previous benefit years, as a means of eliminating the so-called "double dip"; (2) Prohibition against denying benefits to individuals taking approved training; (3) Prohibition against denying or reducing benefits because a claimant lives or files his claim in another state or Canada; (4) Prohibition against cancelling wage credits or total benefit rights except for misconduct connected with work, fraud connected with the claim or receipt of disqualifying income; (5) Requirement that all states must participate in wage combining arrangements approved by the Secretary of Labor when individual has earned compensation in two or more states.

Comment: We object to this section of the bill setting out provisions or standards required to be included in state laws. Our objection is primarily to the principle involved rather than to the substance of the requirements or standards.

This proposal to substitute the judgment of the Congress for the judgment of the various state legislatures in these areas, in our opinion, is an unwarranted invasion of the rights of the individual states and impairs the effective, existing Federal-State partnership. Once the principle of Federal standards is accepted, additional requirements and standards can be anticipated in the future, removing from the state any discretion in these areas and ultimately removing any state voice in the operation of the state unemployment insurance program.

B. Judicial review

This proposal would make the decisions of the Secretary of Labor in state compliance and conformity issues subject to limited court review. The Secretary's finding of facts would be conclusive if supported by substantial evidence.

Comment: The Texas Manufacturers Association favors and strongly endorses the enactment of legislation permitting judicial review of the decisions of the Secretary of Labor in "conformity" and "compliance" decisions. Under the present law, the States are denied any recourse from a determination by the Secretary of Labor. This fact, coupled with the severe penalties for being held out of compliance or conformity, have placed the states in a strait-jacket, preventing them from innovating at the state level.

The inclusion of a judicial review section within the proposed bill is encouraging, as it acknowledges at the Federal level that a problem does exist. Analysis of the language contained in the judicial review section of H. R. 14705 reveals that it does not solve the judicial review problem at the state level. The proposal, as incorporated in H. R. 14705, has two basic defects. First, it provides that the findings of facts by the Secretary of Labor, if supported by substantial evidence, shall be conclusive. We feel that this provision is too restrictive as it pertains to the states, since it vests within the Secretary of Labor the right to prepare the record and to base his decision thereon. The decision made by the Secretary will then be binding on the court if supported by substantial evidence. We have in the past and continue to support a broader review of the determination of the Secretary of Labor. While we have urged in the past a *de novo* type hearing before the court which would allow the broadest type of review, we would accept the language worked out by the House Ways and Means Committee in its consideration of unemployment compensation legislation in 1966. This language, pertaining to judicial review and incorporated into the provisions of H. R. 15119, provided that the record compiled by the Secretary of Labor would be subject to court review and that the findings of the Secretary would be final unless they were found to be contrary to the weight of the evidence. This was a compromise between the two extreme views of a *de novo* hearing and a review of the record subject to the substantial evidence rule.

Secondly, it is noted that the judicial review proposal as contained in the pending legislation would tend to abrogate the "Knowland amendment", requiring that all administrative and judicial remedies must be exhausted at the state

level before the Secretary of Labor can make a finding on an issue of conformity or compliance at the state level. We strongly favor retention of the Knowland amendment as an integral and necessary part of the law.

The Texas Manufacturers Association favors and actively supports a judicial review provision which provides for a *de novo* hearing or, in the alternative, provides for a review of the records compiled by the Secretary with the Secretary's findings being conclusive unless contrary to the weight of the evidence, and further, does not amend or repeal the Knowland amendment.

V. RECOMMENDED AMENDMENT

The Texas Manufacturers Association through a policy adopted by its membership expressed a belief that the law should be amended to provide that the administration of the unemployment compensation program at the Federal level should be removed from the jurisdiction of the Department of Labor, an agency created to serve the interest of labor, and be placed under the jurisdiction of another federal agency which had not been created to serve the interests of either labor or employers. It is recommended that an appropriate amendment to accomplish this objective be prepared and considered by the Committee.

This statement is respectfully submitted by the Texas Manufacturers Association, 1212 Main Street, Houston, Texas 77002.

NATIONAL RESTAURANT ASSOCIATION,
Washington, D.C. February 13, 1970.

HON. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: It is my privilege to forward to you the views of the National Restaurant Association on H. R. 14705, a bill to amend the unemployment compensation system, which is presently before your committee.

