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UNEMPLOYMENT INSURANCE AMENDMENTS OF 1966

1728-6

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 15119

AN ACT TO EXTEND AND IMPROVE THE FEDERAL-STATE UNEMPLOYMENT COMPENSATION PROGRAM

JULY 13, 15, 18, 19, 20, 21, 22, 25, AND 26, 1966

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UNEMPLOYMENT INSURANCE AMENDMENTS OF 1966

WEDNESDAY, JULY 13, 1966

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

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

Present: Senators Long, Douglas, Gore, McCarthy, Hartke, Metcalf, Williams, Curtis, Morton, and Dirksen.

Also present: Tom Vail, chief counsel.

The CHAIRMAN. This hearing will come to order.

H.R. 15119, the bill before the committee, represents the broadest revision of the Federal-State unemployment compensation program Congress has undertaken since the system was inaugurated in 1935. Revision and upgrading of this jointly administered program is an important part of the President's legislative program for the 89th Congress.

The current rate of insured unemployment, that is those who are covered by the unemployment compensation benefit program, is 1.8 percent. This is the lowest rate for insured unemployment since 1946. The overall unemployment rate for the month of June was 4 percent. 1966 is the first year since 1957 that employment has been at so low a rate. With this fine showing, now is a particularly good time to review the whole program so we can have unemployment compensation benefits readily available in adequate amounts to combat a future recession if there should be one. This will make it less likely that we will be faced with enacting haphazard, emergency measures, as we had to do in 1958 and again in 1961.

This hearing will continue through Tuesday, July 26. More than 50 witnesses are scheduled to present oral testimony, and scores more have indicated that they would file statements in lieu of a personal statement.

(Text of H.R. 15119 follows:)

[H.R. 15119, 89th Cong., 2d sess.]

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 "Unemployment Insurance Amendments of 1966".

TITLE I—IN GENERAL

PART A—COVERAGE

DEFINITION OF EMPLOYER

SEC. 101. (a) Subsection (a) of section 3306 of the Internal Revenue Code of 1954 is amended to read as follows:

"(a) EMPLOYER.—For the 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 paid wages of $1,500 or more, or

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

(b) The amendment made by subsection (a) shall apply with respect to remuneration paid after December 31, 1968.

DEFINITION OF EMPLOYEE

SEC. 102. (a) Subsection (i) of section 3306 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, 1968, for services performed after such date.

DEFINITION OF AGRICULTURAL LABOR

SEC. 103. (a) Subection (k) of section 3306 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 is 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, 1968, for services performed after such date.

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

SEC. 104. (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 3310(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, and

"(B) payments (in lieu of contributions) with respect to service to which section 3310(a)(1)(A) applies may be made into the State unemployment fund on the basis set forth in section 3310(a)(2);"

(b)(1) Chapter 23 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new section:

"SEC. 3310. STATE LAW COVERAGE OF CERTAIN SERVICE 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 service to which this paragraph applies is—

"(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 a State, or any instrumentality of one or more States, for a hospital or institution of higher education, 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 an educational institution 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 the case of a hospital (or in the case of a medical research organization directly engaged in the continuous active conduct of medical research in conjuntion with a hospital), by an individual as a physician, dentist, osteopath, chiropractor, naturopath, or Christian Science practioner, or by an individual employed in an instructional or research capacity;

"(6) 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; and

"(7) 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.

"(c) NONPROFITS MUST BE EMPLOYERS OF 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, 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."

(2) The table of sections for such chapter 23 is amended by inserting at the end thereof the folowing:

"Sec. 3310. State law coverage of certain service 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 subsection:

"(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 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)."

(d) The amendments made by subsections (a) and (b) shall apply with respect to certifications of State laws for 1969 and subsequent years, but only with respect to service performed after December 31, 1968. The amendment made by subsection (c) shall take effect January 1, 1967.

STUDENTS ENGAGED IN WORK-STUDY PROGRAMS

SEC. 105. (a) Paragraph (10) of section 3306(c) of the Internal Revenue Code of 1954 is amended by striking out the semicolon at the end of subparagraph (B) and inserting in lieu thereof ", or" and by adding at the end thereof the following new subparagraph:

"(C) servce performed by an individual who is enrolled at an educational institution (within the meaning of section 151(e)(4)) as a student in a full-time program, taken for credit at such insitution, which combines academic instruction with work experience, if such institution has certified to the employer that such service is an integral part of such program;".

(b) The amendment made by subsection (a) shall apply with respect to remuneration paid after December 31, 1966.

PART B—PROVISIONS OF STATE LAWS

PROVISIONS REQUIRED TO BE INCLUDED IN STATE LAWS

SEC. 121. (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 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;

"(9) compensation shall not be denied to an individual 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);

"(10) compensation shall not be denied or reduced to an individual solely because he files a claim in another State or because he resides in another State at the time he files a claim for unemployment compensation;".

(b) The amendment made by subsection (a) shall take effect January 1, 1969, and shall apply to the taxable year 1969 and taxable years thereafter.

ADDITIONAL CREDIT BASED ON REDUCED RATE FOR NEW EMPLOYERS

SEC. 122. (a) Subsection (a) of section 3303 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 basis other than as permitted by paragraphs (1), (2), and (3)."

(b) The amendments made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1966.

CREDITS ALLOWABLE TO CERTAIN EMPLOYERS

SEC. 123. 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 a 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, 1967, 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 3311, a finding of the Secretary of Labor under this subsection shall be treated as a finding under section 3304(c)."

PART C—JUDICIAL REVIEW

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 provisions meeting the requirements of 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, unless contrary to the weight of the 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 unless contrary to the weight of the 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, 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 not stay the Secretary's action, but the court may grant interim relief if warranted, including stay of the Secretary's action and including such 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 adding at the end thereof the following new section:

"SEC. 3311. 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 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, United States Code.

"(b) FINDINGS OF FACT.—The findings of fact by the Secretary of Labor, unless contrary to the weight of the 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 unless contrary to the weight of the 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, 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 not stay the Secretary's action, but the court may grant interim relief if warranted, including stay of the Secretary's action and including such relief as may be necessary to preserve status or rights.

"(e) 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) Subsection (c) of section 3304 of the Internal Revenue Code of 1954 is 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. No finding of a failure to comply substantially with the provision in State law specified in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law with respect to which further administrative or judicial review is provided for under the laws of the State. On October 31 of 1969 or of any taxable year thereafter, 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 subsection (a) added by the Unemployment Insurance Amendments of 1966, or has with respect to the 12-month period (10-month period in the case of October 31, 1969) ending on such October 31 failed to comply substantially with any such provision."

(3) The table of sections for such chapter 23 is amended by adding at the end thereof the following:

"Sec. 3311. Judicial review."

(c) The amendments made by this section shall take effect on the date of the enactment of this Act. In applying section 3304(c) of the Internal Revenue Code of 1954 (as amended by subsection (b)) with respect to the taxable year 1966, certifications shall be made on December 31, 1966, in lieu of October 31, 1966.

PART I—ADMINISTRATION

AMOUNTS AVAILABLE FOR ADMINISTRATIVE EXPENDITURES

SEC. 141. (a) Section 901(c)(3) of the Social Security Act is amended—

(1) by striking out "the net receipts" each place it appears in the first sentence and inserting in lieu thereof "five-sixths of the net receipts"; and

(2) by striking "0.4 percent" in the second sentence and inserting in lieu thereof "0.6 percent".

(b) The amendments made by subsection (a) shall apply to fiscal years beginning after June 30, 1967.

UNEMPLOYMENT COMPENSATION RESEARCH PROGRAM AND TRAINING GRANTS FOR UNEMPLOYMENT COMPENSATION PERSONNEL

SEC. 142. 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, 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.

"Authorization of Appropriations

"(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, 1967, and for each fiscal year thereafter such sums 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.

"TRAINING GRANTS FOR UNEMPLOYMENT COMPENSATION PERSONNEL

"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, there are hereby authorized to be appropriated for the fiscal year ending June 30, 1967, the sum of $1,000,000, and for each fiscal year thereafter such sums as may be necessary for training such personnel.

"(b)(1) From the sums authorized to be appropriated by subsection (a) the Secretary shall provide (A) directly and through State agencies or through grants to or contracts with public or nonprofit private institutions of higher learning, for training personnel who are employed or preparing for employment in the administration of the unemployment compensation program, including claims determinations and adjudication, and (B) directly or through grants to or contracts with public or nonprofit private agencies or institutions, for special courses of study or seminars of short duration (not in excess of one year) for training of such personnel, and (C) directly or through grants to or contracts with public or nonprofit private institutions of higher learning, for establishing and maintaining fellowships for traineeships for such personnel at such institutions, with such stipends and allowances as may be permitted by the Secretary.

"(2) The Secretary may, to the extent he finds such action to be necessary, prescribe requirements to assure that any individual will repay the amounts of his fellowship or traineeship received under this subsection to the extent such individual fails to serve, for the period prescribed by the Secretary, with a

State agency or with the Federal Government, in connection with administration of any State employment security program. The Secretary may relieve any individual of his obligation to so repay, in whole or in part, whenever and to the extent that requirement of such repayment would, in his judgment, be inequitable or would be contrary to the purposes of any of the programs established by this section."

USE OF CERTAIN AMOUNTS FOR PAYMENT OF EXPENSES OF ADMINISTRATION

SEC. 143. Section 903(c)(2) of the Social Security Act (42 U.S.C., sec. 1103(c)(2)) is amended—

(1) by striking out "nine preceding fiscal years," in subparagraph (D) of the first sentence and inserting in lieu thereof "fourteen preceding fiscal years,";

(2) by striking out "such ten fiscal years" in subparagraph (D) of the first sentence and inserting in lieu thereof "such fifteen fiscal years"; and

(3) by striking out "ninth preceding fiscal year" in the second sentence and inserting in lieu thereof "fourteenth preceding fiscal year".

CHANGE IN CERTIFICATION DATE

SEC. 144. (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".

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

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

(2) inserting after "section 3303" the following: "for the 12-month period ending on October 31 of such year"; and

(3) striking out "the taxable year" the last place it appears and inserting in lieu thereof "such 12-month period".

(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 on such October 31) with respect to which he finds that reduced rates of contributions were allowable with respect to such 12-month period 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";

(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-month period".

(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";

(2) striking out "taxable year" where it next appears and inserting in lieu thereof "12-month period".

(f) 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".

(g) 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."

(h) The amendments made by this section shall apply with respect to the taxable year 1967 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 1966".

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. 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 wage credits for 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 payments thereof.

State May Impose Special Eligibility Requirement

(b) Notwithstanding subsection (a)(2), the State law may provide that to be eligible for extended compensation an individual must have had a number of weeks (specified in such law, but not to exceed twenty-six weeks) of covered employment in his base period (or a specified wage or work history which is the substantial equivalent).

Individuals' Compensation Accounts

(d)(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, the next thirteen or fewer weeks 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—

(A) 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 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), and

(B) the total number of claimants exhausting their rights to regular compensation under all State laws during the period consisting of such three months equaled or exceeded 1 per centum of average monthly covered employment under all State laws for the first four of the most recent six calendar quarters ending before the beginning of such period.

(2) There is a national "off" indicator for a week if either—

(A) for the most recent calendar month ending before such week, the rate of insured unemployment (seasonally adjusted) for all States was less than 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 such month), or

(B) paragraph (1)(B) was not satisfied with respect to such week.

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 3 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 (c), 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 (c) 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(d)(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 title XV of the Social Security Act), other than extended compensation and additional compensation.

(3) The term "extended compensation" means compensation (including additional compensation and compensation payable pursuant to title XV of the Social Security Act) 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.

EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT

SEC. 206. (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) The Secretary of the Treasury shall transfer (as of the close of January 1968, 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 to 16⅔ per centum 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, 1967, 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) $500,000,000, or

"(B) the amount (determined by the Secretary of Labor and certified by him to the Secretary of the Treasury) equal to two-tenths of 1 per centum 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.

"Transfers to State Accounts

"(c) Amounts in the extended unemployment compensation fund shall be available for transfer to the accounts of the States in the unemployment trust fund as provided by section 204(e) of the Federal-State Extended Unemployment Compensation Act of 1966.

"Transfers to Federal Unemployment Account

"(d) If the balance in the extended unemployment compensation account as of the close of any fiscal year exceeds the greater of the amounts referred to in subparagraphs (A) and (B) of subsection (b)(2), the Secretary of the Treasury shall transfer (as of the close of such fiscal year) from such account to the Federal unemployment account an amount equal to such excess. In applying section 902(b), any amount transferred pursuant to this subsection as of the close of any fiscal year shall be treated as an amount in the Federal unemployment account as of the close of such fiscal year.

"Advances to Extended Unemployment Compensation Account

"(e) There are hereby authorized to be appropriated to the extended unemployment compensation account, as repayable advances (without interest), such sums as may be necessary to provide for the transfers referred to in subsection (c)."

(b)(1) Section 901(f)(3) of the Social Security Act is amended by striking out "to the Federal unemployment account" and inserting in lieu thereof "to the extended unemployment compensation account, to the Federal unemployment account, or both,".

(2) Section 902(a) of such Act is amended by striking out "the total amount of such excess" and inserting in lieu thereof "the portion of such excess remaining after the application of section 905(b)(2)".

(3) The second sentence of section 1203 of such Act is amended to read as follows: "Whenever, after the application of section 901(f)(3) with respect to the excess in the employment security administration account as of the close of any fiscal year, there remains any portion of such excess, so much of such remainder as does not exceed the balances of advances made pursuant to section 905(e) or this section shall be transferred to the general fund of the Treasury and shall be credited against, and shall operate to reduce, first the balance of advances under section 905(e) and then the balance of advances under this section."

APPROVAL OF STATE LAWS

SEC. 207. 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 1966; and".

EFFECTIVE DATES

SEC. 208. (a) In applying section 203, no extended benefit period may begin with a week beginning before January 1, 1969.

(b) Section 204 shall apply with respect to weeks of unemployment beginning after December 31, 1968.

(c) The amendment made by section 207 shall apply to the taxable year 1969 and taxable years thereafter.

TITLE III—FINANCING

INCREASE IN TAX RATE

SEC. 301. (a) Section 3301 of the Internal Revenue Code of 1954 (relating to rate of tax under Federal Unemployment Tax Act) is amended—

(1) by striking out "1961" and inserting in lieu thereof "1967",

(2) by striking out "3.1 percent" in the first sentence and inserting in lieu thereof "3.3 percent", and

(3) by striking out the last two sentences.

(b) The amendments made by subsection (a) shall apply with respect to the calendar year 1967 and calendar years thereafter.

INCREASE IN WAGE BASE

SEC. 302. (a) Effective with respect to remuneration paid after December 31, 1968, 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 "$3,900".

(b) Effective with respect to remuneration paid after December 31, 1971, section 3306(b)(1) of such Code (as amended by subsection (a)) is amended by striking out "$3,900" each place it appears and inserting in lieu thereof "$4,200".

Passed the House of Representatives June 22, 1966.

Attest: RALPH R. ROBERTS, *Clerk.*

The CHAIRMAN. I will ask that each Senator limit himself to 10 minutes on the first round of interrogating Secretary Wirtz, and thereafter, why we will let each Senator ask as many questions as he wants to when his next turn comes.

The Honorable W. Willard Wirtz, Secretary of Labor, is our first witness.

You are a very busy man these days, Mr. Secretary, and we know you have important responsibilities. We wish you very well, and we will try to expedite this hearing as far as your testimony is concerned to meet your schedule.

You may proceed as you would prefer, Mr. Wirtz. I have a copy of your prepared statement.

HON. W. WILLARD WIRTZ, SECRETARY OF LABOR; ACCOMPANIED BY STANLEY H. RUTTENBERG, ASSISTANT SECRETARY FOR MANPOWER; ROBERT C. GOODWIN, ADMINISTRATOR, BUREAU OF EMPLOYMENT SECURITY; WILLIAM U. NORWOOD, JR., DIRECTOR, UNEMPLOYMENT INSURANCE SERVICE, BUREAU OF EMPLOYMENT SECURITY; AND SAMUEL V. MERRICK, SPECIAL ASSISTANT TO THE SECRETARY FOR LEGISLATIVE AFFAIRS; THE DEPARTMENT OF LABOR

Secretary WIRTZ. Thank you very much, Mr. Chairman and members of the committee.

First, with respect to the importance of anything else, nothing else can compare with the importance of this particular piece of legislation as far as the interests of the Department are concerned. I have filed or have for the committee, Mr. Chairman, copies of the statement which have been prepared. If it meets your convenience, I should like very much to suggest that it be filed and made a part of the record and I will summarize it.

The CHAIRMAN. Without objection we will do that. That is what the reorganization calls for, Mr. Secretary. It is perfectly all right with me and we will proceed on that basis.

(The prepared statement, with attachment, follow:)

PREPARED STATEMENT OF HON. W. WILLARD WIRTZ, SECRETARY OF LABOR

Mr. Chairman and Members of the Committee, too many times, a Secretary of Labor has had to appear before this Committee to discuss unemployment insurance in a setting of widespread unemployment. Today's picture is of a generally prosperous economy.

In June, total employment stood at 75.7 million, an increase of 2.0 million from a year earlier. On a seasonally-adjusted basis, the unemployment rate has been 4.0% or below since February, lower than during any period since early 1957.

There are two proposals before this Committee for considertion today relating to this nation's unemployment insurance system—S. 1991, the Administration bill, and H.R. 15119, the House passed bill. As you know, H.R. 15119 was developed by the House Ways and Means Committee after lengthy public hearings and Committee consideration in executive sessions.