The position of the National Restaurant Association may be stated succinctly. It is this: We support the passage of H. R. 14705 in its present form.

When this issue was first presented to the Ways and Means Committee of the House of Representatives in its consideration of H. R. 12625, we stated our views. In essence they are:

(a) The National Restaurant Association supports those changes in the law necessary to meet administrative costs for the operation of public employment services and unemployment insurance programs.

(b) We support a program for extended benefits to be available in recession periods; however, we opposed adoption of the program incorporated in H. R. 12625 as too rigid and inflexible to be truly responsive to local needs. As presented by the Administration, it would have imposed national standards based entirely on a national rate of unemployment and was patently unresponsive to regionally isolated unemployment problems.

(c) We oppose the imposition of Federal standards on the administration of State unemployment compensation programs as being demonstrably unnecessary; inconsistent with the Federal-State partnership concept advanced by the President; and unproductively expensive to administer.

(d) We oppose doubling the taxable wage base as H. R. 12625 would have done and as the Administration still recommends. We consider it imperative to preserve the basic concept of the Federal Unemployment Tax. It is designed solely to raise revenue to defray administrative costs. Doubling the tax base would provide funds far in excess of the needs for administration of the program. The resulting accumulation would invite administrative departures from the boundaries established by Congress.

To the best of our knowledge, no one contends that the 0.1 per cent increase in the Federal tax rate, coupled with a later rise to $4,200 in the tax base as H. R. 14705 provides, will be inadequate to meet all anticipated costs of administering the Federal program. We believe this raise in tax rate and tax base to be more than adequate to meet anticipated administrative costs and, on the basis, we support the House passed measure. In our view, this legislation adopted by the House of Representatives incorporates the best features of the Administration's proposal for adequate funding coupled with provisions for extended coverage. It also meets many of the objections we raised to the Administration's proposal.

The tax provided in H.R. 14705 will bring in adequate revenue to do the job projected. It has been said that H.R. 14705 would provide an inequitable tax base for the program. The Federal Unemployment Tax is designed to provide administrative services for all employees who become unemployed. There is no inequity in a tax that applies equally to the wages of both low and high paid employees, when the tax is designed to provide the same quality and quantity of services of all.

The National Restaurant Association recommends passage of H.R. 14705 without amendment.

Sincerely yours,

IRA H. NUNN, *Washington Counsel.*

STATEMENT OF THE AMERICAN HOTEL & MOTEL ASSOCIATION

The American Hotel & Motel Association is a federation of hotel and motel associations located in the fifty states, the District of Columbia, Puerto Rico, and the Virgin Islands, having a membership in excess of 6,000 hotels and motels containing in excess of 770,000 rentable rooms. The Association maintains offices at 221 West 57th Street, New York, New York, and at 777 14th Street, NW., Washington, D.C.

The American Hotel & Motel Association recognizes that a review of the unemployment compensation laws is much more desirable during a period of relatively high employment than during a period of substantial unemployment. However, we are opposed to present proposals which would substantially increase the taxable wage base at this time. Our industry which is service oriented can no longer be forced to absorb the continued costs attendant with taxation without increasing our own costs. At a time of spiraling inflation, we feel this is not in the national interest.

The hotel/motel industry is facing increased wage scales due to the prospective "increases" in the wage and hour law enacted by Congress in 1966 and is facing increased payroll costs due to the prospective rate increases in the Social Security amendments enacted in 1967. One has to wonder how much further this generation can commit future generations.

Our industry is one of the largest employers of unskilled, marginal labor. These are the very people who will be faced with losing their jobs if hotels and motels are forced to absorb additional "artificially imposed" operational costs—such as the proposed increase in the taxable wage base. These very companies who will be forced to cut back to meet the continued rise in the current graduated minimum wage along with the possibility of a further statutory increase in minimum wage would be charged with unemployment insurance benefits paid to those very people they were forced to lay off in order to stay in business, thus increasing their unemployment insurance rate and total operation costs.

The Association would like to comment briefly on certain portions of H.R. 14705.

(1) *Extended Benefits*: H.R. 14705 establishes a *federal-state* program of extended benefits. The program encompassed in this legislative proposal would be triggered into operation in all of the 50 states by a national insured unemployment rate of 4.5 percent for 3 consecutive months. The program would also be triggered into operation in an individual state when a State-insured unemployment rate for any consecutive 13-week period was 20 percent higher than the average for the same period in the 2 prior years, and at least 4 percent. Lastly, the effective date for compliance would be January 1, 1972, although many states may voluntarily comply at any time.

The proposals advocated in H.R. 14705, which are similar to those found in H.R. 15119 (offered in the 89th Congress), are far more preferable than the Administration proposal which sought a nationwide system of benefits triggered in and triggered out based on national employment figures and financed solely by the federal government. Such an antirecessionary scheme is undesirable when one realizes that recessions are generally sectional and rarely national.

Thus, we recomend this Committee accept the proposals encompassed in H.R. 14705 which allow for a 50–50 federal-state system of payments. AH&MA firmly believes that the preservation of the present federal-state relationship is vital to the continued well-being of the Nation and must be preserved.

(2) *Increasing the Taxable Wage Base*: AH&MA feels that a modest increase in the wage base may be warranted, but an increase of 100 percent within 5 years as proposed by the Administration is highly imprudent. H.R. 14705 is much more

realistic in its aim to raise the taxable wage base from its present $3,000 to $4,200 effective January 1, 1972. We believe that any increase in the existing wage base should only be made after due consideration is given to the inflationary pressures which are currently hampering this Nation's fiscal stability.

We must emphasize, however, that a small increase in the wage base is preferable to an increase in the percentage rate.

(3) *Judicial Review*: AII&MA is pleased that both the Administration and House-passed bill are in agreement relative to judicial review.

We strongly support this portion of the legislation in that it recognizes the right of a state to appeal to a federal court an adverse finding of the Secretary of Labor.

In conclusion, AII&MA urges this committee to repudiate the Administration's call for virtually a 100 percent increase in the taxable wage base to occur within 5 years.

Legislation passed in prior years to take effect in future years is now having a substantial impact on the cost structure of our industry. We therefore feel that the legislation before this committee be passed only with the idea of meeting "present" needs, not possible "future" demands.

ASSOCIATED INDUSTRIES OF MISSOURI,
St. Louis, Mo., February 13, 1970.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: I have been following with interest the progress of H.R. 14705, which provides for the extension of unemployment compensation benefits during the period of high unemployment and otherwise provides for the strengthening and improvement of the unemployment insurance program, which is now before the Senate Finance Committee.

It is true that there are several aspects of the bill which I do not agree with. However, I believe it is important that a bill on this subject providing permanent measures and standards be passed during a period of prosperity and relatively low unemployment. Then, if we are unfortunate enough to experience future periods of relative high unemployment, we shall be able to prevent or avoid hastily drafted temporary legislation resulting from heavy pressure and possibly not receiving the due and careful deliberation and consideration all legislation should receive. On the whole, I believe the bill is worthy of consideration and passage and I would urge you to recommend the adoption of H.R. 14705 without substantive amendments.

Yours very truly,

CHESTER P. HOEVEL,
Executive Vice President.

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA,
Washington, D.C., February 20, 1970.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: My name is Simon Korshoj and I am President of the Korshoj Construction Company, Inc., in Blair, Nebraska, and also a member of the Associated General Contractors' Legislative Committee. I am filing this statement on behalf of the Associated General Contractors of America which represents approximately 9,000 of the Nation's leading general contractors in all fifty states, Puerto Rico and the Virgin Islands. We appreciate having the opportunity to file this statement with your Committee on H.R. 14705, to amend the Federal-state unemployment compensation program.

AGC is particularly concerned with the provision in the bill which sets up the Federal-state extended unemployment insurance program. This provision is designed to pay extended benefits during the high periods of unemployment. It is our opinion that the states should be required to enact an extended unemployment insurance program of their own as a condition of any tax credit against the Federal Unemployment Tax. The law should provide that such state plans be approved by the Secretary of Labor.

Permitting the federal government to share in the administration and payment of extended benefits as provided in this bill will, sooner or later, lead to a complete federallaztion of the unemployment insurance program.