We recognize that changes have taken place since May 1965 when S. 1991 was introduced. The economy has continued to improve. There has been a reduction in long-term unemployment of experienced workers, and there has been an opportunity to develop alternatives to meet the goals. With this in mind, I will review both H.R. 15119 and S. 1991 and suggest what we consider to be the best legislation in terms of program goals and needs.

Even a 4% unemployment rate, in a country like ours, represents a lot of people. In June there were a million adult men and slightly less than a million adult women looking for jobs. It is for people like these, and for the families they support, that our unemployment insurance system is designed. Even at our low levels of insured unemployment—the lowest since World War II—there have been more than 3 million different people so far this year that have filed for unemployment insurance.

Obscured by the national average, and concealed by the gross statistics, are the much larger numbers of people affected by the continuous movements taking place in the job market. In 1965, for example, there were, on the average, 76 million people in the labor force—72 million employed and 3.5 million unemployed. But during the year—

90 million different individuals are estimated to have been in the work force at some time;

87 million different individuals are estimated to have held jobs;

14.1 million are estimated to have experienced some unemployment;

7.5 million filed claims for unemployment insurance;

6.1 million qualified for unemployment insurance benefits;

5.0 million were unemployed long enuogh to receive unemployment benefits;

1.1 million were unemployed long enough to draw all the benefits available to them, and

0.5 million exhausted 26 weeks or more.

Figures for 1966 are of course not yet available, but they will show a similar pattern.

Thus, the general level of unemployment must be distinguished from the displacement of particular workers at particular times and places. In 1965 the unemployment rate ranged—

From 2.3% to 7.8% by State;
From 1.7% to 8.1% by major labor areas;
From 0.4% to 8.4% by broad occupational groups;
From 1.9% to 9.0% by broad industry groups;
From 2.5% to 15.7% by age; and
From 4.1% to 8.3% by race.

"Constant displacement is the price of a dynamic economy. History suggests that it is a price worth paying. But the accompanying burdens and benefits should be distributed fairly."

With this statement of the National Committee on Technology, Automation and Economic Progress, I am in complete accord. And I suggest that one of the most effective ways to assure the fair distribution of the burdens is through the strengthening of our present Federal-State unemployment insurance system.

Unemployment insurance is an important aspect of manpower policy. In our present-day economy over 80% of the nation's total labor force make their living through working for others—in contrast to earlier periods in our history when the majority of people worked on the land, or were otherwise "working for themselves" in self-owned (or family-owned) professional, business, and service activities.

Today wage earning is the center of economic life. Preparing for a job, getting, holding and separating from a job, having income between jobs and finding another to replace the lost one are crucial for large numbers of workers.

Unemployment insurance is designed to make up the worker's wage loss in a way which helps him to meet his economic and social needs with dignity and without loss of self-respect. The payment is a predictable, objectively determined cash payment related to his customary earnings but unrelated to his wealth or his "need" and received as a matter of insured right deriving from his status—both past and present—as an active member of the labor force.

The value of our unemployment insurance system has been amply proven during its 30 years of existence. Its basic goals remain essentially unchanged. Its purpose is to provide—

Partial replacement of wages lost by reason of lack of work;

In a way that preserves dignity;

But does not put a premium on idleness.

The system is designed to protect, insofar as possible, all who work for wages; to assure most workers a stipulated fraction of their own usual wages for the period of their unemployment due to economic causes; but to provide no payment for periods when individuals are not clearly in the labor force.

By providing wage replacement for the individual unemployed worker it helps maintain purchasing power, prevents the dispersal of an employer's workers during periods of brief interruption of work. It helps to conserve workers' skills and preserve labor standards by making it unnecessary for the worker to accept, because of economic desperation, the first available job regardless of its suitability.

The costs of the system, both State and Federal, amount to somewhat less than 1½ cents per payroll dollar; the entire Federal and State cost for a system containing all the improvements included in the Administration's original recommendations would be less than 2 cents per payroll dollar.

It is not my intention to urge the enactment of S. 1991 as a total substitute for H.R. 15119. H.R. 15119 recognizes some of the deficiencies in our present system, introduces some significant forward steps, and provides for improvements in the system which are in the right direction. But H.R. 15119 falls short of meeting the basic goals of the system in four important areas:

It fails to provide the benefit requirements proposed by S. 1991;

Its extended benefits program fails to provide needed protection for the long-term unemployed in periods other than State or national recessions;

Its increases in the taxable wage base are inadequate; and

Its coverage provisions warrant further consideration.

In its coverage of employees of nonprofit and State hospitals and educational institutions, H.R. 15119 has broken new ground and introduced new concepts for which we owe a great deal to the House Ways and Means Committee.

The House acted to extend coverage to an additional 3.5 million workers. These were distributed by categories as follows:

[In millions]

Coverage provision	*Numebr of workers*
Employers of 1 or more in 20 weeks or wages paid of $1500 or more in a calendar quarter	1.2
Definition of agricultural labor (add some agricultural processing workers)	.2
Definition of employee (add some agent drivers and commission salesmen)	.2
Nonprofit organizations	1.4
State hospitals and colleges	.5
Total	3.5

I recommend broader coverage than that provided in H.R. 15119 so far as the "size of firm" is concerned. The feasibility of the S. 1991 provision for covering employers of one or more at any time has been amply demonstrated by experience under OASDI and under unemployment compensation laws of States of varying sizes and industrial composition. The Interstate Conference of Employment Security Agencies recommended coverage of employers of one or more if the employer had at least a $300 payroll in a quarter. This payroll limit represents the highest quarterly limit used now by States which determine coverage solely by size of quarterly payroll. I recommend it for your consideration. I also recommend advancing the effective date of this coverage to January 1, 1968.

The other coverage change that I would recommend is with respect to farm workers. While everyone generally agrees that farm workers have a real need for unemployment insurance protection, in the past it has been difficult to work out a proposal that was administratively feasible. We have continued to study this problem and we believe we have a proposal that would provide some meaningful protection to the farm worker, and would at the same time meet some of the objections of earlier proposals. Under this alternative, coverage would be extended to farmers who report at least 50 workers for OASDI purposes but only for those workers who had wages of at least $300 in a calendar quarter.

H.R. 15119 also provides, as does the Administration bill, a program to protect the long-term unemployed. H.R. 15119, however, would provide extended unemployment compensation only during periods of high unemployment which would be triggered on a State or national basis. S. 1991 proposes to assure all workers with substantial employment protection against long-term unemployment whether or not it occurred during periods of high unemployment. A triggered program is inadequate. It does not, for example, meet the unemployment problems created by mass lay-offs, as in the case of the Studebaker plant shutdown, or the Republic Aviation plant shutdown in Long Island, or the Douglas Skybolt shutdown in Los Angeles, California. These layoffs, although significant, would not have affected the rate of unemployment in the whole State sufficiently to cause the trigger to operate.

We believe the extended benefit program in S. 1991 has much to commend it. It is not the only way to deal with the problem, however, and I suggest that a combination program of Federal and State benefits be provided as follows:

1. As an inducement to States to provide regular benefits beyond 26 weeks for the long-term unemployed there would be Federal sharing on a 50–50 basis of any such State benefits between 27 and 39 weeks in a benefit year. The provision of such benefits would be optional with the State.

2. A fully Federally-financed program of triggered benefits equal to the lesser of 50% of regular State benefits or 13 times the regular weekly benefits amount. The triggers, both nationally and State, would be those in H.R. 15119.

This combination approach should serve as an incentive to the States to provide protection beyond 26 weeks. The States have already expressed their concern in this area. Ten States now provide a duration of regular benefits for some claimants beyond 26 weeks. The provision for sharing the cost of benefits beyond 26 weeks would recognize the fact that the normal limit of exclusive State responsibility for unemployment is 26 weeks. The further provision for full Federal financing of extended benefits on a triggered basis would recognize that during periods of high unemployment, whether within the State or nationally, the causes are not confined to conditions inside the State and there is a national interest affecting the general economy which becomes an appropriate Federal responsibility.

This proposal is described more fully in the attached statement.

I urge that this Committee give the most serious consideration to retaining the benefit requirements proposed by the Administration's bill. These relate to the primary factors determining the adequacy of protection—the weekly benefit amount and the duration of benefits. In this day of a highly mobile work force and inter-related State economies, the wide variation and the general inadequacy in State law benefit provisions constitute the greatest single area of deficiency in the present system.

S. 1991 requires a State to pay a worker at least 50% of his average weekly wage limited, however, by a maximum. The maximum would increase from 50% of the State-wide average weekly wage to 60% of such wage and finally to 66⅔%.

This would meet one of the stated goals of the program, to provide the great majority of covered workers with a benefit of at least half their average weekly wage.

Generally speaking, there is no disagreement with this stated goal, but the existing statutory maximum weekly benefit amount is so low in most States that the goal cannot be reached.

In only one-third of the States can a worker earning the State average weekly wage receive a benefit of at least 50% of that wage. In another one-third of the States such workers receive a benefit of from 40 to 49%, and in the remaining third they receive less than 40%.

States have been amending their laws to increase benefit amounts, but maximum weekly benefit amounts have not kept pace with the increasing level of wages. All to often, a worker earning only $80 a week receives less than one-half of his weekly wage when unemployed. At the present time, there are only 19 States where the maximum is at least one-half of State-wide average wages.

In the States in which the maximum is below 40% of State-wide average weekly wage, less than one-half of all claimants—and less than one-third of the men—receive 50% of their own weekly wage. Even in the States in which the maximum is 50% of the State-wide average wage, about half the men are cut off by the maximum.

The Interstate Conference of State Employment Security Agencies at its Phoenix meeting this spring took a position in favor of the weekly benefit amount requirement in S. 1991 except that it would provide a maximum of only 50% of State-wide weekly wages. While this recognition of the desirability of the Federal requirement is highly significant, we believe the 50% maximum is inadequate. As I have just pointed out, in those States in which the maximum is 50%, about half the men are prevented from getting 50% of their wage in benefits by the maximum. If the maximum were 66⅔%—about 15% of claimants would be cut off by the maximum and only about 25% of the men. Increasing the maximum in three stages is, we belive, a realistic way to meet the goal.

S. 1991 also provides that eligible workers who meet the requirement of 20 weeks of base period employment (or its equivalent) must be entitled to receive at least 26 weeks of benefits if they remain unemployed that long. If the State permits workers to qualify for benefits with fewer than 20 weeks of work, the duration of benefits for such workers can be shorter.

We believe that benefits should be payable for a sufficient length of time so that a high proportion of workers will be protected for the full duration of their unemployment during a year. The Administration's proposed standard should achieve this.

Moreover, without a duration requirement, there are apt to be pressures within a State by those who wish to keep benefit costs down, to meet the weekly benefit amount requirement at the expense of reduced duration.

Unlike H.R. 15119, S. 1991 provides that no more than 20 weeks in a one-year base period (or its equivalent) may be required of a worker to qualify for benefits, but does not require States to exclude from benefits workers who have less than 20 weeks of employment or its equivalent. It merely permits shorter benefit periods.

While in general State qualifying requirements are no greater than that proposed by S. 1991, there has been a tendency over the years to balance increased benefits by raising minimum qualifying requirements. The requirement provided by S. 1991 may be expected to influence States with very low qualifying requirements to provide more adequate tests of labor force attachment, while at the same time protecting workers from unreasonably high requirements.

Under S. 1991 employers in States which do not meet the benefit requirements I have discussed will not lose all tax credit. Instead, their credit will be limited to the actual average cost to the State of the benefits being provided under State law. A State could not get tax credit for its employers by providing inadequate benefits to its unemployed workers.

Under existing law an employer gets the full 2.7% tax offset against the Federal unemployment tax regardless of the amount of State tax that he pays. Tax rates may be low in some States not only because of low unemployment, but also because under the State law benefits are low in amount, or short in duration, or because eligibility for benefits is restricted.

Thus, the uniform Federal unemployment tax is in effect uniform no longer, and the Federal tax falls short of its original objective of enabling States to provide adequate benefits without fear that other States will attract industry by lower taxes resulting from inadequate benefits to workers.

H.R. 15119 provides a disqualification standard which is aimed particularly at doing away with cancellation of wage credits or total reduction of benefit rights for any disqualification except misconduct connected with the work or fraud in connection with a claim. The provision also permits a reduction for receipt of earnings or disqualifying income, as, for example, pensions.

We do not believe that this provision would adequately protect a worker from unreasonable disqualifications. We, therefore, suggest an alternative.

Benefits shall not be denied because of a disqualifying act (other than for unemployment due to a labor dispute or fraud connected with a claim) for a maximum period of more than 13 weeks next succeeding the week in which the disqualifying act occurred. An employer's experience rating account should not be charged with any benefits paid for unemployemnt which follows a disqualifying act. Cancellation of benefits would be prohibited except for fraud in connection with a claim. With respect to unemployment due to a labor dispute, the provision would permit disqualification for the duration of the worker's unemployment due to that cause. It would leave to the States the reasons for which an individual may be disqualified and the range of the disqualifying period—from 1 to 13 weeks.

The unemployment insurance program is not a penal statute and it is not designed to punish workers for actions even though their actions may be contrary to law or to accepted social conduct. Disqualifications may also be imposed for acts which, in fact, are neither contrary to law nor socially unacceptable. A worker who leaves one job to accept one which appears better, but turns out to be short-lived, or who leaves because his car pool driver moved away, is unlucky, but hardly antisocial. A disqualification in the unemployment insurance program is to deny insurance to a worker for the period of time that his unemployment can reasonably be said to be due to his own action. Let me emphasize that no worker would be entitled to benefits unless he were able to work and available for work. This means that he has to do what a reasonable worker in his circumstances would do to find a job.

Both bills would end the unjustified discrimination against maritime workers and interstate workers, but the failure of H.R. 15119 to protect Canadians as well as Americans from discrimination in the interstate benefit system merely puts a premium, for some border State employers, on the hiring of Canadians in preference to Americans and intensifies the pressure to import Canadian labor. There appears to be no sound justification for excluding claimants in Canada from the requirement that State unemployment insurance systems refrain from discriminating against workers who earned benefit rights in a State but who became unemployed in another State or Canada.

Both H.R. 15119 and S. 1991 would end the "double dip"—the anomalous situation in which workers in many States receive two rounds of benefits on the basis of a single separation from work.

Both bills would end the practice of denying benefits to workers taking approved training to improve their employability. Frequently, training or retraining is the shortest route to reemployment, and in particular instances it might be the only possible route. To discourage workers from accepting training until after they have exhausted their rights to unemployment insurance is wasteful, and prolongs individual unemployment.

The House merely incorporated in H.R. 15119 specific authorization for expanded unemployment insurance research and for training personnel engaged in administering unemployment insurance.

There are some areas in which H.R. 15119 has gone beyond the scope of recommendations contained in S. 1991 but seems to represent a generally satisfactory treatment of the problems with which they are concerned.

A change in the provision for judicial review appears warranted. The provision should follow the customary pattern of making the administrative official's findings of fact conclusive if supported by substantial evidence. In addition, the provisions added in 1950 (usually referred to as the Knowland Amendments) as an alternative to judicial review should be modified. Any inconsistencies should be resolved, any unnecessary and complicating provisions should be deleted and any ambiguities should be clarified.

Another provision added by the House extends the period for the administrative use of excess amounts credited to the States under the so-called Reed Act. These amounts under specific appropriation of individual State legislatures may be used for specified purposes in connection with the State administration of the program. Actually, they have been used almost exclusively for the construction of buildings for use by the State employment security agencies. These funds can no longer be used for this purpose unless the period is extended.

Title III, of H.R. 15119 increases the Federal Unemployment Tax rate from 3.1% to 3.3%, effective January 1, 1967. It also raises the taxable wage base from $3000 to $3900 for calendar years 1969 through 1971, and to $42000 beginning 1972.

The House, in taking this action, recognized the fact that $3000 base is no longer realistic and must be increased. In my judgment, the increases are not large enough nor do they become effective soon enough. We still believe the reasons for increasing the outmoded wage base of $3000 to $5600 effective for calendar year 1968 and to an eventual level of $6600 by 1971 as proposed in S. 1991 are valid and deserve your serious consideration.

If the Committee feels, however, that the impact of an initial increase to $5600 might be too severe, they may wish to consider an initial increase to, say, $4500, with an eventual level of $6600 by 1971. In any event, the wage base increases of $3900 and $4200 provided by H.R. 15119 are inadequate and as a minimum to meet the needs of an adequate program, I would urge the Committee to provide an initial increase of at least $4500, effective in 1968 instead of 1969.

The present taxable wage base of $3000 was added to the program when the use of this base differed little from the base of total covered wages which it

replaced. In the quarter of a century since then, wage levels have almost quadrupled, and a base that once constituted 98% of wages in covered employment now allows half the wages in covered employment to go untaxed. This has created serious financial problems for the program. It has become increasingly difficult to raise the necessary revenue, State or Federal, without resort to inequitable tax rates. It has created inequities between employers and between States with respect to unemployment taxes as a proportion of total payrolls. Employers with high-wage levels, and States with high-average wages, enjoy lower effective tax rates—that is, lower tax rates as a percentage of total payrolls—than do employers and States with lower wage levels. Saddled with an unrealistic taxable wage base, the ranges of rates in many States have so contracted as to render meaningful experience rating impossible.

Even with an increase in the taxable wage base in 1968, however, it will be necessary to provide an increase in the tax rate to meet administrative costs of the program and to begin building a fund for the extended benefit program.