Under the provisions proposed in H.R. 14705 there is a possibility that employers in one state will be paying benefits to employees who are covered in other states. This is contrary to the program now in existence. Requiring the various states to enact their own extended benefit program will make it necessary for each state to establish their own trigger point for extended benefits based on its own rate of unemployment. This will be more equitable in view of the fact that rates of unemployment vary from state to state. Such a state program will benefit states who operate the unemployment insurance program on a sound basis. Employers in such states will then not have to support the payments of benefits in states where provisions for disqualification, weekly benefit amounts and total benefit amounts are more liberal and in states where mandatory provisions for the solvency of its own fund are not in existence. If the extended benefit program is conducted on a state level, there is not the necessity for an increase in the wage base for the Federal Unemployment Tax Act as provided in H.R. 14705. The present rate of federal unemployment tax of 0.4% on a wage base of $3,000.00, particularly if coverage is extended to employers who employ one or more persons should be sufficient to carry on the administrative expense of the Federal Manpower Administration. If more funds are needed for the administration of the act, a more equitable way of securing additional funds would be to increase the rate of Federal Unemployment Tax on the present wage base rather than increasing the wage base as provided in H.R. 14705.

Increasing the wage base in the Federal Unemployment Tax Act as provided in H.R. 14705 will be particularly discriminating to industries where employees during the normal course of business will perform services for more than one employer during a calendar year such as the construction industry. At the present time many employees in the construction industry work for two or more employers within a calendar year. Each employer is required to pay the unemployment tax to the state and to the Federal on a $3,000.00 base. In such cases the base per employee is sufficiently high at the present time and the proposed increased in the wage base as outlined in H.R. 14705 will accentuate this discrimination which should be avoided.

It has also been alleged that increasing the wage base will strengthen the financing of a normal unemployment insurance program. Based on the experience in our state, this allegation is not sound. Nebraska has been operating on a wage base of $3,000.00 since 1940 and during this time the fund has been strengthened to such an extent that the total fund balance in the Nebraska Unemployment Compensation Fund is now more than 8 times the most recent annual amount of benefits paid. In addition, the ratio of the 1968 taxable wages to the reserve balance as of December 31, 1968 is more than 6.0%. This indicates that the reserve fund balance in Nebraska is more than ample to take care of any emergency in the payment of benefits to unemployed workers.

It is also to be pointed out that the increase in the wage base will seriously affect the relationship between various industries regarding the rate of contributions payable. It has been the policy in Nebraska to establish a rate structure which will bring in sufficient revenue to cover the benefit costs on a pay-as-you-go basis, leaving the present unemployment fund available as a reserve to cover unusual benefit payments as a result of a recession or depression. Under this policy a shift in the wage base will likewise mean a shift in the tax burden from one industry to another. Those with a high rate of wage scale will be required to pay more than the low rate paying industries even though the benefits are based on the same wage base for all employees.

For most states, the total benefit amount is based on one-third of the base period earnings but is limited generally to 26 times the weekly benefit amount. In our state the weekly benefit amount is $44.00 and for 26 weeks this results in a total benefit amount of $1,144.00 which is approximately one-third of the wage base of $3,000.00. States who have a higher weekly benefit amount may want to raise the wage base to fit their particular benefit schedule. This is certainly a more sound and businesslike approach to the increase in the wage base rather than arbitrarily setting a wage base in the Federal Unemployment Tax as provided for in H.R. 14705. In 1970 the weekly benefit amount in Nebraska will be raised to $48.00 a week and for 26 weeks this will result in a total benefit amount of $1,200.00. Since three times $1,200.00 is $3,600.00, it may well be that Nebraska

will raise its wage base to $3,600.00. This in effect will be more equitable to all employers alike in financing the benefit program through the states experience rate tax structure.

In conclusion, AGC suggests that H.R. 14705 should be amended to eliminate the provision for Federal Extended Benefits during the period of high unemployment and delete the increase in the wage base in the Federal Unemployment Tax Act.The activities of the Federal Manpower Administration regarding the employment insurance program should be limited to supervision of the state programs to make sure that each state is meeting the Federal requirements as a condition of federal credit. If this policy is followed, there should be no need for the federal government to establish an unemployment insurance fund of its own as provided in H.R. 14705. This will assure that the unemplyoment insurance program will be conducted on the various states without the encroachment of federal officials in the actual operation of the payment of regular and extended unemployment insurance benefits.

We urge your earnest consideration of our views on this important piece of legislation.

Sincerely,

KORSHOJ CONSTRUCTION CO., INC.,
SIMON KORSHOJ, *President.*

CORPORATE GROUP SERVICE, INC.,
Orlando, Fla., February 12, 1970.

Re H.R. 14705.
Hon. RUSSELL B. LONG,
Senator from Louisiana,
Washington, D.C.

DEAR SENATOR LONG: It is my understanding that the Senate Finance Committee will shortly pass on H.R. 14705, the bill which modifies the Unemployment Insurance Program. I have been apprised of the gist of testimony given by Secretary of Labor, George P. Shultz, before your committee February 5, and understand that he wishes amendments to the bill. I am not familiar with the arguments pro and con regarding extension of benefits to employees on large farms or to college professors and administrative personnel, and I would not attempt to influence a decision on these points. I do, however, feel strongly about his proposed amendment to provide a higher wage base rather than having a rate increase on the existing wage base.

Essentially, the same administrative services are provided regardless of whether the employee earns at a low or at a higher wage rate, and it would seem to me to be very unjust to require financing by those with higher earnings of those receiving low wages. There is no merit rating for this tax, and we see no justification whatever for increasing the wage base as a method for defraying additional administrative costs, this assuming that there is justification for these increased costs. I suspect that the facts will show that the higher paid employee utilizes the services far less than the lower paid employee, and we fail to see why the employer who pays higher wages should have to pay a higher per capita cost on his employees in order to defray the administrative costs of the program.

Benefit schedules are largely based on the wage base, but this is appropriate inasmuch as the benefit schedule is also tied to this wage base in greater or lesser degrees, depending on the state program. In short, it is my hope that you will see fit to pass this bill in its present form without adding the amendment requested by Secretary of Labor Shultz.

Very truly yours,

JACK C. INMAN, *President.*

STATEMENT OF JOHN T. HIGGINS ON BEHALF OF THE AMERICAN TEXTILE MANUFACTURERS INSTITUTE, INC.

Mr. Chairman and gentlemen, my name is John T. Higgins. I am Vice President of Burlington Industries, Inc. of Greensboro, North Carolina. I am appearing before you today in my representative capacity as Chairman of the Tax Committee of the American Textile Manufacturers Institute, Incorporated.

Our Association represents some 300 corporations which have about 85 percent of the spinning, weaving and finishing capacity in the cotton, silk and man-made fiber industry. The textile industry employs 984,000 people in 42 states, has an annual payroll of $4 billion and last year had shipments valued at over $21.3 billion.

This statement is submitted in support of H.R. 14705 as passed by the House of Representatives and in opposition to the amendments proposed to you by the Secretary of Labor on February 5, 1970.

In particular we recommend against the proposal to extend protection to hired workers on large farms; we are opposed to providing a higher wage base and the abolition of the combination rate and base increase adopted by the House.

The Federal Unemployment Tax is designed *solely* for the purpose of raising revenues to defray *administrative costs* and every employer pays the same amount of tax per employee for that purpose.

The federal tax is not merit rated. It is nothing more than a method of raising funds to pay for the services provided to those who need to call upon the public employment service or upon the unemployment compensation system. It is not the source of the funds to pay unemployment benefits. The benefit payments are funded entirely by the states from the proceeds of their state unemployment taxes—a tax which is merit rated.

The Secretary of Labor's argument that the taxable wage base should be increased to $4800 for 1972, 1973 and 1974 and to $6000 thereafter and dropping to .1% rate increase passed by the House on the grounds that it provides greater "equity" among employers in the payment of unemployment compensation taxes is specious.

The evidence is persuasive that the revenues which will be provided by H.R. 14705 will be adequate to defray projected administrative costs in the foreseeable future. The Secretary of Labor did not argue to the contrary. What the Secretary did attempt to do was justify his plea for a higher base on the premise that it was "inequitable" to have the federal tax apply to a higher percentage of one employer's payroll than another's. Of course, this is a fallacious argument. The federal tax is designed to provide the same kinds of administrative services for *all* employees when they become unemployed whether they worked for a high wage or a low wage industry. There is no discrimination in the services provided. One employee is entitled to no more or no less, services than another when he seeks help from the nation's employment security program. The high paid employee certainly costs the government no more in terms of placement service or unemployment benefit administrative costs than the low wage employee. The fact is he costs less. Why then should the employer who pays higher wages have to pay a higher per capita cost on his employees to defray these administrative costs?