Title III of H.R. 15119 provides for an increase in the Federal Unemployment Tax rate from 3.1 percent to 3.3 percent, effective January 1, 1967. The net Federal portion of the tax is thereby raised from 0.4 percent to 0.6 percent. The 0.6 percent net tax is earmarked with 0.1 percent to be used for financing the extended unemployment compensation program provided in Title II of the bill and 0.5 percent available for administrative expenses. These amounts should be adequate to finance the proposed benefits and administrative costs, assuming approval of the proposed increases in the wage base to $6,600 as recommended by the Administration.

The revenue from the present 0.4 percent tax on $3,000 wage base has become insufficient to finance current administrative costs of the program. With enactment of the improvements proposed by this legislation, including the need for funds for the extended benefit program, the disparity between tax revenue and costs will become even greater.

Unemployment insurance can never substitute for a full employment economy or for positive programs to educate and train our work force. But it does automatically rush reserves into the inevitable gaps, and performs an essential holding action while other weapons in our arsenal can be brought to bear, and thus remains a major arm of the nation's poverty-figthing establishment.

It is worth every cent we pay for it. It is the quickets-acting and most automatic response we have yet provided to protect our most precious natural resource—our manpower. The greatest abundance of high quality goods and services ever produced by any national work force the world has even known, was not produced by malingers and job-shirkers. It was produced by the hardest-working, most dedicated and most skillful group of workers in history.

We propose to buy for society, and for the worker who has worked and earned it, only a decent level of protection against "short-term" and "long-term" unemployment. Both our society and our workers need and should have at least this measure of protection if our war on poverty is to be won and the Great Society is to mean something to those citizens most responsible for creating it.

Thank you.

Detailed Explanation of Program Outlined in Secretary of Labor W. Willard Wirtz' Statement

The unemployment insurance program is now 30 years old and we have learned two extremely important lessons from its operation. On the one hand, it can serve as an effective mainstay in protecting workers against the risk of unemployment and have a stabilizing effect on the economy of the country. On the other hand, we have had the opportunity to see that it has serious deficiencies and is not always as effective as it should be and could be. Improvements are necessary to enable the system to fulfill its role more effectively.

Many jobs are not covered. Although the replacement of half of the lost weekly wage has always been the recognized goal, and an intention explicitly acknowledged by the terms of most State laws, the intention is defeated by the operation of unrealistically low maximums, or "ceilings" on weekly benefit amounts. As a result, nearly half of all claimants and nearly three-fourths of mail claimants, most of them heads of families, do not receive a 50 percent wage replacement. In spite of increases in the period for which benefits may be paid, significant numbers of workers with regular past employment are still looking for work when they exhaust their benefits. In a number of States, the fund's financial structure is weak, and while all State funds have markedly improved

their positions during this long period of unprecedented prosperity, State fund experience in past recessions indicates a need for strengthening the financial structure. Finally, lack of public knowledge of the program's operations and objectives, plus administrative weaknesses, have led to attacks on the program.

The Senate now has before it two proposals for improving the system—one recommended by the Administration and sponsored by a number of Senators, the other developed by the House Ways and Means Committee and passed by the House. The program here recommended is neither the one nor the other, but a combination of certain features from each, with some new alternatives for consideration by the Senate.

COVERAGE

The unemployment insurance program should protect, insofar as feasible, all those who work for others and thus face the risk of unemployment. While about 49.7 million jobs are now protected (including Federal employees, ex-servicemen and railroad workers), about 15 million jobs still are not covered. Consequently, some individuals are completely outside the system, while others can use only part of their past work experience as a basis for benefits. These exclusions exist because States have, for the post part, followed the pattern established by the Federal Unemployment Tax Act. While States are free to go beyond Federal coverage, and a number of States do cover some services not subject to the Federal law, the remaining States appear to await Federal action in this area; in fact, most of them are content to provide only anticipatory provisions for covering whatever employment is covered by the Federal Unemployment Tax Act.

Of the 15 million excluded jobs, almost 5 million could be brought within the system now by extension of the Federal unemployment tax. Such extension would also apply to approximately 2 million jobs now covered only by some State laws.

Employers of one or more workers

The Department recommends coverage of employers who have at least a $300 payroll in a quarter.

This coverage provision was recommended by the Interstate Conference of Employment Security Agencies. It received overwhelming support with 38 States having 80 percent of the covered workers and 84 percent of covered employers favoring such a coverage extension.

The proposal has several significant advantages over the provision of H.R. 15119. First, it would increase coverage by 1.55 million workers, 350,000 more than provided by the House bill, although about 150,000 fewer than under S. 1991. It would be considerably easier to administer than the alternative provisions of weeks of work or a dollar limitation. The limitation of $300 in a quarter is high enough to exclude coverage of those only casually or temporarily in employer status and instances of accidental coverage. It is the highest quarterly payroll limit now used by States which determine coverage solely by size of quarterly payroll.

Experience has demonstrated that the workers in these small firms need the protection of unemployment insurance. In general, in States which cover firms with fewer than 4 workers, the proportion of workers from small firms who receive benefits is slightly greater than the proportion from larger firms. At the same time, State experience indicates that coverage does not impose an unreasonable financial burden on these small employers.

Nonprofit organizations

The Department recommends the extension of coverage to nonprofit organizations on the basis of the provisions contained in H.R. 15119. These provisions, while they do not coincide with the original proposal of the Administration, will not only achieve coverage for about 1.4 million of the nonprofit jobs, but significantly will do so in a way more satisfactory to the organizations involved. In addition, the House bill inclusion of coverage of about 500,000 workers in hospitals and institutions of higher education operated by State governments represents a major step forward—the technique by which it is accomplished is a significant achievement on the part of the House Ways and Means Committee.

Agricultural workers on large farms

The Department of Labor recommends that the provisions of the Federal Unemployment Tax Act apply to farm employers who employ fifty or more workers reportable for OASDI purposes, but that only the wages of those workers who

were paid $300 in any calendar quarter be taxed and that only such workers be covered for unemployment insurance purposes.

This measure of a large farm is more limited than that in S. 1991, which provides coverage for farms using 300 or more mandays of hired agricultural labor in a quarter, but it would add some coverage of farm workers while H.R. 15119 provides none.

A beginning is urgently needed in this area. Even coverage of farms employing fifty workers, coupled with a quarterly payroll factor designed to eliminate migrant, casual or intermittent workers, would be a worthwhile extension. The number of farms covered would be small but the number of workers protected would represent a significant proportion of the Nation's agricultural work force.

Agricultural labor has been excluded from the definition of employment in the Federal Unemployment Tax Act since its enactment when the patterns of farm operation and employment were considerably different than they are today. Farms employing fifty workers are not the family farm contemplated by the framers of our system when farm labor was originally excluded. They are employees of agricultural factories, and need and deserve the protection of the system to the same extent as the employees of any industrial operation.

Farm workers do experience unemployment and they do need unemployment insurance protection. It seems appropriate, however, to approach the coverage of farm employment on a gradual basis and to begin with large employers.

Other coverage changes

About 400,000 other workers would be given unemployment insurance protection by adopting, for Federal Unemployment Tax purposes, and with only minor differences, the OASDI definitions of "agricultural labor" and "employee," as is proposed by H.R. 15119.

Definition of agricultural labor

About 205,000 workers perform services in activities which are now defined as "agricultural labor" for Federal unemployment tax purposes, but are not "agricultural labor" under OASDI. In this category are activities such as processing of maple sap into maple sugar or maple syrup, off-the-farm raising or harvesting mushrooms and hatching poultry, operating and maintaining ditches, etc., for supplying and storing water for farming, if done for profit, and handling, planting, drying, packing, processing, freezing, grading, storing or delivering to storage or to market any agricultural or horticultural commodity in its unmanufactured stage, when done in the employ of someone *other* than the farm operator or a group or cooperative of farm operators who produced more than half the product.

Such activities are essentially industrial in nature and do not come within the general concept of farm work. Workers excluded from unemployment insurance as agricultural, although they are nonagricultural under OASDI, include stationary engineers, box assemblers and lidders, receiving and billing clerks, grader and conveyor tenders, as well as those who hatch poultry in city lofts. Approximately 15,000 jobs in these categories are now covered by State unemployment insurance laws, notwithstanding the absence of current Federal Unemployment Tax Act coverage. The net increase of coverage under State laws would be, therefore, 190,000.

Definition of "employee"

The present FUTA definition of "employee" is restricted to officers or corporations and persons who would be employees under common law. The FICA definition includes also persons who are in fact dependent upon another for their employment, in a variety of specified activities, chiefly as agent-drivers and outside salesmen. Adopting the FICA definition with the minor modifications of H.R. 15119 would extend the FUTA to about 210,000 jobs now outside the unemployment compensation system, and to another 150,000 which are covered by State laws which do not limit "employees" to the common-law relationship.

Students engaged in work-study programs

One provision of H.R. 15119 would remove Federal coverage from some presently covered workers. This provision excludes from the definition of employment the services of a full-time student in a program which combines academic instruction with work experience as an integral part of the program taken for academic credit. In these work-study programs, students may alternate between full-time class study and full-time outside employment on a quarter or semester

basis, or they may divide their time on a daily or weekly basis between classroom attendance and outside work.

The report of the House Ways and Means Committee states that "This new exclusion does not apply to employee educational or training programs run by or for an employer or group of employers." The Department believes that some clarification in the language is desirable to assure this result.

LONG DURATION UNEMPLOYMENT

In the prosperous year of 1964, nearly 1¾ million workers were unemployed 27 or more weeks. During an average week in such year, 14 percent of the unemployed, excluding the new entrants under age 20, had been continuously jobless more than 6 months, while in 1957, also a year of low unemployment, the comparable figure was only 9 percent. Even in 1965, a year of unparalleled prosperity, more than a million persons exhausted all the unemployment insurance available to them, and a half million exhausted 26 or more weeks of benefits. Many of these long-term unemployed had long histories of regular employment. They were the victims of automation, structural economic change, obsolescence of occupation, hiring age limits and other obstacles to reemployment in today's economy. It is important in both human and economic terms to get these workers back into productive employment as quickly as possible, with the least personal hardship, and the least waste of their skills. This process will, in many cases, involve a number of personal and occupational adjustments by the worker. The necessary adjustments will be facilitated by income maintenance as an earned right, under a system which respects and preserves the dignity of the individual as a member of the labor force, and which recognizes that the worker's skill is a valuable national resource. Yet, with few exceptions, workers who experience 6 months of unemployment are beyond the limits of unemployment insurance protection afforded by State laws.

Unemployment in excess of 26 weeks poses a problem which requires a response by both the Federal government and the States. To deal with it, an extension of the duration of benefits provided by State laws is urgently needed. Recession benefits as provided by H.R. 15119, while adequate for the purpose of protecting the economy from the ravages of the large scale unemployment caused by severe economic downturns, do nothing to alleviate the problem of the relatively fewer but still significant numbers of persons who experience unemployment in relatively prosperous periods. To be effective as a protection against this type of long-term unemployment, the benefits must be available at all times, not just in recessions. The experience of 1963, 1964 and 1965 demonstrates that even in periods when unemployment levels would not trigger extended benefits, substantial numbers of workers are unemployed for long periods.

The extended benefits program proposed in Title I of S. 1991 represents the preferred approach. If this proposal is not to be adopted, however, States must be encouraged to provide benefit durations equal to the need.

As an alternative to the provisions in S. 1991, the Department recommends a combination program as follows:

(1) Federal and State sharing on a 50-50 basis of regular State benefits paid between 26 and 39 weeks in a benefit year, with the decision to provide such benefits voluntary on the part of the State.

(2) A fully Federally financed program of triggered benefits equal to the lesser of 50 percent of regular State benefits or 13 times the regular weekly benefit amount—the National and State triggers of H.R. 15119 would be applicable.

The first part of this proposed combination of regular and extended benefits would encourage extending the potential duration of claimants during the regular benefit year for an additional period of not more than 13 weeks beyond the present normal limit of 26 weeks. Ten State laws already provide regular duration in excess of 26 weeks. The Federal Government by sharing 50 percent of the cost of such benefits in States which elected to extend their regular duration up to a total of 39 weeks recognizes that there is a Federal responsibility for such long-term unemployment. This suggestion contemplates no compulsion on any State to provide regular benefits in excess of 26 weeks, but would provide an incentive and financial assistance to those States which believe it to be important to recognize the problem created by the long-term unemployment of individuals due to various circumstances, such as the mass lay-offs in the case of the Studebaker and Republic Aircraft plant shut downs and similar lay-offs. The exhaustion of benefits by a substantial portion of beneficiaries does occur even when employment is at the highest levels experienced since the program began.

The second part of this combination program basically would provide the triggered program contained in H.R. 15119 for additional protection of individuals who are unemployed for long periods because of Statewide or National recession conditions. The differences between this proposal and H.R. 15119 are that these benefits would be financed 100 percent from Federal funds rather than shared with the States on a 50–50 basis and that a modification of the individual eligibility period would be required to accommodate the recession benefit program to the program of Federal sharing of regular benefits between the 27th and 39th week of benefits.

When unemployment is high, either nationally or in an individual State, workers may be expected to have more difficulty in finding jobs than when employment conditions are favorable, and therefore it is appropriate to provide every claimant with a longer duration of benefits than he would otherwise have received. There is strong justification, in such circumstances, for the full cost of such added benefits to be assumed by a uniform Federal tax. In such periods, the long-term unemployment even more than the shorter periods stem from the impact of national decisions affecting the economy and the effect of technological and other structural changes stimulated by national policy. These national factors are felt by States to widely differing degrees. Thus, it is appropriate for the full costs of recession benefits as well as the Federal share of long-duration regular benefits, to be met by a uniform payroll tax on all employers in the country.

BENEFIT REQUIREMENTS

No program to improve our Federal-State unemployment insurance system would be adequate or realistic if it did not deal with its most serious deficiency—the inadequate benefit structures provided by State laws. H.R. 15119 ignores this problem. S. 1991, in contrast, would add to the Federal Unemployment Tax Act requirements as to State benefits which must be met if employers in the State are to receive full tax credit.

The purpose of the benefit requirements and reduced credit provisions is to protect the States which want to provide adequate benefits by assuring that no State can get for its employers a tax reduction by providing inadequate benefits. Thus, the requirements restore the Federal unemployment tax to its original and intended role of eliminating the fears of interstate competitive tax disadvantages as a deterrent to State action. Because of the experience rating credit for taxes not paid, the actual tax paid by most employers is, in fact, less than 3.1 percent of taxable wages. And without some Federal provisions regarding benefits, the tax reduction can be obtained by providing inadequate benefits for the unemployed workers in the State.

The proposed benefit requirements, which are discussed below, relate to the three primary factors determining the adequacy of protection—the amount of the weekly benefit, the duration of benefits payable, and the measure of past labor force attachment required to qualify for benefits. If the State benefits meet the requirements, the employer can get a tax credit of 2.7 percent against his Federal tax, no matter what rate he actually pays the State, nor what the average State benefit costs are. If, however, the State benefits are below the established level of adequacy, the tax credit is limited to the actual average cost to the State of the benefits being provided.

For example, in a State which met the benefit requirements, all employers would get the full 2.7 percent credit against their Federal tax, even though the particular employer paid the State at the rate of 1.0 percent, and State benefit costs averaged 2.0 percent. If that State had *not* met the requirements, its employers would have received a credit of only 2.0 percent against the Federal tax. Thus, their net Federal tax would have been 0.7 percent more than if the State had met the benefit requirements. If, on the other hand, a State experienced a very high benefit cost rate of 2.7 percent or more, employers would get 2.7 percent Federal credit regardless of whether or not the benefits met the standards.

The question of benefit requirements is not new to the Congress. In 1939, the House of Representatives passed a bill which would have required that State laws meet certain standards as to waiting week, duration, individual weekly benefit amount, and minimum and maximum weekly benefit amount, in order to permit an average tax rate below 2.7 percent. The Senate Finance Committee did not concur in that 1939 House action, but gave the following reason for not doing so:

"Your committee feels that there has not been enough time to develop sufficient experience in the field of unemployment compensation upon which to base an intelligent decision with respect to a reduction in the contribution rates or the insertion of minimum benefit standards of this particular time.

"In view of this fact your committee feels that the wisest policy is to continue the present provisions with respect to unemployment insurance until such time as a thorough study of the benefit experience of the various States will yield practical results."

It should be borne in mind that this statement was made at a time when benefits had been payable for less than a year in many States. Surely by now enough time has elapsed to justify action on the basis of a quarter century of experience. Certainly there could hardly be a more opportune moment than the present, under favorable economic conditions when insured unemployment is at its lowest post war level, to make the necessary improvement.

The Department of Labor strongly recommends the adoption of Federal requirements for State laws in the areas of individual weekly benefit amounts, State maximum weekly benefit amounts, duration of benefits and qualifying employment or wage requirements. The specific benefit requirements proposed represent, in general, the consensus of what an adequate program should provide.

Weekly benefit amount

The Department's recommendation is that State laws be required to provide that those who meet the State qualifying requirement be entitled to a weekly benefit amount, exclusive of any amount payable with respect to dependents, of at least 50 percent of the individual's weekly wage, up to the State maximum. The individual's weekly wage can be computed from his quarterly earnings, or from averaging his earnings for the weeks he worked. There must, however, be a relationship between benefits and weekly wages. Those States which now pay—or may wish to pay—benefits higher than 50 percent of weekly wages can do so. Additional amounts can also be provided to individuals with dependents. The State maximum must be set at a level representing, initially, 50 percent of the Statewide average weekly wage, and must be raised by stages to 66⅔ percent of the Statewide average wage. At all stages, however, the individual benefit need not represent more than 50 percent of the individual's wage.

The unemployment compensation system in this country, unlike some foreign systems, is designed to be wage related. The goal is to assure most workers of weekly benefits which are large enough to meet their essential living costs without being so close to their wages as to eliminate the individual's incentives to find other work. Since an individual's ordinary living costs are related to his wages, relating his benefits to his wages provides a simple and generally valid device for accomplishing that goal.

From the beginning of the Federal-State unemployment compensation program, a benefit of at least 50 percent of wages has been recognized as desirable, with a maximum set to keep a very small minority of very high-paid individuals from receiving an undue share of the resources.

State laws generally, throughout the program's 30-year history, have contained benefit formulas providing 50 percent or more of the individual's wages for claimants below the maximum. In 1939, the maximum in 49 of the 51 jurisdictions was high enough to permit the average worker to receive a benefit equal to half his wages. There were 22 States with maximums above 66⅔ percent of average wages and 12 more with maximums of 60 percent to 66 percent of the average. Consequently, more than 75 percent of all claimants received benefits based on their own wage rates. States have, however, failed to maintain maximums related to average wages, although the numbers of States with maximums at various percentages of average wages have fluctuated. Even with the increases enacted this year by State legislatures, there are only 19 States where the maximum is at least half of average wages; in one State, a newly enacted maximum is 66⅔ percent of average wages.

Duration

The Department's recommendation is that State laws be required to provide that eligible claimants with 20 weeks of base period employment (or its equivalent) must have a potential duration of at least 26 times the weekly rate. This does not mean that the State must provide uniform duration for all who qualify for benefits under State law. Workers who qualify with employment of less than 20 weeks can be provided with potential duration of less than 26 weeks, while

a State which provides benefits in excess of 26 weeks can restrict the larger duration to workers with more than 20 weeks of past employment.

Benefits should be payable for long enough that a high proportion of claimants will be protected for the full duration of their unemployment during a year. Twenty-six weeks—six months— has for some time been regarded as the generally desirable period of protection for the regular unemployment insurance program. In all but 2 States and Puerto Rico, some claimants may receive 26 weeks. Although over the years the average spell of compensated unemployment has remained close to 6 weeks, substantial numbers of beneficiaries have exhausted their benefit rights. Even in 1965, 1.1 million beneficiaries—more than one-fifth of all beneficiaries—drew all the benefits to which they were entitled. Those who exhausted their benefit rights were, in general, entitled to protection for shorter periods of time than those who did not run out of protection. About 20 percent of all beneficiaries, but more than half of those who exhausted, were entitled to benefits for less than 26 weeks.

Qualifying requirement

The Department's recommendation is that there be maximum limitations on the qualifying employment or qualifying wage requirement in the benefit formula of State unemployment insurance laws:

(*a*) If the qualifying requirement is in terms of weeks of employment, the State could require no more than 20 weeks in a 1-year base period and a week must be counted toward the qualifying requirement if the individual earned at least 25 percent of the Statewide average weekly wage in such week.

(*b*) If the qualifying requirement is in terms of wages, it could require no more in total base period earnings than 1½ times the earnings in the highest quarter, or 40 times the weekly benefit amount, provided that no benefits need be paid if total wages equalling less than 5 times the State average weekly wage.

The purpose of a State qualifying requirement is to limit the program's protection to regular members of the labor force. It should be high enough to eliminate workers with insignificant past employment, without eliminating workers regularly attached to the labor force who in the last year have experienced some unemployment or underemployment, or have had some work in noncovered jobs.

The recommended provision would not require States to exclude from benefits workers who have less than 20 weeks employment or its equivalent. A State which wishes to qualify workers with 14 weeks of work, or to count a week in which a worker earned less than 25 percent of the Statewide average wage, can do so. Thus, special State situations can be met.

Generally, State qualifying requirements are no greater than the proposed Federal standards, although some States may have to modify details of their requirements. Over the years, however, there has been a tendency to balance the increased benefit costs of higher maximums and longer duration by raising the minimum requirement to qualify for benefits. The standard may be expected to influence States with very low qualifying requirements to amend their laws to provide more adequate measures of attachment, while at the same time it protects workers against unreasonably high requirements.

ADDITIONAL TERMS AND CONDITIONS

New standards should be added to those in the FUTA which a State law must meet as a condition for any tax credit. The Department of Labor recommends that new standards be adopted with respect to disqualifications, maritime employment, interstate claims, requalifying requirements and trainees.

Disqualifications

The Department of Labor recommends that disqualifications, with the exceptions noted below, should not exceed a denial of compensation for 13 weeks following the week in which the disqualifying act occurred. The standard should prohibit (1) cancellation of wage credits, (2) reduction of the worker's earned monetary entitlement, and (3) disqualification which lasts for the duration of a period of unemployment. The Department also recommends that no charges be permitted to the experience rating account of the separating employer. There would be no new Federal restrictions on the circumstances under which disqualifications could be imposed. The exceptions to the 13 week denial should be for labor disputes, fraud in connection with claims, and for reduction in weekly benefit amount because of receipt of disqualifying income during a week claimed as a week of unemployment.

Unemployment compensation is designed to protect against wage loss during unemployment due to economic causes. The disqualifications, except for that imposed because of fraud in connection with a claim, are intended, not to punish claimants for "wrong" actions, but to delineate the unemployment which is not due to economic causes, and against which, therefore, the system does not insure.

Even unemployment which begins with a disqulaifying act becomes atributable to economic conditions at some point in the worker's search for work. The precise point at which this occurs could not be established in advance for all cases, and, in fact, may vary with the circumstances of the individual case and the seriousness of the disqualifying act. After 13 weeks, however, it seems clear that the unemployment could no longer be attributable to the claimant's past act. Experience has shown that in good times as well as bad, the average single *spell* of unemployment is about six weeks. Conceivably, certain disqualifying acts in some individual cases might be responsible for a spell of unemployment somewhat longer than the average, but certainly not for spells of unemployment exceeding three months.

The individual who has served the period of uncompensated unemployment caused by a disqualifying act should be entitled to full protection, based on his prior employment, for subsequent weeks of unemployment due to economic causes. For him, as for all claimants, benefits are payable only for weeks of unemployment during which he is available for work and meets the other eligibilty requirements.

State disqualification provisions may create some anomalies and work injustices. For example, in one State, a worker who leaves a job for good personal cause forfeits all benefit rights based on that job, and can draw no benefits based on any other base period employment for the duration of this period of unemployment. His co-worker discharged for misconduct connected with the job, however, may denied benefits for a period of 3 to 6 weeks, with a corresponding 3 to 6 week reduction in his potential benefits for the year. Another State regards discharge for job-connected misconduct as more reprehensible than a voluntary leaving, and provides substantially longer disqualification period for such a discharge than for a quit.

A worker who leaves one job to accept another one at a substantial raise in pay is ordinarily regarded as demonstrating a praiseworthy ambition to get ahead. Yet in some States if the new job ends before he has worked a prescribed period, he may find himself without U.I. protection because his prior wage credits had been cancelled as a penalty for leaving the first employer for a reason not attributable to that employer.

The trend toward increasingly harsh disqualifications in State laws, for occurences which represent, at worst, an error in judgment on the part of the worker and, not infrequently, circumstances over which he had no control, appears to stem less from efforts to tighten administration of the system than from the impact of benefit payments on employer experience rating accounts. Excessive statutory disqualifications for often trivial causes do not contribute to proper and efficient administration; only careful screening of all claimants and proper application of reasonable disqualifications by better trained personnel can accomplish this objective. If the trend toward over-severe disqualification periods in State statutes, a trend which potentially defeats the purpose of unemployment insurance, is to be reversed, it is clear that a Federal requirement is necessary. Such a requirement should include a prohibition against the charging to employer experience rating accounts of benefit payments subsequent to disqualification periods.

Maritime employers

The Department of Labor supports the provision of H.R. 15119 that the FUTA be amended to provide that tax credit under Section 3302 not be allowed to certain employers (including certain Federal instrumentalities and certain maritime employers) with respect to contributions paid under a State law that does not meet the conditions for such coverage prescribed in Section 3305 of the Act. S. 1991 contains a similar provision limited, however, to maritime employers.

Because of Federal jurisdiction over Federal instrumentalities and maritime matters, Congress amended the FUTA to give States permission to levy unemployment taxes on certain such instrumentalities and maritime employment under specified conditions. The provision with respect to maritime employment was added in 1946 and contained conditions which were designed to prescribe the State of coverage, and to preclude discriminatory treatment of either mari-

time employers or maritime workers. The State of coverage of services on a vessel is the one in which the office controlling the operations of that vessel is located. Contributions of maritime employers must be determined by the same rules as contributions of other employers, and the services of workers must be treated, for purposes of wage credits, like the services of shoreside workers. Since several State laws then contained provisions discriminating against maritime workers, the FUTA amendment in 1946 expressly provided that States had until January 1, 1948, to bring their laws into line with the Federal statute. That amendment did not, however, provide the consequences if a State did not meet the condition specified in the Federal statute.

At least two States now fail to afford seamen equal treatment, notwithstanding the fact that the Congress made nondiscrimination a condition for relinquishing to those State legislatures its jurisdiction over maritime employment for unemployment insurance purposes. In the case of one State such failure affects a substantial proprotion of the seamen engaged in Great Lakes shipping.

Nearly 20 years of urging by the Federal Government and by the affected seamen has not produced correctional action by the State.

Interstate claims

The Department of Labor recommends the adoption of a provision requiring that State laws not deny benefits to, or reduce the benefits of, an otherwise eligible individual because he files his claim for benefits in another State or in Canada, or because at the time he claims benefits, he resides in another State or Canada. S. 1991 contains such a provision, as does H.R. 15119, but the provision in H.R. 15119 deletes the reference to Canada. The reference to Canada is necessary and should be included.

From the enactment of the original Social Security Act to the present, the Federal unemployment insurance laws have been silent on the subject of interstate benefits. The Committee on Economic Security and the Congressional Committees which developed the original legislation recognized that interstate movement of workers would present problems in a State system, but decided to leave the problems of multi-State workers for later legislation based on experience.

The States have met the problems of such workers by voluntary interstate agreement. The Interstate Benefit Payment Plan was adopted in 1938 by individual State agreements. The Plan has been amended, modified and supplemented through the years by additional voluntary action.

From 1938, when benefit payments began, until 1955, no State paid interstate claimants a different benefit amount from intrastate claimants, nor denied claims on the grounds they were filed in another State. In 1955, however, the Alaska legislature provided that maximum basic benefits were $45 for individuals filing in Alaska and $25 for those filing from outside Alaska; in addition, dependents' allowances were provided only for dependents located in Alaska. Since then, the Alaska payment to interstate claimants has been reduced to $20.

In 1963, Ohio and Wyoming added restrictions on the rights of interstate claimants. Ohio pays interstate claimants either their computed benefit or the average being paid in the State from which they claim whichever amount is lower; Wyoming pays either 75 percent of the computed benefit, or the maximum in the State in which the claim is filed, whichever amount is lower. All three States reduce the claimant's maximum potential benefits in line with the weekly reduction.

Legislatures in other States have displayed interest in similar restrictions. There have also been State proposals that benefits be denied to individuals who resided outside the State at the time they claimed benefits—so that, for example, a worker who normally commuted to work across State lines could not receive benefits if he became unemployed.

Federal legislation prohibiting a State from denying or reducing benefits to interstate claimants or out-of-State residents should be enacted before more States add such provisions.

To be complete, the legislation should be applicable on the same basis to Canada. In 1942, the United States and Canada entered into an Executive Agreement authorizing the inclusion of Canada in the Interstate Benefit Payment Plan as if it were a State. All but four States (Alabama, Iowa, Maine, and New Hampshire) and Puerto Rico have subscribed to the reciprocal agreement with Canada, under which claims may be filed in Canada against the subscribing State, and in the State, against Canada. The omission of these five jurisdictions is not attributable to Canada. That country would like to extend the agreement to all jurisdictions. Nor would participation in the reciprocal agreement

be adverse to the interests of the States. There is thus every reason why the prohibition of discrimination against interstate claimants should be applicable also to claims filed in Canada. Failure to do so merely puts a premium, in some border States, on the hiring of Canadian workers in preference to American workers. Since benefits are not payable to the Canadian workers there could be no charge to employers' experience rating accounts.

Requalifying requirement

The Department of Labor recommends, and both H.R. 15119 and S. 1991 provide that as a condition of Federal tax credit State laws provide that an individual be required to have had work, since the beginning of a benefit year in which he drew benefits, in order to qualify for unemployment compensation in the next benefit year.

The number of States in which it is possible to establish 2 benefit years with no intervening employment has declined steadily in recent years, because of shortened lag periods and increased qualifying requirements, as well as specific requalifying requirements. Nevertheless, the relatively few instances in which such cases occur have resulted in much criticism of the program. This provision would eliminate the possibility. Each State legislature would decide how much work should be required and whether or not it must be in covered employment.

Training

The Department of Labor recommends, and both S. 1991 and H.R. 15119 provide, another new requirement under which State laws would have to specify that compensation shall not be denied to an otherwise eligible individual because he is attending training with the approval of the State agency. Moreover, an individual taking such training cannot be found to be not otherwise eligible on the grounds that he is unavailable for work, is not making an active search for work, or refused work.

When the training is arranged under the MDTA program, those who receive allowances under that program have a financial incentive for training. Some workers, however, may not receive such training allowances; other workers may desire training courses not under MDTA, which would improve their chances of reemployment, but they cannot afford to go without income. While unemployment insurance payments are not intended to be training allowances, neither should the unemployment insurance program put financial pressure on a worker to discourage him from accepting training. While under 25 State laws a claimant taking approved training is not considered unavailable, under only 15 State laws will a trainee not be disqualified for refusing to leave training to accept work.

JUDICIAL REVIEW

H.R. 15119 provides for judicial review of findings of the Secretary of Labor which would result in the denial of certification for payment to a State of costs of administration or the denial of certifications relating to tax credit to employers in a State. It provides among other things that the findings of fact by the Secretary shall be conclusive unless contrary to the weight of the evidence. We propose that this provision be changed to provide that the Secretary's findings of fact shall be conclusive if supported by substantial evidence. This is the rule generally applied in judicial review of administrative action. It is contained in, for example, section 10(y) of the Administrative Procedure Act, section 404 of the Social Security Act, section 217(b) of the Economic Opportunity Act of 1964, section 603 of the Civil Rights Act of 1964 (by reference to section 10 of the Administrative Procedure Act), and section 608(b) of the Hospital and Medical Facilities Amendments of 1964. The questions of fact that would be involved in findings by the Secretary of Labor are substantially the same as those which would be involved in administrative findings under the aforementioned statutes, and the provision with respect to findings of fact should be the same.

The provision in this respect now contained in H.R. 15119 would substitute the judgment of the court for the expertise of an administrative official in a highly technical porgram. This would defeat the purpose of the relevant statutes which place in the Secretary the responsibility for making findings and would place an awesome burden on the courts.

We propose also that if a judicial review provision is adopted by this Committee, the 1950 amendments to section 3304(c) of the Federal Unemployment Tax Act, the so-called "Knowland Amendment", be modified. The 1950 amendment was a floor amendment and was characterized as follows in the Conference Report on the Social Security Amendments of 1950:

"The conference agreement (referring to the 'Knowland Amendment') is intended as a *temporary measure of a stop gap nature pending re-examination* by the appropriate committees during the next session of Congress of the whole field of unemployment legislation *to ascertain the desirability of appropriate permanent legislation.*" [Emphasis added.]

A reappraisal o fthe Knowland Amendment was contemplated by the Congress at such time as it would consider permanent legislation for judicial review. Our reappraisal lends us to propose the following changes:

First, we would add to the first and last sentences of section 3304(c) as amended by H.R. 15119 the words "in such subsection". This change is to clarify the reference to the provisions in subsection (a) of section 3304. It reflects no change in substance.

Second, we propose to make a similar change in the second sentence of section 3304(c) to make it clear that the compliance referred to is with the provisions of section 3304(a)(5), the so-called labor standards provision.

Third, we propose to delete the words "further administrative or judicial review is provided for under the laws of the State", at the end of the second sentence and substitute therefor the words, "the time for review provided under the laws of the State has not expired or further administrative or judicial review is pending". This change is to eliminate the present ambiguity as to whether the Secretary may act on a State's application or interpretation of the labor standards provision in State law that was not appealed to the highest State court. It assures, however, that no action may be taken by the Secretary while a case is pending review within the State or the period available to obtain such review has not yet expired. In other words, it assures that no action may be taken by the Secretary unless an application or interpretation of State law is final.

The ambiguity is apparent when the amendment made by the Knowland Amendment to section 3304(c) is contrasted with the provision of the same amendment to section 303(b) of the Social Security Act. The amendment to section 3304(c) provides that no finding of the Secretary may be made under the labor standards provisions of the Federal law on the basis of an application or interpretation of the State law "with respect to which further administrative or judicial review is provided for under the law of the State." The provision added to section 303(b) on the other hand, provides that the question of entitlement shall have been decided "by the highest judicial authority given jurisdiction under such State law." Since both provisions were part of the same bill and substantially different language was used, it is persuasive that the Congress did not mean the same thing in both provisions, and there is a good reason why it did not. Section 303(b) relates to entitlement under State law in an area in which no Federal standards are involved. Section 3304(a)(5), however, prohibits a State's denial of benefits in specified circumstances. It is a Federal standard designed to be applied uniformly.