The payment of unemployment benefits is a separate and distinct subject. The high wage employee is likely to qualify for a greater benefit and if he draws that benefit it seems appropriate to charge a higher cost to his employer. This is solely the concern of the state taxing authority because it is the state tax and not the federal levy which produces the benefit moneys. Although there is considerable variation among the states with regard to their state tax structures and their methods of experience rating, all of the state systems endeavor to relate the employer's state tax to the benefit costs for which he is responsible. Thus, in calculating state taxes many factors, including size of payroll in most instances, is built into the tax structure. This is the essence of experience rating.

As an adjunct to his "equity" argument, the Secretary of Labor suggests that a $6000 federal base, which in turn would force all the states except Alaska to increase their rate base, would insure better functioning of experience rating. This is an argument without merit. Experience rating, simply stated, is a method of relating tax take to benefit costs on a direct and individual basis to the extent practical. Theoretically, either the base on which a tax is imposed, or the rate at which that tax is levied, can be increased to produce more funds from a given employer. And, conversely, either can be lowered to produce less income. But this theory just doesn't work when you raise the base beyond the amount a given employer pays his employees. For the employer who pays $4000 a year per employee, any base exceeding that figure ceases to affect his tax bill. But the rate of tax can be raised on an employer, high wage or low wage, and his tax bill will respond accordingly. Thus, it is a wide range of rates sensitive to variations in individual employer costs, rather than a high base, that is the benchmark of equitable experience rating.

The impact on state unemployment compensation systems of covering agricultural workers is uncertain but the best evidence available is that it would be extremely costly and could not carry itself.

Not the least troublesome by any means is a precise and workable definition of who is an agriculture worker, as well as the migratory nature of many of them.

A state-by-state analysis of the consequences of a provision to cover farm workers has not been accomplished. An estimate is possible based upon the evidence available and it tends to indicate that the cost of covering farmers would exceed 10% to 15% of their taxable payrolls. If this is valid evidence, farmers would not even closely approximate paying for such benefit costs in unemployment compensation taxes. This would require other covered employers to make up the deficit.

North Dakota has had experience under a special provision of law covering non-seasonal farmers on a voluntary basis and even though the most stable farmers tended to be covered the cost experience has been virtually twice the state's top tax rate of 7%.

It is suggested that states should not be forced to cover farmers faster than they are able to solve the basic problems associated with farm coverage such as financing and benefit rights. This should be accomplished by each state on its own initiative before Congress undertakes to impose coverage of a group of workers on the states when such action is likely to have detrimental consequences on the unemployment compensation system.

It was with a great deal of satisfaction that we noted that H.R. 14705, as passed by the House of Representatives, did not contain federal benefit standards and we urge that they be not included by the Senate.

Although H.R. 14705, as passed by the House of Representatives, is not letter perfect so far as our industry is concerned we recognize the virtues of the measure and urge its passage without amendment.

Mr. Chairman and gentlemen, I wish to thank you for the privilege of presenting this testimony to you.

STATEMENT OF PETER FOSCO, GENERAL PRESIDENT, LABORERS' INTERNATIONAL UNION OF NORTH AMERICA, AFL–CIO

Mr. Chairman, members of the Committee, my name is Peter Fosco. I am General President of the Laborers' International Union of North America, AFL–CIO, representing approximately 50,000 members employed in the construction industry and in the Federal and public service.

I appreciate this opportunity to present the views of my organization concerning H.R. 14705, a bill to extend and improve the Federal-State Unemployment Compensation System.

The Laborers' International Union considers this to be one of the most important issues to be decided by this Congress. The state of the unemployment compensation system means literally the difference between dignity and despair for millions of Americans when they find themselves temporarily unemployed through no fault of their own. And each year during the prosperous decade of the 1960's, over 11 million American workers found themselves in just that position—unfortunately, the majority of them received no relief at all from unemployment compensation.

Mr. Chairman, the system needs drastic extension, and it needs dramatic improvement. We feel H.R. 14705, as it is presently written, promises neither.

It is somewhat ironic that these hearings are scheduled at a time when a calculated rise in unemployment is becoming visible. Anymore, Administration spokesmen are barely attempting to camouflage the fact that their antidote for the current economic inflation is a mini-recession. Will the thousands of Americans who will be forced to sacrifice their jobs "for the good of the economy" receive adequate compensation? The statistical probability is that most will receive no benefits at all, the three out of 10 who do will have to make do on about one-third their normal income.