Benefits are denied in a State pursuant to any application or interpretation of State law that has become final. Precedent actions in a State are not limited to judicial decisions. State administrative tribunals which hear appeals render precedent decisions every day. Very few unemployment insurance cases are ever appealed to the courts. If the Secretary could not act until a case had been heard by the highest court of a State, the labor standards provision would in effect no longer be a uniform Federal standard. It could be applied differently in different jurisdictions without any authority in the Secretary to take the action contemplated by the Federal Unemployment Tax Act, unless and until in each State in which an issue arises, the Supreme Court of the State had considered and ruled upon the issue. Such consequences could not have been contemplated by the Congress even without judicial review of the Secretary's findings. With judicial review there is clearly no reason for them.

RESEARCH AND TRAINING

The Department of Labor has recommended, and H.R. 15119 provides, with only minor changes in the specific language suggested by S. 1991, that the Secretary of Labor be given explicit directions to conduct research in the field of unemployment compensation and to provide for training State unemployment insurance staff.

While a reporting program developed under title III provides significant data about unemployment compensation, there are a number of areas in which exploration of the successes and defects of the program is hampered by a lack of data on experience. In the absence of a specific Congressional mandate to conduct

research, such as was given for TEUC, the unemployment insurance research program has not been wholly effective. A continuing and comprehensive research program is required; the research could be conducted by the Labor Department directly, through State agencies, or through grants or contracts. The research program would obtain needed data concerning the role of unemployment compensation under varying patterns of unemployment, the relationship between unemployment compensation and other social insurance programs, the effect of various eligibility and disqualification provisions, the personal characteristics, family and employment background of claimants. A program of research and information as to the effect and impact of extending coverage to excluded groups would be established. To provide for the widest possible use of the research results, the results would be made public.

Facts gained from the research will provide a basis for evaluation of the program areas which are criticized to determine whether the criticisms were based on statutory deficiencies, administrative weaknesses, or misunderstanding of the program's goals. Proper remedial action could then be developed.

The Department of Labor has also recommended a program of staff training, and provision for the training of unemployment compensation personnel is authorized by both H.R. 15119 and S. 1991. One of the most common criticisms of the program is that benefits are paid to individuals who do not want to work, and who are not, in fact, in the labor force during the period for which benefits are claimed. Payment to such individuals is contrary to the express provisions of every State unemployment insurance law. There has been criticism also that benefits are being denied to people who are entitled to them.

If benefits are paid to those who are not available for work or denied to those eligible, what is needed is not additional statutory prohibitions, but better administrative application of existing provisions. The best way to obtain better administration is to expand the number of well-trained specialists who interview claimants and adjudicate claims. The bill calls for steps to increase the supply of such trained personnel, and to improve the training of those now engaged in claims determination and appeals.

EXTENSION OF PERIOD DURING WHICH "REED ACT" FUNDS CAN BE USED FOR COSTS OF ADMINISTRATION

H.R. 15119 extends the period during which States can use for costs of administration funds credited to them under Section 903 of the Social Security Act. The original five-year period, already extended to ten years by Congress (P.L. 88-31, Sec. 3, approved May 29, 1963), is to become a 15 year period under the provisions of the bill passed by the House. The funds have been used in the past almost exclusively for the construction of buildings for use by State employment security agencies.

DEFINITION OF WAGES

To strengthen the financing of the unemployment insurance system, both State and Federal, the amount of a worker's wages which are taxable should be increased substantially. The Department recommends an increase in the wage base to $5,600 effective for calendar year 1968—a 1-year lag in the effective date to allow time for States to revise their definitions of taxable wages accordingly, followed by an increase to $6,600 beginning in calendar year 1971. If it is considered that $5,600 is too great an initial increase, a more gradual approach could be adopted, but the first increase should be no lower than $4,500.

The House action recognized the need for a higher base but it did not deal adequately with the problem. The increases to $3,900 for 1969 through 1971 and to $4,200 beginning in 1972 are not large enough nor do they become effective soon enough.

A substantial increase in the wage base is needed for both Federal and State taxes. The resulting increase in Federal revenue is needed to meet the program's increased administrative costs and to finance the program of extended benefits. At the State level, the higher wage base will increase potential State revenues to meet higher benefit costs. States with low reserves can take immediate advantage of the increased funds, while those with adequate current reserves and income can adjust their tax schedules to keep actual revenue at the present level.

The $3,000 limitation was added to the unemployment compensation program in 1939, for the sole purpose of making it possible to simplify employer reporting by using the same base for unemployment taxes as for OASDI. The effect of the $3,000 limit at that time was negligible, because 98 percent of wages in

covered employment were still taxable. In the quarter century since then wages have steadily increased so that today only about half of wages in covered employment are subject to the FUTA. The wage base for OASDI, on the other hand, has increased repeatedly to its current level of $6,600.

The widening gap between wages subject to contribution and total wages in covered employment has contributed to serious financial problems for the unemployment insurance program. The unduly low base has created and is accentuating inequities of the incidence of both State and Federal taxes among covered employers.

State considerations

Since benefits are related, even though imperfectly, to weekly wage levels, the benefit outgo of State funds over a period of years has increased proportionately more than their contribution income.

When benefit costs increase at a more rapid pace than do the amount of taxable wages, as now happens with the $3,000 base, the overall cost of benefits comes closer to, and may even exceed, the standard tax rate of 2.7 percent of taxable wages. Since it is difficult for a State to raise its maximum rate substantially above those in other competing States, minimum rates must be increased as the Statewide cost rate approaches the maximum statutory rate. Increasing the taxable wage base has the effect of reducing the overall cost as a percent of taxable wages, and permitting States to improve the operation of their experience-rating systems by providing a wider range of rate variations, and a greater number of rate intervals. Thus, rates can relate more accurately to employer experience.

A higher, and more realistic taxable wage base will also decrease inequities between employers with respect to effective tax rates—that is, unemployment taxes as a proportion of total payroll. Employers with high levels of wages pay lower effective tax rates than do lower wage employers. A high wage employer with such unfavorable experience that he nominally pays an above-standard State rate of 3 percent may, in fact, pay a lower proportion of his total payroll than another employer whose favorable experience entitled him to a reduced rate of 2.0 percent, but whose taxable wages represent a higher proportion of his total payroll. As wages continue to increase unevenly among employers, but taxable wages remain frozen at a level well below average wages, such inequities will increase.

States have recognized the need for action in this area. Currently, 18 of them use a base higher than $3,000. Interest in raising the base has been expressed in other States, but action has been hampered primarily because of the fear of interstate competition. The laws of 28 States provide for levying contributions on a wage base above its current level if and when the Federal Unemployment Tax base is increased, thus indicating the preference of State legislatures for Federal initiative in this area.

Federal considerations

The revenue from a 0.4 percent tax on a $3,000 wage base has become insufficient to finance the administrative costs of the employment security program. Since the program is primarily a service program, expenditures for wages and salaries represent a major administrative cost. As general wage levels increase, the wages of employment security personnel increase, and the costs of goods and other services purchased in the administration of the program also go up. Other factors increasing administrative costs are growth in the number of people served by the program, and the addition of new programs and functions. Improvements in efficiency and staff productivity have counter-balanced a part of the increase that would otherwise have occurred, but further increases in these costs must be anticipated.

An increase in the wage base is a more effective and equitable way to raise the necessary additional Federal revenue for administrative expenses than an increase in tax rate.

It is more effective, since an increase in the tax rate on the present base would become inadequate very quickly. Administrative costs will continue to rise with rising wages and prices, while tax revenue on a $3,000 base will be increased only slightly by the increases in wages. The proposed taxable wage base will for sometime be responsive to wage increases, and will tend to expand revenue to keep pace with administrative costs.

It is also more equitable because it reduces the variations between low-wage and high-wage employers in the net Federal tax rate as a percent of total payroll. The effective rate paid by low-wage employers is higher than that paid by high-wage employers. Consequently, on the average, employers in low-wage

States pay relatively higher effective rates than employers in States with higher wage levels.

TAX RATE

S. 1991 would increase the Federal tax from 3.1 percent to 3.25 percent, but the increase of 0.15 percent is earmarked to finance the program of extended benefits.

S. 1991 would provide no increase in the tax rate for costs of administration, but would rely on the proposed wage base increases to produce sufficient additional revenue for the administrative costs of operating the program. Increasing the base is definitely a preferable and more equitable means of increasing administrative revenue than a tax rate increase.

Additional Federal revenue will be needed to finance any program of extended benefits, whether the program is limited solely to a Federal sharing of the costs of recession benefits, as in H.R. 15119; provides for Federal payment of benefits to qualified exhaustees at all times, as in S. 1991; provides both Federal financing of recession benefits and Federal sharing of State benefits to the long-term unemployed, as is now proposed. The amount of revenue needed will, of course, depend upon the type of program ultimately adopted. The recommended combination program of regular and recession extended benefits and the administrative costs of the employment security program could be financed by a 3.3 percent tax on a $6,600 taxable wage base. The added 0.2 percent would be earmarked for the extended benefits programs. However, until a higher wage base become effective, it will be necessary to earmark a portion of the tax for administrative purposes.

Title III of H.R. 15119 provides for an increase in the Federal Unemployment Tax rate from 3.1 percent to 3.3 percent, effective January 1, 1967. The net Federal portion of the tax is thereby raised from 0.4 percent to 0.6 percent. The 0.6 percent net tax is earmarked with 0.1 percent to be used for financing the extended unemployment compensation program provided in Title II of the bill and 0.5 percent available for administrative expenses. These amounts should be adequate to finance the proposed benefits and administrative costs, assuming approval of the proposed increases in the wage base.

Secretary WIRTZ. I will summarize quickly and emphasize points of particular interest. I will start at your own point, that at no previous times, at least in recent years, has there been a comparable situation economically.

We do face this problem now with a great advantage of facing it not from desperation but with the possibility of doing a very constructive job in meeting the unemployment insurance needs at a time of what is comparatively a prosperous economy.

The CHAIRMAN. This is one time you might say that we haven't got to conduct ourselves as though we are a smalltown fire department with one firetruck fighting four or five different fires, all at the same time.

Secretary WIRTZ. That is right.

The CHAIRMAN. We can look at it and go at it in a scholarly fashion.

Secretary WIRTZ. I have tried to think of a figure of speech that summarizes it. I believe we are about in this situation. We are going along real well. The question is as to the condition of our spare tire and of the jack in the back of the car. Now, I think the spare tire has got air in it, but there is a real question about how good a jack we have got, if anything goes wrong. It is more of a question than the country as a whole realizes, because what we forget is that these unemployment figures which come out each month are average figures, and they are averages that conceal incomparable success on one hand and a very serious problem on the other.

Just a few statistics to put that picture in focus. We think of ourselves, and correctly, as having the best employment picture in recent years. It comes as something of a shock to realize that last month,

despite the healthy state of the economy, there were 3.9 million people unemployed in this country.

The CHAIRMAN. For them, that is a very serious matter.

Secretary WIRTZ. Sure, exceedingly serious. It is also an understatement of the problem in a couple of respects. The country doesn't quite realize that these are monthly averages, and they conceal a much higher number of people who are, from one time to another during the year, the victims of unemployment.

It always comes as a shock, I think, to realize that during a year as good as last year, 1965, there were over 14 million people who were unemployed at one time or another. It fluctuates; it is a different group each month.

For only a small number of people now is unemployment in this country a desperate situation. For a great many more it sure takes all the cream off the bottle as far as the work year is concerned.

And so I point out that in a year as good as last year, there were what we call spells of unemployment for over 14 million different people.

The averages do confuse the situation. They also do not distort but camouflage another of the serious facts on it. The employment situation in general is very good, but for some parts of the population it is still exceedingly bad, and I think particularly of two groups. One is the younger worker group. We just haven't got it licked yet as far as the younger workers are concerned. This economy is turning over so rapidly, which is all to the good, and young people are coming into it so fast, which is all to the good, that we disregard, sometimes, the fact of the dislocations which result with this entry into the work force.

We are still working with an unemployment rate, as far as younger workers in this country are concerned, of from 12 to 15 percent, which is exceedingly unfortunate. It just means that we are bruising with frustration about one out of every seven of those who come in with the work force, and we haven't got that problem licked yet.

We sure don't have the problem of the minority worker group licked yet, with an unemployment rate there of over twice the white unemployment rate. We have not met that problem yet. We have very serious problems of unemployment, which remain to be met.

Another thing which is too little realized, is that the present unemployment system hits as small a part of our unemployment problem as it does. It comes as a startling fact, even to those of us who work with it, to realize that of the 3.9 million people who were unemployed last month, less than 1 in 5 of them was receiving unemployment insurance. So, it is less than 20 percent of the unemployed group right now. Now a large part of that is because these are unemployed people who have not had the connection with the work force yet which brings them into protection as far as the laws of the various States are concerned.

Another large group, however, has exhausted its unemployment benefits, which presents a very serious problem, and another substantial group is disqualified under the system for one reason or another.

So, we are talking about an unemployment insurance system which, in terms of its application to the unemployed, last month represented only about 20 percent of it.

Now, I should point out that last month is a low month in that respect, because it is a month of very large influx of youngsters into the

work force, which means that the coverage is less. But it is still a very serious situation.

One other preliminary, Mr. Chairman and members of the committee, and then to turn to the details of what we have before us. It would be a terribly serious mistake to underestimate the significance of the fact that the Congress, the administration, have taken a first good look at this legislation in the 30 years since it has been enacted. It is 30 years old now. In a good many respects it is exactly the same, in most respects it is exactly the same as it was 30 years ago.

That was a period when we were legislating from desperation in this country, and we did a fantastically good job of it. We didn't do so good a job that those same principles apply now, 30 years later, when we are moving through the sixth year of a prosperity which has been uninterrupted and which we expect to continue. We need an unemployment insurance program in this country today to meet the remaining unemployment problem in prosperity, not in the period of desperation which we faced before. And so there is the need for very real surgery as far as this legislation is concerned.

One other general point. You have before you two pieces of legislation, the one which you have referred to, H.R. 15119, and S. 1991, which is the original proposal submitted in the Senate. I should like to be as clear and plain, and at the same time as careful as I can, about our view with respect to the relationship between these two pieces of legislation. H.R. 15119 represents, as you know, the careful deliberations of the House Ways and Means Committee with respect to this matter. It was gone through in very great detail. The result of that proposal is in some quite material respects different from S. 1991.

In a good many respects, Mr. Chairman and members of the committee, we would support what the House committee did, and which is reflected in H.R. 15119. I would like to make it clear that with complete respect, and wanting not to be presumptuous in any way, we think there are several very material points on which H.R. 15119 falls short of what needs to be done after 30 years as far as this legislation is concerned, and in the fuller statement there is reference to the particular points in which those changes seem to us important.

I think, Mr. Chairman and members of the committee, that there will be great pressure on this committee to say this matter was looked at carefully by the House Ways and Means Committee, and there was worked out a balanced result which shouldn't be tinkered with. Mr. Chairman and members of the committee, I would have to say to you quite frankly, and again with full respect, that what emanated from the House Ways and Means Committee seems to me a great advance, but seems to me to fall so far short in these three or four respects that to settle on it would be a waste of the full opportunities that come now for the first time after 30 years to make this change.

That point is most important in connection with the question of a standard for the benefit levels as far as unemployment insurance is concerned.

The CHAIRMAN. In other words, you think that S. 1991, as introduced by Senator McCarthy for himself and a number of other cosponsors, more adequately meets the problem than does the House-passed bill, H.R. 15119.

Secretary WIRTZ. That is correct. At the same time that I say that, and without qualification, I would respect some of the changes and the basis for some of the changes that were made in the House bill.

The CHAIRMAN. You feel that H.R. 15119 is a good bill, but you think that it would be better if you had some of the provisions that are also contained in S. 1991.

Secretary WIRTZ. I think the good bill now, as a practical matter, lies between the original recommendations which are reflected in S. 1991, and H.R. 15119. I could not say to you, Mr. Chairman, without qualification or explanation, that I think H.R. 15119 is "a good bill," because it left out too much. I should much prefer to testify without qualification in support of S. 1991.

I realize that that would not be the most constructive approach to this committee, and, therefore, I would like to present the situation in terms of S. 1991, but recognizing those points on which H.R. 15119 reflected what I think are practical, worthwhile changes.

The CHAIRMAN. As I understand it, you would like to testify in favor of those features of S. 1991 that the House did not see fit to go along with.

Secretary WIRTZ. That is correct. The omission is most acute, and particularly sharp in connection with the matter of the benefit levels as far as the amount.

The CHAIRMAN. Do I take it that you support H.R. 15119 insofar as it goes?

Secretary WIRTZ. Let's see. We will suggest to you——

The CHAIRMAN. The House bill, H.R. 15119?

Secretary WIRTZ. Yes. We will suggest to the committee two or three or four points with respect to which we would support what the House did, but would suggest some minor modifications. Let me just be illustrative on it. H.R. 15119—to take not the most important feature, but one of the cleanest cut—adds a provision for judicial review. Now, we would support that. We would suggest to this committee that the standard for review ought to be a somewhat different standard in terms of the substantial weight of the evidence, and so on and so forth. That would be an illustration of the kind of provision on which we would support what the House has done, but would feel that some minor modifications are necessary.

So, in general, my answer to your question would be affirmative, that we would support it as far as it goes, and would emphasize those additional three or four matters with respect to which we think there ought to be a closer approach to S. 1991.

The one on which there is the greatest significance there has to do with this matter of the benefit levels, which is covered in my statement on page 9 and the pages following. Very briefly, the point on that, Mr. Chairman and members of the committee, is this. S. 1991 makes this very simple suggestion and proposal, that an employee's benefits when he or she is covered by unemployment insurance, should be 50 percent of that employee's earnings, or 50 percent of the average earnings for covered employees in that State, whichever is less.

Now that seems so low a guarantee of protection that it is a little hard to see where the objection to it comes, but I want to go into that a little further. S. 1991 suggests that that figure of 50 percent be increased to 60 percent after a period of experience, and then even-

tually to 66⅔ percent. The administrators of the State systems, the so-called Interstate Conference at a meeting last January adopted a position in support of the 50 percent standard. In the House bill this standard is eliminated completely. The result of that is to permit continuation of the present situation which is that in a good many States today, a covered employee gets less than 50 percent of the average weekly wage as far as the State is concerned, and that means less than 50 percent of his own average wages.

I can't express too strongly the view that without the establishment of a standard covering this point, this opportunity—the first real opportunity for review in 30 years—will have been lost, and would urge this just as strongly as I possibly can.

Now with respect to three other matters, we would urge as strongly as possible the——

The CHAIRMAN. Mr. Secretary, as I understand it, there have been some suggestions of something slightly less than what you advocate. For example, hasn't some employer group suggested that in your 50 percent figure you are averaging in a considerable number of high wage people, with the working people for whom the program is designed, that you are averaging in a lot of white-collar people with a lot of blue-collar people and that the 50 percent figure ought to relate more to the blue-collar wage than the white-collar wage. Are you familiar with the suggestions that have been made along that line?

Secretary WIRTZ. I am.

The CHAIRMAN. I don't recall precisely where it is, but I heard it.

Secretary WIRTZ. That is true, Mr. Chairman.

The CHAIRMAN. How high do you go with your insurance in this bill, to what figure?

Secretary WIRTZ. You mean what would be the highest State average level?

The CHAIRMAN. Yes.

Secretary WIRTZ. We will supply that. I will try to get it. (See p. 38.)

The CHAIRMAN. If you would give us that alternate suggestion.

Secretary WIRTZ. Sure.

The CHAIRMAN. As you understand it, that would clear it up for me, because I don't recall precisely what it was, but it did have some logic to it. I am not saying I agree with it, but I have heard it.

Secretary WIRTZ. I understand. We will have that, Mr. Chairman.

(The following information was received from the Department of Labor:)

As I understand the argument, it is that the formula which would be used to establish the maximum benefit amount under S. 1991 includes the wages of high-paid executives in the computation of the State average wage and therefore would result in too high a maximum. The formula would, however, also include the wages for casual and part-time jobs. The high- and low-paid jobs tend to offset each other's effect on the average wage. In 16 States which now relate the maximum weekly benefit to statewide average wages, essentially this same formula is used to compute average wages. The method utilities information currently available from required reports.

The CHAIRMAN. But, as I understand it, is this proposal of yours that you take the lower of the two figures, that a man's unemployment compensation should not exceed 50 percent of what his average wage has been, and it should not exceed 50 percent of the average wage in the State?

Secretary WIRTZ. That is right. Just to be specific about it, suppose he is making——

The CHAIRMAN. He gets the lower of the two.

Secretary WIRTZ. The lower of the two.

The CHAIRMAN. Yes.

Secretary WIRTZ. Suppose he has been making $130 a week, and suppose the State average is $110 a week. In that case, the guarantee to him would be the $55 a week. He would not get even half of his own rate.

The CHAIRMAN. Yes.

Secretary WIRTZ. He would get only half of whatever his own rate was or whatever the average rate was, but whichever is lower.

The CHAIRMAN. Yes.

Secretary WIRTZ. The provision has been attacked sometimes on the ground that it gives somebody more than 50 percent of his own wage rate. That is not true. If you take another man on the figures I have given who has been making $90 a week, his guaranteed amount would be the $45.

The CHAIRMAN. Senator Morton.

Senator MORTON. That was the point I wanted to bring out.

Secretary WIRTZ. Yes; there has been a lot of misunderstanding about that and sometimes we resent it a little bit that it has been left out. We do not propose that everybody get 50 percent of the statewide average. Fifty percent of his own earnings or of the State average, whichever is the less.

Senator MORTON. That is the point I wanted to bring out.

Secretary WIRTZ. In response to your question, Mr. Chairman, I do have now these average weekly covered wages to give you the range of those.

There are two that stand out substantially above all the others, and again the criticism of the bill has been in terms of those. Alaska has an average weekly covered wage for 1965 of $170.86. The next highest is Michigan, with $133.80. Then they drop down to a cluster of rates which are between $120 to $125. That includes California, Delaware, Illinois, Nevada and New Jersey and New York are very close to that, they are over $119, Ohio.

So, in general, in answer to your question, what this would do would be if you set aside the one which is $40 above any others, it would take an average which in Michigan is $133 and which in this other group of States is between $100 and $125.

The other point to which we direct particular attention in the comparison of S. 1991 to H.R. 15119 is concerned, is in connection with the wage base to be taxed. In 1939 the Congress established a base for the unemployment tax in terms of $3,000 of the wages to an individual. That figure has stayed the same, Mr. Chairman and members of the committee, since 1939. There has been no change in the base in the last 26 years, and this means that any employee's earning above the $3,000 is not subject to this tax at all.

Senator DOUGLAS. Mr. Secretary, isn't it true that the average weekly earnings in manufacturing now are something like $110 a week?

Secretary WIRTZ. That is correct.

Senator DOUGLAS. So that on a 52-week basis, that would be around $5,700 a year.

Secretary WIRTZ. That is correct.

Senator DOUGLAS. So you would have $2,700 a year uncovered; isn't that right?

Secretary WIRTZ. That is right. What this means, of course, is that the burden of this tax falls much more heavily on the low wage employers than it does on the higher wage employers. It just leaves out everything above the $3,000. I don't believe anybody defends that situation.

In H.R. 15119 the House Ways and Means Committee raised that to $3,900 with a provision for its being subsequently raised to $4,200.

The CHAIRMAN. What are you recommending?

Secretary WIRTZ. Our testimony would be in support of the original figure which would be in S. 1991, which would be to $6,600. We realize the pragmatic situation involved here, and on page 16 of my testimony we have requested particularly the suggestion that this committee consider an initial increase to not less than the amount of $4,500, and preferably the $5,600 recommended in S. 1991.

The CHAIRMAN. I am sort of a tax simplification man myself, Mr. Secretary. Why don't we just put it on the same figure as social security. Have you thought about that?

Secretary WIRTZ. That would be very satisfactory from our standpoint and that is where the $6,600 recommendation comes from.

The CHAIRMAN. From the point of view of the employer it would be well if we tried to get our tax structure such that he could just lay out a slide rule across his payroll and say, "Here is what I owe," and that would be it.

Secretary WIRTZ. This would appeal to me greatly, Mr. Chairman. It will be pressed strongly that the purpose of the social security provisions is different from this, and I am willing to respect that difference. From the point of simplicity it would seem to me a good one.

Beyond that, just a point of plain equity in supporting this, I don't see any reason why the unemployment insurance tax should not be on a base which is substantially in line with the general situation, in support of Senator Douglas' point and the one you have just made. So that my testimony would be in support of the broader amount. Now, if that is done, I should point out to this committee that a question will arise as to the propriety of the increase in the tax rate proposed by the House and the application of the tax rate adopted by the House to the tax base which we are talking about here.

The CHAIRMAN. In other words, you are suggesting that if we would go for a higher figure on the base, then we ought to have a lower rate.

Secretary WIRTZ. That is correct.

The CHAIRMAN. Senator Morton.

Senator MORTON. Before you get away from your 1939 comparison, you said that this $3,000 was set in 1939, and in response to Senator Douglas you pointed out today's wage rate, factory wage rate, is around $110 a week?

Secretary WIRTZ. That is right.

Senator MORTON. Now, what was the factory wage in 1939?

Secretary WIRTZ. I will have to check on that, but I think I know what you are driving at. In 1939 the $3,000 covered 98 percent of all wages in covered employment as of that time, and today that figure is down around 50 percent.

Do we have the figure in direct answer to the question?

Mr. NORWOOD. About $25.

Secretary WIRTZ. About $25 at that time.

Senator MORTON. I think that should be made a part of the record at this point.

Secretary WIRTZ. All right, sir.

Senator MORTON. Because I think it is significant.

Secretary WIRTZ. It is.

Senator MORTON. If the Congress in its wisdom, or lack of wisdom, in 1939 set a figure of $3,000 with the factory wage at $25 a week, I think if we realistically approach this, we must recognize the fact that the factory wage rate has more than quadrupled.

Secretary WIRTZ. That is right.

Senator MORTON. In the ensuing years.

Secretary WIRTZ. It would take a wage base today, Senator, higher than $6,600 to have the same effect which the $3,000 had in 1939.

Senator WILLIAMS. What tax rate are you recommending in relation to the different figures?

Secretary WIRTZ. I beg your pardon, sir.

Senator WILLIAMS. What tax base rates are you recommending in relation to the different amounts?

Secretary WIRTZ. That depends on another point which I am coming to; namely, whatever provision is made for extended benefits. The recommendation of the administration reflected in S. 1991 is that with the addition of the extended benefits included there, there be 0.15 percent added to the present rate. The present rate is 3.1, of which 2.7 goes for benefits and 0.4 goes for administration. S. 1991 recommends an additional 0.15 in the tax rate for the extended benefits and matching grants provisions, and another 0.15 percent from general funds to support these provisions.

I can, I think, answer your question in its intended form in terms of the administrative costs which are involved, which presently amount to 0.4 percent. We would recommend that on the larger base, that administrative cost figure not be raised.

In other words, the 0.4 percent on the larger base would cover the increased administrative costs. The answer to your question gets necessarily complicated when we go into the additional question of what extended benefits provision is involved.

Senator WILLIAMS. The present rate is 3.1 percent overall.

Secretary WIRTZ. Yes, that is correct.

Senator WILLIAMS. And on $3,000.

Secretary WIRTZ. That is correct.

Senator WILLIAMS. And you are recommending 4.6 on $6,600.

Secretary WIRTZ. No. I got my points mixed up. It is 3.1 of which 0.4, or four-tenths of it——

Senator WILLIAMS. I understand that.

Secretary WIRTZ. 0.4 percent is for administration, and we would recommend that as far as administration, administrative costs are concerned, there be no change.

Senator WILLIAMS. I understand that. I understand that the 3.1, you are proposing to add to that another 1.5 on top.

Secretary WIRTZ. That is in connection with the——

Senator MCCARTHY. 0.15.

Secretary WIRTZ. 0.15, I beg your pardon.
Senator MCCARTHY. Not 1.5, but 0.15.
Secretary WIRTZ. Yes; so it becomes 3.25.
Senator WILLIAMS. I understand.
Secretary WIRTZ. I should make clear, Senator, that 2.7, which is for benefits, is, of course, subject to the experience rating provisions, so that in a good many cases, in most cases that full amount is not paid.
Senator WILLIAMS. I was mixed up. I thought you meant 1.5.
Secretary WIRTZ. I think I probably misspoke.
Senator DOUGLAS. Mr. Chairman, that is precisely the point I wanted to raise. Under the so-called merit rating provisions, a large portion of this money is refunded, is it not?
Secretary WIRTZ. That is correct.
Senator DOUGLAS. Could you make a statement as to what proportion of the 3.1 percent is refunded to the employers?
Secretary WIRTZ. It is a little under 1 percent.
Mr. NORWOOD. For 1966 the average tax paid on taxable payroll is 2 percent.
Senator DOUGLAS. I didn't get that.
Secretary WIRTZ. The answer to your question, Senator, would be about 2 percent instead of 2.7 percent.
Senator DOUGLAS. No, that isn't quite it. I want the record to be clear on this point. How much are the refunds for failure to collect the maximum tax because of alleged favorable unemployment experience?
Secretary WIRTZ. Almost 1 percent of taxable wages.
Senator DOUGLAS. One percent.
Secretary WIRTZ. Yes, sir.
Senator DOUGLAS. So that in practice the tax is only 2 percent, not 3.1 percent.
Secretary WIRTZ. It would be more than that. It would be 2 percent of taxable wages which is paid for the benefits. Everybody has to pay the 0.4 percent, so it would be the 0.4, and then 2 percent in addition to that. But in terms of total wages, it is less than 1.4 percent.
Senator DOUGLAS. So that the real cost is only 1.4 percent?
Secretary WIRTZ. That is correct—1.4 percent of total wages in covered employment.
Senator DOUGLAS. Incidentally, I think your administrative costs of 0.4 percent on the basis of benefits paid is high. On the basis of payroll it is low, but on the basis of benefits paid it is high, because you will see that it is almost 30 percent of benefits paid, but that is another matter.
Secretary WIRTZ. I wonder if I made it clear that from that 0.4 we cover not only the administrative costs in unemployment insurance but also the full employment service.
Senator DOUGLAS. The costs of the employment service?
Secretary WIRTZ. That is right.
Senator DOUGLAS. Are charged against this?
Secretary WIRTZ. It is all included in that.
Senator DOUGLAS. You don't segregate the costs?
Secretary WIRTZ. We can identify them separately. Just on a rule-of-thumb basis, it is about half and half.

Senator DOUGLAS. But I think it is significant that in practice, due to the merit rating system so-called, that the actual payments are only 1.4 percent, not 3.1.

Secretary WIRTZ. Yes, but the 1.4 percent is related to total wages and the 3.1 percent to taxable wages. If the 1.4 percent is converted to taxable wages, it amounts to 2.4 percent.

Senator DOUGLAS. And I think that should be put in the record.

The CHAIRMAN. Mr. Secretary, I have been looking at your statement here, and I think it would be best for you to read it. Otherwise, many of us are not going to fully understand your argument and why you think these various amendments should be agreed to.

I suggest that you read this to us, and that we withhold our questions until you do. If there is any objection to that, why, of course, I will not proceed that way, but I think that we will understand what your recommendations are a lot better if you go ahead and present your prepared statement rather than summarize it. I had thought that it would expedite matters if you summarized it, but I think that I would be better informed and so would other members if you just went ahead and read it to us.

Secretary WIRTZ. All right. Mr. Chairman and members of the committee, too many times a Secretary of Labor has had to appear before this committee to discuss unemployment insurance in a setting of widespread unemployment. Today's picture is of a generally prosperous economy.

In June total employment stood at 75.7 million, an increase of 2 million from a year earlier. On a seasonally adjusted basis, the unemployment rate has been 4 percent or below since February, lower than during any period since early 1957.

There are two proposals before this committee for consideration today relating to this Nation's unemployment insurance system—S. 1991, the administration bill, and H.R. 15119, the House-passed bill. As you know, H.R. 15119 was developed by the House Ways and Means Committee after lengthy public hearings and committee consideration in executive sessions.

We recognize that changes have taken place since May 1965, when S. 1991 was introduced. The economy has continued to improve. There has been a reduction in long-term unemployment of experienced workers, and there has been an opportunity to develop alternatives to meet the goals. With this in mind, I will review both H.R. 15119 and S. 1991 and suggest what we consider to be the best legislation in terms of program goals and needs.

Even a 4-percent unemployment rate, in a country like ours, represents a lot of people. In June, there were a million adult men and slightly less than a million adult women looking for jobs. It is for people like these, and for the families they support, that our unemployment insurance system is designed. Even at our low levels of insured unemployment—the lowest since World War II—there have been more than 3 million different people so far this year that have filed for unemployment insurance.

Obscured by the national average, and concealed by the gross statistics, are the much larger numbers of people affected by the continuous movements taking place in the job market. In 1965, for example, there were, on the average, 76 million people in the labor force—72 million employed and 3.5 million unemployed. But during the year—

90 million different individuals are estimated to have been in the work force at some time;

87 million different individuals are estimated to have held jobs;

14.1 million are estimated to have experienced some unemployment;

7.5 million filed claims for unemployment insurance;

6.1 million qualified for unemployment insurance benefits;

5 million were unemployed long enough to receive unemployment benefits;

1.1 million were unemployed long enough to draw all the benefits available to them; and

0.5 million exhausted 26 weeks or more.

Figures for 1966 are, of course, not yet available, but they will show a similar pattern.

Thus, the general level of unemployment must be distinguished from the displacement of particular workers at particular times and places. In 1965 the unemployment rate ranged—

From 2.3 percent to 7.8 percent by State;

From 1.7 percent to 8.1 percent by major labor areas;

From 0.4 percent to 8.4 percent by broad occupational groups;

From 1.9 percent to 9.0 percent by broad industry groups;

From 2.5 percent to 15.7 percent by age; and

From 4.1 percent to 8.3 percent by race.

The National Committee on Technology, Automation, and Economic Progress stated that "Constant displacement is the price of a dynamic economy. History suggests that it is a price worth paying. But the accompanying burdens and benefits should be distributed fairly." That seems right to me. And I suggest that one of the most effective ways to assure the fair distribution of the burdens is through the strengthening of our present Federal-State unemployment insurance system.

Unemployment insurance is an important aspect of manpower policy. In our present-day economy over 80 percent of the Nation's total labor force make their living through working for others—in contrast to earlier periods in our history when the majority of people worked on the land, or were otherwise "working for themselves" in self-owned—or family owned—professional, business, and service activities.

Today wage earning is the center of economic life. Preparing for a job, getting, holding, and separating from a job, having income between jobs and finding another to replace the lost one are crucial for large numbers of workers.

Unemployment insurance is designed to make up the worker's wage loss in a way which helps him to meet his economic and social needs with dignity and without loss of self-respect. The payment is a predictable, objectively determined cash payment related to his customary earnings but unrelated to his wealth or his "need" and received as a matter of insured right deriving from his status—both past and present—as an active member of the labor force.