When the system was established in 1939, its obvious intent was to guarantee the great majority of the unemployed a substantial portion of their average wage until they found work. Initially, the maximum weekly benefit fell below 50 percent of the average weekly wage in only two states—the maximum for most states was 65 percent of the average wage at that time.

Unemployment compensation was considered a great social reform, the product of a socially enlightened period in our history. It was based on the concept that workers contribute to the collective wealth of the nation, thus earning the right to draw adequate compensation when they are prevented from working due to economic downturns beyond their control. Since all workers contribute to the nation's wealth, obviously the greatest number possible should be eligible for protection under the system.

Over the years the system has steadily deteriorated. It has been systematically eroded until today it is but a caricature of its original intent.

Ten years ago, about six out of 10 unemployed workers received benefits from the program. The ratio was down to four out of ten by 1965, and today we are approaching the point where only about three out of ten draw any benefits at all. And while the program originally provided from one-half to two-thirds of a worker's average wage under covered employment, the average benefit amount paid to claimants in 1968 ($43) represented about 34 per cent of their average weekly wage.

Rather than maintain the family of an unemployed workman in some semblance of dignity, the system quite literally condemns the great majority to a sub-poverty level existence by the Federal Government's own official standard.

Incredibly, the taxable wage base from which the system's revenue is drawn remains after all these years at the figure set in 1939: $3,000. At that time 98 per cent of covered wages were subject to tax. Wages have gone up considerably since then, so today less than 50 per cent of covered wages are subject to tax.

Mr. Chairman, it is time for the Federal Government to realize it has consistently abdicated major responsibility for the system to the states which have in

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turn favored the employers at the expense of America's working men and women, for whose benefit, after all, it was designed.

The basic weakness in the system lies in the fact that it is nearly devoid of Federal guidance. It is left to the states to administer their own programs, raise the money, determine qualifying standards, benefit amounts and duration of benefits.

The chief reason the systems benefit so few workers and to such a small degree can be summed up in two words: industrial competition.

Each state seeks to encourage industrial development within its own borders. Each wants to offer business the best deal. Since unemployment compensation primarily is paid from a tax levied on employers by the states, each state attempts to keep the drain on its unemployment insurance fund at a minimum so that it can offer the lowest possible tax rate as an incentive to industry.

One obvious result is that states have been most reluctant to increase the benefit amounts; in relation to soaring prices and wages over the years, unemployment benefits have inched up all but imperceptibly.

Another way the states cut corners is by imposing strict eligibility requirements on workers. Every worker covered by unemployment compensation does not necessarily qualify for benefits when he is out of a job. Covered workers must meet minimum requirements on earnings or length of service or both in every state in order to qualify. While it is necessary to have some standard for limiting coverage to regular members of the labor force, the lack of any established Federal standard makes it tempting for states arbitrarily to stiffen eligibility requirements to exclude more workers rather than raise the employers' ante.

It is more than coincidental that 16 states which increased benefit payments during the last five years imposed stricter standards at the same time. Jobless workers in these states are receiving better benefits, but there are fewer of them dipping into the pot—thus no increased burden on industry.

And so it goes: the system which was established for the benefit of the workers is being operated today for the convenience of the businessmen, and at the expense of the growing number of employees receiving no relief when they are between jobs.

While a few states apply reasonable standards and qualify 90 to 95 per cent of new claimants, many deny benefits to 25 to 30 per cent of new claimants covered by unemployment insurance. The number of claimants who fail to qualify for benefits combined with those who are excluded entirely from the system (about one out of every four workers) make up the better than 65 per cent of the unemployed receiving no benefits at all.

Qualifying requirements also are used to govern the length of time eligible unemployed are able to receive benefits. While all states provide for a potential maximum duration of 26 weeks, duration depends on the amount of past earning or length of employment; again there is no uniform standard, so states are free to determine these standards at will. By no means do all claimants who are out of work for the maximum period receive benefits for the maximum duration.

During 1967, 11 states granted 50 per cent of all eligible claimants the full 26-week duration of benefits. In 34 states from 53 to 91 per cent received the potential maximum. Only seven states granted the 26-week duration to all eligible claimants who were unemployed for at least that length of time.

Also in 1967, better than 50 per cent of the eligible claimants in 20 states exhausted their benefits in less than 20 weeks. Only six states had no claimants exhausting benefits in less than 20 weeks.