The value of our unemployment insurance system has been amply proven during its 30 years of existence. Its basic goals remain essentially unchanged. Its purpose is to provide—

Partial replacement of wages lost by reason of lack of work;

In a way that preserves dignity;

But does not put a premium on idleness.

The system is designed to protect, insofar as possible, all who work for wages; to assure most workers a stipulated fraction of their own usual wages for the period of their unemployment due to economic causes; but to provide no payment for periods when individuals are not clearly in the labor force.

By providing wage replacement for the individual unemployed worker, it helps maintain purchasing power, prevents the dispersal of an employer's workers during periods of brief interruption of work. It helps to conserve workers' skills and preserve labor standards by making it unnecessary for the worker to accept, because of economic desperation, the first available job regardless of suitability.

The costs of the system, both State and Federal, amount to somewhat less than 1½ cents per payroll dollar; the entire Federal and State cost for a system containing all the improvements included in the administration's original recommendations would be less than 2 cents per payroll dollar.

It is not my intention to urge the enactment of S. 1991 as a total substitute for H.R. 15119. H.R. 15119 recognizes some of the deficiencies in our present system, introduces some significant forward steps, and provides for improvements in the system which are in the right direction. But H.R. 15119 falls short of meeting the basic goals of the system in four important areas:

It fails to provide the benefit requirements proposed by S. 1991;

Its extended benefits program fails to provide needed protection for the long-term unemployed in periods other than State or National recessions;

Its increases in the taxable wage base are inadequate; and

Its coverage provisions warrant further consideration.

In its coverage of employees of nonprofit and State hospitals and educational institutions, H.R. 15119 has broken new ground and introduced new concepts for which we owe a great deal to House Ways and Means Committee.

The House acted to extend coverage to an additional 3.5 million workers. That compares, Mr. Chairman and members of the committee, with a figure of about 4.6 as far as S. 1991 is concerned. The House bill coverage would be distributed by categories as follows:

[In millions]

Coverage provision	*Number of workers*
Employers of 1 or more in 20 weeks or wages paid of $1,500 or more in a calendar quarter	1.2
Definition of agricultural labor (add some agricultural processing workers)	
Definition of employee (add some agent drivers and commission salesmen)	.2
Nonprofit organizations	1.4
State hospitals and colleges	.5
Total	3.5

I recommend broader coverage than that provided in H.R. 15119 so far as the "size of firm" is concerned. That is the first category in that listing. The feasibility of the S. 1991 provision for covering employers of one or more at any time has been amply demonstrated by experience under OASDI and under unemployment compensation laws of States of varying sizes and industrial composition.

The Interstate Conference of Employment Security Agencies recommended coverage of employers of one or more if the employer had at

least a $300 payroll in a quarter. This payroll limit represents the highest quarterly limit used now by States which determine coverage solely by size of quarterly payroll. I recommend it strongly for your consideration. I also recommend advancing the effective date of this coverage to January 1, 1968.

Incidentally at this point, Mr. Chairman, there will be introduced into this record a poll subsequently taken of the State administrators in terms of their position on H.R. 15119. I would hope very much to have an opportunity to comment on that poll, if it is introduced in the record. I want to make it very clear that in January, at Phoenix, Ariz., there was a deliberation on these key points by the State administrators and a position arrived at with respect to this point on coverage of small firms as well as to the requirements for certain benefit levels. Now the basis on which there was subsequently a circularization was in terms of a single choice of favoring or opposing H.R. 15119——

The CHAIRMAN. That poll is in the House hearings. Why don't you go ahead and comment on it now.

Secretary WIRTZ. No, this is a new one, and that is the reason I bring it up here. The poll that was in the House hearings of March 1966 represents the very extensive deliberations of the Interstate Conference in Phoenix, for which we express a very thorough respect. Now, there has been subsequently a polling which has been presented to the State administrators, solely in terms of one issue, whether they do or do not support H.R. 15119. I call to the attention of the committee the desirability of their being on guard against that poll, and of not letting it confuse the earlier poll to which you just referred. The Phoenix meeting positions reflect a deliberation for which we have great respect, although we disagree on some points. As I say, it is a subsequent polling to which I refer.

The CHAIRMAN. You had better make some reference to it, because I would rather have you say it now than bring you back, Mr. Secretary.

Secretary WIRTZ. All right, sir. I will identify it in terms of a memorandum which has been distributed to all State administrators under date of July 12, by G. A. Foster, executive secretary of the Interstate Conference, "Results of a Poll on H.R. 15119, Unemployment Insurance Amendments of 1966," and ask that it be added to the record with this point in mind only, that it be made very clear that this memorandum is the result of a polling which was taken solely in terms of whether there was or was not support for H.R. 15119. It should not be confused with the position of the State administrators to which you have just referred, an earlier deliberation which, among other things, supported the 50 percent level as far as the State benefits are concerned.

(The poll referred to above by Secretary Wirtz follows:)

INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES

Memorandum to: All State Administrators.
From: G. A. Foster, Executive Secretary.
Subject: Results of Poll on H.R. 15119, Unemployment Insurance Amendments of 1966.

On June 30, 1966, the State agencies were polled to determine whether or not they favored the enactment of H.R. 15119, Unemployment Insurance Amendments of 1966, as passed by the House of Representatives. The results of the poll are as follows:

	Number of State agencies	Percent of total covered workers	Percent of total covered employers
In favor	41	69	77
Not in favor	0	0	0
Not voting	11	31	23
Total	52	100	100

Of the 41 State agencies voting in favor of the enactment of H.R. 15119, as approved by the House, three State agencies qualified their vote in the following manner:

State 1: "My vote is qualified to the extent that I favor the H.R. 15119 only because it is the only legislation before Congress at this point. If amendments to H.R. 15119 are offered in the Senate, the Conference position should be as decided at our Phoenix meeting."

This State represents 0.8% of the total covered workers and 13.4% of the total covered employers.

State 2: "Does not go far enough to make it a really good bill."

This State represents 0.4% of the total covered workers and 0.5% of the total covered employers.

State 3: "It is better than no bill at all."

This State represents 0.2% of the total covered workers and 0.24% of the total covered employers.

Data used in the above calculations on covered workers and covered employers were taken from reports for the fourth quarter of calendar year 1965.

Thank you for your promptness in responding to the poll.

Secretary WIRTZ. I only point out and introduce it for that purpose, to point out that the second polling should not dilute the results of the deliberations of the State administrators as reflected in their Phoenix meeting.

The other coverage change that I would recommend is with respect to farmworkers. While everyone generally agrees that farmworkers have a real need for unemployment insurance protection, in the past it has been difficult to work out a proposal that was administratively feasible. We have continued to study this problem, since the House deliberations, and we believe we have a proposal that would provide some meaningful protection to the farmworker, and would at the same time meet some of the objections of earlier proposals. Under this alternative, coverage would be extended to farmers who report at least 50 workers for OASDI purposes but only for those workers who had wages of at least $300 in a calendar quarter.

It is a little complicated, but it picks up your earlier suggestion, we take the coverage in terms of OASDI, and as simply as possible say that the unempolyment insurance would extend to those farm employers who have 50 covered workers for OASDI during the year, and apply it to these employees who had $300 of income during a particular quarter.

Senator CURTIS. How does that compare with the House-passed bill?

Secretary WIRTZ. The House eliminated any coverage of the agricultural workers, eliminated it completely. There was consideration there of a variety of possibilities.

It came up at the same time, Senator, that the House was considering the extension of coverage under the minimum wage law. It was a somewhat cluttered up period, but I don't mean to clutter up the answer. H.R. 15119 excludes any coverage as far as this group is concerned.

Senator MORTON. On page 6, Mr. Secretary, you say 0.2 million came into the program under the House bill because of the redefinition of agriculture.

Secretary WIRTZ. That is right, yes. That gets exceedingly refined, and I had better turn that over to somebody else. It includes the agricultural processing workers. It includes some redefinitions in terms of what is the work done on the farm and work not done on the farm, standards of that kind.

One illustration sticks in my mind, Senator. There would be the matter of a mushroom grower, and whether that mushroom growing, when it is done in caves or on the farm, is or is not covered. It is that kind of change. So there was no extension of coverage except——

Senator MORTON. You mean, it is aged in the dark.

Secretary WIRTZ. That is the kind of problem.

H.R. 15119 also provides, as does the administration bill, a program to protect the long-term unemployed. H.R. 15119, however, would provide extended unemployment compensation only during periods of high unemployment which would be triggered on a State or National basis.

S. 1991 proposes to assure all workers with substantial employment protection against long-term unemployment whether or not it occurred during periods of high unemployment. A triggered program is inadequate. It does not, for example, meet the unemployment problems created by mass layoffs, as in the case of the Studebaker plant shutdown, or the Republic Aviation plant shutdown in Long Island, or the Douglas Skybolt shutdown in Los Angeles, Calif. These layoffs, although significant, would not have affected the rate of unemployment in the whole State sufficiently to cause the trigger to operate.

We believe the extended benefit program in S. 1991 has much to commend it. It is not the only way to deal with the problem, however, and I suggest that a combination program of Federal and State benefits be provided as follows:

1. As an inducement to States to provide regular benefits beyond 26 weeks for the long-term unemployed there would be Federal sharing on a 50–50 basis of any such State benefits between 27 and 39 weeks in a benefit year. The provision of such benefits would be optional with the State.

2. A fully federally financed program of triggered benefits equal to the lesser of 50 percent of regular State benefits or 13 times the regular weekly benefit amount. The triggers, both nationally and State, would be those in H.R. 15119.

I am sure, Mr. Chairman and members of the committee, you will want to come back to this, but what it does in effect is propose a provision for extended benefits which lies in between the original proposal

in S. 1991, and the triggered approach which was worked out in the House bill. That proposal is described more fully in an attached statement which I have submitted with the testimony.

This combination approach should serve as an incentive to the States to provide protection beyond 26 weeks. The States have already expressed their concern in this area. Ten States now provide a duration of regular benefits for some claimants beyond 26 weeks. The provision for sharing the cost of benefits beyond 26 weeks would recognize the fact that the normal limit of exclusive State responsibility for unemployment is 26 weeks. The further provision for full Federal financing of extended benefits on a triggered basis would recognize that during periods of high unemployment, whether within the State or nationally, the causes are not confined to conditions inside the State and there is a national interest affecting the general economy which becomes an appropriate Federal responsibility.

I urge that this committee give the most serious consideration to retaining the benefit requirements proposed by the administration's bill. These relate to the primary factors determining the adequacy of protection—the weekly benefit amount and the duration of benefits. In this day of a highly mobile work force and interrelated State economies, the wide variation and the general inadequacy in State law benefit provisions constitute the greatest single area of deficiency in the present system.

S. 1991 requires a State to pay a worker at least 50 percent of his average weekly wage limited, however, by a maximum. The maximum would increase from 50 percent of the statewide average weekly wage to 60 percent of such wage and finally to 66⅔ percent.

I want to be sure there is no misunderstanding of this. Stating it in what are perhaps the simplest terms, it would provide at the outset as long as the 50-percent statewide weekly wage limit was in effect, that a worker get 50 percent of his earnings, or 50 percent of the average for the State, whichever is lower. Then subsequently it would be 50 percent of his earnings or 60 percent of the State average, whichever is lower. It would in no event ever be more than 50 percent of his own earnings, and the other would change from 50 to 60, and 66⅔ percent. I should make it clear on that, the Interstate Conference supported the recommendation at 50 percent of the average for the State, but did not support the administration proposal for the 60 and the 66⅔ percent.

The CHAIRMAN. Mr. Secretary, the point is made here that what this does is to help the higher paid employee—it really doesn't do anything for the lower paid employees, is that correct?

Secretary WIRTZ. It depends on how low you go. Some of these State limits are presently so low that they give even what I would think of as a low-paid employee less than 50 percent of his earnings.

The CHAIRMAN. It occurs to me that for these people making just a minimum wage, that it might be better to give them 60 percent rather than 50 percent. Does that not work that in some cases of low-paid employees, making $1 an hour or $1.35 an hour, or $1.60 that this bill wouldn't do any good for them at all?

Secretary WIRTZ. Oh, yes; that is correct. There are a great many of them that it would not do any good.

The CHAIRMAN. That doesn't appeal to me the least bit, Mr. Secretary, to do it that way. It seems to me if you want to help some guy,

you should help the fellow who needs it the most. There is one fellow who makes $500 a month and has some resources to tide him over, and the fellow who is making $100 a month and has nothing, or very little, to hold hide and hair together, it seems to me that you would do better to do something for him, too, if we are going to pass that bill. You wouldn't object to it if we do something for that fellow, would you?

Secretary WIRTZ. No, sir: I would support it very strongly. There should be no misunderstanding about it. The proposal means that if somebody is only making $70 a week currently, he would get only $35, which is half of his wage, which is awfully low. Now we are going to come to a point which is related to this. There is also this question of how long he gets it, and under some of the present State laws, the duration period is mighty short. But I don't mean to clutter this up. My answer to your question is that we will support it 100 percent, if there is a disposition to increase the percentage of his own earnings which a low-wage earner gets. We would support it without qualification.

The CHAIRMAN. My reaction, Mr. Secretary, is that I know of a man, for example, who works for me. We are very happy to have him but he doesn't make much; it is just domestic help, he is a yardman, but he has got about nine little children, and if we are going to pass a bill to help the guy who is making $500 a month, I would like to do something for that yardman, too. Not that I am planning to fire him. I am planning to keep him.

Senator MORTON. What is his name? I might try to hire him off of you.

Senator WILLIAMS. I might suggest that the man is interested in his pay today rather than his unemployment, so maybe if you raise his wages, that will take care of it.

The CHAIRMAN. Well, I will go for that, too.

Secretary WIRTZ. The figure on this, Mr. Chairman, even before we come to that problem, today 59 percent of the men and 14 percent of the women don't get half of their own wage. Now, this is an additional problem to the one you are talking about, which is that these lower paid people, even if they get half of their own wages, are way below subsistence standards.

Senator WILLIAMS. In connection with that, would you furnish to the committee what your recommendations are and what the additional costs would be if we accept your recommendations, because if you raise that 50 percent, it would change the cost factor.

Secretary WIRTZ. The 50 of the individual's own earnings?

Senator WILLIAMS. Yes. I understood you to say you wouldn't mind seeing it raised.

Secretary WIRTZ. We could supply figures which would show the additional cost of more than 50 percent of the individual's own rate, as far as the lower wage employees are concerned, and will do so. (See p. 61.)

The requirements in S. 1991 would meet one of the stated goals of the program, to provide the great majority of covered workers with a benefit of at least half their average weekly wage.

Generally speaking, there is no disagreement with this stated goal, but the existing statutory maximum weekly benefit amount is so low in most States that the goal cannot be reached.

In only one-third of the States can a worker earning the State average weekly wage receive a benefit of at least 50 percent of that wage. In another one-third of the States such workers receive a benefit of from 40 to 49 percent, and in the remaining third they receive less than 40 percent.

States have been amending their laws to increase benefit amounts, but maximum weekly benefit amounts have not kept pace with the increasing level of wages. All too often, a worker earning only $80 a week received less than one-half of his weekly wage when unemployed. That is a compounding, even, of the difficulty to which you referred, Mr. Chairman. Even a person earning as low as $80 a week doesn't get half of his own rate because the maximum benefit for the State is less than $40. At the present time, there are only 19 States where the maximum is at least one-half of statewide average wages.

In the States in which the maximum is below 40 percent of the statewide average weekly wage, less than one-half of all claimants—and less than one-third of the men—receive 50 percent of their own weekly wage. Even in the States in which the maximum is 50 percent of the statewide average wage, about half the men are cut off by the maximum.

The Interstate Conference of State Employment Security agencies at its Phoenix meeting this spring took a position in favor of the weekly benefit amount requirement in S. 1991 except that it would provide a maximum of only 50 percent of statewide weekly wages.

While this recognition of the desirability of a Federal requirement is highly significant, we believe the 50-percent maximum is inadequate. As I have just pointed out, in those States in which the maximum is 50 percent, about half the men are prevented from getting 50 percent of their wage in benefits by the maximum. If the maximum were 66⅔ percent—about 15 percent of claimants would be cut off by the maximum and only about 25 percent of the men. Increasing the maximum in three stages is, we believe, a realistic way to meet the goal, and that is what S. 1991 would do.

S. 1991 also provides that eligible workers who meet the requirement of 20 weeks of base-period employment—or its equivalent—must be entitled to receive at least 26 weeks of benefits if they remain unemployed that long. If the State permits workers to qualify for benefits with fewer than 20 weeks of work, the duration of benefits for such workers can be shorter.

We believe that benefits should be payable for a sufficient length of time so that a high porportion of workers will be protected for the full duration of their unemployment during a year. The administration's proposed standard should achieve this.

Moreover, without a duration requirement, there are apt to be pressures within a State by those who wish to keep benefit costs down, to meet the weekly benefit amount requirement at the expense of reduced duration.

Unlike H.R. 15119, S. 1991 provides that no more than 20 weeks in a 1-year base period—or its equivalent—may be required of a worker to qualify for benefits, but does not require States to exclude from benefits workers who have less than 20 weeks of employment or its equivalent. It merely permits shorter benefit periods.

While in general State qualifying requirements are no greater than that proposed by S. 1991, there has been a tendency over the years to balance increased benefits by raising minimum qualifying requirements. The requirement provided by S. 1991 may be expected in influence States with very low qualifying requirements to provide more adequate tests of labor force attachment, while at the same time protecting workers from unreasonably high requirements.