The states are able to juggle these various elements of the jobless pay system and offer businessmen bargain tax rates primarily because of the "experience rating" device which has allowed states to emasculate the system.

Originally, employers were exempted from paying 90 per cent of the 3 per cent Federal unemployment insurance tax because it was anticipated that they would pay something close to the remaining 2.7 per cent into their state fund. As each state built up substantial reserves in its own fund, it naturally saw the opportunity to lure industry by charging a lower tax rate according to the company's experience with unemployment. The practice not only has depleted the states' unemployment compensation reserves but has tempted many employers to fire workers unjustly so as not to jeopardize their own experience ratings.

Clearly, unemployment compensation is fast losing its relevance for American workers. It has become for each state a political chess piece with which to vie for industrial advantage.

If the system is ever again to perform the role for which it was designed, then it must be reformed in a number of areas. We feel it is vital to the well-being of the millions of American workers and their families that the following points be incorporated into H. R. 14705:

TAXABLE WAGE BASE

If the taxable wage base used for financing the program had kept pace with rising wage levels, it would now be approaching $15,000. But as the original figure established parity with the wage base used for social security, the wage base for unemployment compensation should today at least be equal to that used presently for Old-Age and Survivors Insurance ($7,800). This is not only reasonable and logical, it is essential for proper financing of the system.

MINIMUM FEDERAL BENEFIT STANDARDS

Past experience makes absolute the necessity for establishing a minimum Federal benefit standard. Fifteen years ago President Eisenhower called for states to voluntarily increase benefits to provide two-thirds regular income to the majority of claimants. Every President since then has made the same plea, including President Nixon in his message of July 8, 1969. But on December 1, 1969, the maximum weekly benefits under 30 state programs was still below 50 per cent of the statewide average weekly wage.

By now it is plainly absurd to think the states can be moved by mere rhetoric to raise their benefit amounts to a significant level. We urge Congress to impose Federal standards requiring states to provide weekly benefits for the great majority of claimants equal to 66⅔ per cent of the statewide average weekly wage with minimum standards no lower than 50 per cent of the average weekly wage. These figures should be computed semi-annually, with ratios applying to gross earning during the weeks in the base year when wages were highest:

DURATION—ELIGIBILITY—EXTENSION OF BENEFITS

Current practice permits states to set the length of benefit duration arbitrarily, regardless of the needs of the claimant. Federal standards should be set providing a uniform 26-week benefit duration period and prohibiting states from imposing eligibility requirements beyond 20 weeks of work or its equivalent for entitlement to the full duration.

Extended benefits paid from a Federally-financed program should be available to any claimant who is unable to find suitable work within the 26-week period. The present extended benefit program triggered by national and state recessions is unrealistic. The 1969 *Economic Report of the President* documents this point: "Even in the height of prosperity during 1968, two million workers were out of work for a period of 15 weeks or longer. About a million workers spent at least half the year fruitlessly looking for work." The causes of long-term unemployment—seasonality, movement of industry, shifts in consumer demand—are with us constantly, not merely in time of recession.

EXPERIENCE RATING

Experience rating, which encourages manipulation by the states of unemployment compensation financing, should be eliminated or at least brought within certain bounds through minimum and maximum tax rates set by Federal law. In any event, no employer should be allowed to avoid paying any tax at all.

EXTENDED COVERAGE

The logical intent of unemployment compensation is to protect as many workers as possible. While we applaud the liberalizations already included in H.R. 14705, we feel coverage should include all agricultural workers, all state and local government employees as well as domestic workers.

PENALITY DISQUALIFICATIONS

Disqualifications of claimants should be determined in a reasonable fashion and their duration should be limited to a fixed period. We feel the maximum penality for justifiable disqualification should be equal to the average length of unemployment in a normal labor market: six weeks. Periods of unemployment lasting longer should be attributed to the slackness of the labor market, over which the worker has no control. After six weeks, the worker should then be eligible for financial relief under the system.

Mr. Chairman, we feel very strongly that firm Federal guidance is essential at this time if this important social program is to be revitalized. We hope the Committee will recommend a bill which will bring the initial promise of unemployment compensation to fulfillment at last.

Once again, I want to express my appreciation for the opportunity to express the views of the Laborers' International Union of North America on this matter.

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