The short of this, Mr. Chairman and members of the committee, is to put in a guarantee of a benefit level without putting in a standard, or I should say, a guarantee of duration of benefits would expose the situation to the possibility that the States would stay at the benefit level provided, but would shorten the duration, which would defeat the purpose of the benefit level. That is the point of what I am talking about here.

Under S. 1991 employers in States which do not meet the benefit requirements I have discussed will not lose all tax credit. Instead, their credit will be limited to the actual average cost to the State of the benefits being provided under State law. A State could not get tax credit for its employers by providing inadequate benefits to its unemployed workers.

Under existing law an employer gets the full 2.7 percent tax offset against the Federal unemployment tax regardless of the amount of State tax that he pays. Tax rates may be low in some States not only because of low unemployment, but also because under the State law benefits are low in amount, or short in duration or because eligibility for benefits is restricted.

Thus, the uniform Federal unemployment tax is, in effect, uniform no longer, and the Federal tax falls short of its original objective of enabling States to provide adequate benefits without fear that other States will attract industry by lower taxes resulting from inadequate benefits to workers.

H.R. 15119 provides a disqualification standard which is aimed particularly at doing away with concellation of wage credits or total reduction of benefit rights for any disqualification except misconduct connected with the work or fraud in connection with a claim. The provision also permits a reduction for receipt of earnings or disqualifying income, as, for example, pensions.

We do not believe that this provision would adequately protect a worker from unreasonable disqualifications. We, therefore, suggest an alternative, which is different from S. 1991.

Our suggestion would be that benefits shall not be denied because of a disqualifying act, other than for unemployment due to a labor dispute or fraud connected with a claim and we recognize complete disqualification there, but in other situations benefits shall not be denied because of a disqualifying act for a maximum period of more than 13 weeks next succeeding the week in which the disqualifying act occurred. An employer's experience rating account should not be charged with any benefits paid for unemployment which follows a disqualifying act.

Cancellation of benefits would be prohibited except for fraud in connection with a claim. With respect to unemployment due to a labor dispute, the provision would permit disqualification for the duration of the worker's unemployment due to that cause. It would

leave to the States the reasons for which an individual may be disqualified and the range of the disqualifying period—from 1 to 13 weeks.

Again, if I may summarize, what is involved here, Mr. Chairman and members of the committee, is the practice under which today in some States, there is a complete disqualification of an individual even for reasons other than fraud, or that kind of thing.

Senator CURTIS. Would you cite an example.

Secretary WIRTZ. Yes, it would be a case, and this is a specific case, a case in which a person is discharged for failing to show up for work on a particular morning, discharged for cause, and I am talking about a particular case. It turned out that his car pool had not come in that morning. He was discharged for cause and lost all of his unemployment benefits entirely.

Senator, that is not a typical case, but it is the kind of case that occasionally happens, and it is a case in which we think that there ought to be at least a Federal suggestion that the State operate within a 1- to 13-week disqualification rule.

Senator CURTIS. Under your alternative, are the benefits merely postponed or are they actually lessened?

Secretary WIRTZ. I will ask for an expert answer to that.

Mr. NORWOOD. They would not be reduced. They would be denied, for a period of time.

Senator CURTIS. But when they started, would they continue the same length of time as if they had started in the original instance?

Mr. NORWOOD. They could, but it is more than a postponement in that they would not be paid for that period, that gap.

Senator CURTIS. But they would be paid for a longer period?

Mr. NORWOOD. Yes, they could be.

Senator CURTIS. Could be or would be? Would it be required?

Mr. NORWOOD. There would be no reduction in the total amount, but they would start at the end of this period that would have to be served.

Senator CURTIS. Suppose it wasn't a frivolous thing, but it still didn't involve fraud in making a claim, or a labor dispute. Is it true then, if someone would get fired for other than a frivolous cause, say, drunkenness, that under your proposal, what would happen to him is that the starting date of his benefits would be delayed, but he would get, ultimately, if he remained unemployed, the same benefits for the same length of time?

Secretary WIRTZ. The answer is yes.

Senator CURTIS. The answer is yes?

Secretary WIRTZ. Yes.

Senator CURTIS. And that would be a requirement that the State would have to carry out.

Secretary WIRTZ. That is correct. The benefits could not be canceled in that situation.

Senator WILLIAMS. In that instance, suppose that he is fired for being drunk, and he fails to get a job because he stays drunk all the time. Can he keep on drawing his unemployment insurance?

Secretary WIRTZ. That is a very important point, and I should have added this in qualification to my answer to you, Senator Curtis, he could never get any benefit unless he was available for work at the time at which the benefit is paid. So, if he was discharged for drunkenness, and continued drunk, he is thereby unavailable for work and could not get benefits.

Senator WILLIAMS. If he got sobered up and got the job and got discharged again, he could get it all over again.

Secretary WIRTZ. If he sobered up, got a job——

Senator WILLIAMS. Got drunk again.

Secretary WIRTZ. Got drunk again, could not get the unemployment benefits while he is drunk, because he would be unavailable for work. He could get, in the set of facts that you are talking about, he could get the unemployment benefit, assuming that he had the adequate length of service to begin with, he could then get unemployment benefits after the postponement which we are talking about here, which the State might put into effect, he could get unemployment benefits for the period in which he was sober and therefore available for work.

The CHAIRMAN. What did the House do with this recommendation?

Secretary WIRTZ. Let's see, there is a provision there, and I will have to inquire about it. Prohibited full cancellation, and that is all they did, and did not include, in comparison with what we are suggesting here, a period for the 1- to 13-week period.

The CHAIRMAN. A period of full cancellation.

Secretary WIRTZ. That is right.

The CHAIRMAN. But did not provide the 1- to 13-week period.

Secretary WIRTZ. That is correct.

The CHAIRMAN. My thought is that it would be better to say he would not lose more than 13 weeks of his compensation, and let the State decide how much of it they wanted to let him lose. Leave them some latitude, but at the same time I should think that if he was fired for cause, he ought to lose some of his benefits, not just have them postponed.

Secretary WIRTZ. I think there is a great deal of basis for that kind of approach.

The CHAIRMAN. Yes.

Secretary WIRTZ. The unemployment insurance program is not a penal statute and it is not designed to punish workers for actions even though their actions may be contrary to law or to accepted social conduct.

Disqualifications may also be imposed for acts which, in fact, are neither contrary to law nor socially unacceptable. A worker who leaves one job to accept one which appears better, but turns out to be short-lived, or who leaves because his car pool driver moved away, is unlucky, but hardly antisocial. A disqualification in the unemployment insurance program is to deny insurance to a worker for the period of time that his unemployment can reasonably be said to be due to his own action. Let me emphasize that no worker would be entitled to benefits unless he were able to work and available for work. This means that he has to do what a reasonable worker in his circumstances would do to find a job.

Both bills would end the unjustified discrimination against maritime workers and interstate workers, but the failure of H.R. 15119 to protect Canadians as well as Americans from discrimination in the interstate benefit system merely puts a premium, for some border State employers, on the hiring of Canadians in preference to Americans and intensifies the pressure to import Canadian labor. There appears to be no sound justification for excluding claimants in Canada from the requirement that State unemployment insurance system refrain from discriminating against workers who earned benefit rights in a State but who became unemployed in another State or Canada.

Both H.R. 15119 and S. 1991 would end the "double dip"—the anomalous situation in which workers in the many States receive two rounds of benefits on the basis of a single separation from work.

Both bills would end the practice of denying benefits to workers taking approved training to improve their employability. Frequently, training or retraining is the shortest route to reemployment, and in particular instances it might be the only possible route. To discourage workers from accepting training until after they have exhausted their rights to unemployment insurance is wasteful, and prolongs individual unemployment.

The House merely incorporated in H.R. 15119 specific authorization for expanded unemployment insurance research and for training personnel engaged in administering unemployment insurance.

There are some areas in which H.R. 15119 has gone beyond the scope of recommendations contained in S. 1991 but seems to represent a generally satisfactory treatment of the problems with which they are concerned.

A change in the provision for judicial review appears warranted. The provision should follow the customary pattern of making the administrative official's findings of fact conclusive if supported by substantial evidence. In addition, the provisions added in 1950 (usually referred to as the Knowland amendments) as an alternative to judicial review should be modified. Any inconsistencies should be resolved, and unnecessary and complicating provisions should be deleted and any ambiguities should be clarified.

Another provision added by the House extends the period for the administrative use of excess amounts credited to the States under the so-called Reed Act. These amounts under specific appropriation of individual State legislatures may be used for specified purposes in connection with the State administration of the program. Actually, they have been used almost exclusively for the construction of buildings for use by the State employment security agencies. These funds can no longer be used for this purpose unless the period is extended.

On the judicial review point, we would support what is done in H.R. 15119. We do think the judicial standard for review should be somewhat different and we think there should be attention that Knowland amendment problem, but otherwise we have no objection to it. This moves us on to the matter of the base.

The CHAIRMAN. You are recommending it be $6,600.

Secretary WIRTZ. That is correct. We can see a basis for starting at $4,500 and moving on up gradually to the $6,600. And if that is done, attention will have to be given the matter of the rate.

The CHAIRMAN. What would your rate be on that?

Secretary WIRTZ. That will depend on two things. First, on what wage base is fixed and, second, on what kind of extended benefit plan you feel is appropriate.

The CHAIRMAN. Could you give it to us now? What would you recommend? If we pass that bill, taking the effective date, what would be the effect?

Secretary WIRTZ. There has to be a time delay because some of the State legislatures will not meet for a subsequent time. We would recommend a change in the rate effective as of 1967, January 1, 1967, that it be increased to 3.3 percent.

Senator McCarthy. On what base?

Secretary Wirtz. A starting base of not less than $4,500, which would be effective in 1968 with the rate then scaled down as the base went up.

Senator Williams. Are you recommending the elimination of the merit rating?

Secretary Wirtz. The rate would be in 1967, the base change in 1968.

Senator Williams. Are you recommending a flat rate with no reductions, based on experience?

Secretary Wirtz. No, we are not, Senator. No, in S. 1991 there is a recommendation, the original administration recommendation, that the present standards on experience rating be simply eliminated from the Federal statute.

Now, that would not eliminate experience rating. It would leave it entirely up to the States, which does seem to us a sensible thing to do. However, there has been real misunderstanding and real opposition to that, and our only recommendation on that now is that there be a provision for a special rate for the beginning period of a new employer's operation. Personally I would think that, as S. 1991 provides, the experience rating thing ought to be left entirely to the States, but there has been too much misunderstanding of that, and I am not at this point recommending this.

Senator Williams. What does the House bill do?

Secretary Wirtz. The House bill leaves it exactly as it is with a provision for the new employer, and we have no objection to that.

Senator Williams. You agree to that?

Secretary Wirtz. Yes.

Senator McCarthy. Mr. Secretary, what will the effective rate be with experience rating running? Would it be about 1.4?

Secretary Wirtz. About 1.1 of total wages.

Senator McCarthy. 1.1?

Secretary Wirtz. Yes. That is 1.1 plus the 0.4 of taxable wages for administration which would make it somewhat under 1.4 percent of total wages.

Senator McCarthy. You expect this to continue under this bill the same as it has been?

Secretary Wirtz. To begin with, let's see, the effect of an enlarged base on that, I guess it would continue about the same.

Senator McCarthy. It would remain about the same.

Secretary Wirtz. About the same, yes.

Senator McCarthy. So there would be no significant changes?

Secretary Wirtz. That is right.

Senator McCarthy. In the period contemplated.

Secretary Wirtz. That is right. I want to be sure about my answer. As far as the merit experience rating is concerned, we end up acquiescing in the position which the House took on it.

The Chairman. How high do we have to put this rate, this base, in order to hit a 3-percent rate, in order to hit an even figure? How high above $4,500 would you have to go in order to level out at a 3-percent tax?

Secretary Wirtz. Three percent tax as compared with the present 3.1?

Senator McCarthy. The 3.3.

The Chairman. You are advocating 3.3 at $4,500 in 1968.

Secretary Wirtz. That is right.

The Chairman. All right, now what would the base have to be in order to produce the same revenue, a 3.0 tax?

Secretary Wirtz. I would like to do some figuring on that. I don't know offhand.

The Chairman. I would like to have things made simple if it can be done. I would be curious to know what it would take. Do you have those figures?

Mr. Norwood. I would rather check them.

(The following information was received from the Department of Labor:)

On checking, I am informed that even if the tax were applied to total wages in covered employment, a 3-percent rate would produce less revenue than would be produced with the 3.3-percent rate and a $4,500 tax base. Under that provision, the net Federal tax would be 0.6 percent. If it were in effect during 1968, it would yield $1,128 million. If total wages were taxed in 1968 at a gross Federal tax of 3.0 percent with a net Federal tax of 0.3 percent, the net Federal collections would equal $831 million, or almost $300 million less than the yield produced by 0.6 percent on a taxable wage base of $4,500.

Secretary Wirtz. That is pretty complicated. You have got the State benefits, you have got the administrative expense and you have got the cost of the extended benefits, and it would be a mistake for us to shoot in the dark.

Senator Williams. And with the experience rating carried in, you would be back to an odd figure anyway.

Secretary Wirtz. As far as the individual employer is concerned.

Senator Williams. As far as the individual taxpayer is concerned.

Secretary Wirtz. Yes.

Senator McCarthy. You might give it back.

Secretary Wirtz. That is right. The only flat figure would be the Federal tax figure. So far as the individual employer is concerned, it is going to vary, unless he has no experience rating.

The Chairman. The way it stands now, it is complicated on both ends. If you do what I am suggesting, it would be complicated just once instead of twice.

Secretary Wirtz. We will certainly supply that figure.

The Chairman. Go ahead.

Secretary Wirtz. Title III of H.R. 15119 increases the Federal unemployment tax rate from 3.1 percent to 3.3 effective January 1, 1967. It also raises the taxable wage base from $3,000 to $3,900 for calendar years 1969 through 1971, and to $4,200 beginning 1972.

The House, in taking this action, recognized the fact that $3,000 base is no longer realistic and must be increased. In my judgment, the increases are not large enough nor do they become effective soon enough. We still believe the reasons for increasing the outmoded wage base of $3,000 to $5,600 effective for calendar year 1968 and to an eventual level of $6,600 by 1971 as proposed in S. 1991 are valid and deserve your serious consideration.

If the committee feels, however, that the impact of an initial increase to $5,600 might be too severe, they may wish to consider an initial increase to, say, $4,500 with an eventual level of $6,600 by 1971.

In any event, the wage base increases of $3,900 and $4,200 provided by H.R. 15119 are inadequate and as a minimum to meet the needs

of an adequate program, I would urge the committee to provide an initial increase of at least $4,500, effective in 1968 instead of 1969.

The present taxable wage base of $3,000 was added to the program when the use of this base differed little from the base of total covered wages which it replaced. In the quarter of a century since then, wage levels have almost quadrupled, and a base that once constituted 98 percent of wages in covered employment now allows half the wages in covered employment to go untaxed. This has created serious financial problems for the program.

It has become increasingly difficult to raise the necessary revenue, State or Federal, without resort to inequitable tax rates. It has created inequities between employers and between States with respect to unemployment taxes as a proportion of total payrolls.

Employers with high-wage levels, and States with high-average wages, enjoy lower effective tax rates—that is, lower tax rates as a percentage of total payrolls—than do employers and States with lower wage levels. Saddled with an unrealistic taxable wage base, the ranges of rates in many States have so contracted as to render meaningful experience rating impossible.

Even with an increase in the taxable wage base in 1968, however, it will be necessary to provide an increase in the tax rate to meet administrative costs of the program and to begin building a fund for the extended benefit program.

Title III of H.R. 15119 provides for an increase in the Federal unemployment tax rate from 3.1 to 3.3 percent, effective January 1, 1967. The net Federal portion of the tax is thereby raised from 0.4 percent to 0.6 percent. The 0.6 percent net tax is earmarked with 0.1 percent to be used for financing the extended unemployment compensation program provided in title II of the bill and 0.5 percent available for administrative expenses. These amounts should be adequate to finance the proposed benefits and administrative costs, assuming approval of the proposed increases in the wage base to $6,600 as recommended by the administration.

The revenue from the present 0.4 percent tax on a $3,000 wage base has become insufficient to finance current administrative costs of the program. With enactment of the improvements proposed by this legislation, including the need for funds for the extended benefit program, the disparity between tax revenue and costs will become even greater.

Unemployment insurance can never substitute for a full employment economy or for positive programs to educate and train our work force. But it does automatically rush reserves into the inevitable gaps, and performs an essential holding action while other weapons in our arsenal can be brought to bear, and thus remains a major arm of the Nation's poverty-fighting establishment.

It is worth every cent we pay for it. It is the quickest-acting and most automatic response we have yet provided to protect our most precious national resource—our manpower. The greatest abundance of high-quality goods and services ever produced by any national work force the world has ever known, was not produced by malingerers and job shirkers. It was produced by the hardest working, most dedicated and most skillful group of workers in history.

We proposed to buy for society, and for the worker who has worked and earned it, only a decent level of protection against short-term

and long-term unemployment. Both our society and our workers need and should have at least this measure of protection if our war on poverty is to be won and the Great Society is to mean something to those citizens most responsible for creating it.

This is extremely important in terms of the recognition that, although we are doing very well in general, there are a lot of people that aren't. It is this averaging that bothers us. We have used before here, I guess, this point about the law of averages sometimes proving only that if a man has one foot in the refrigerators, the other foot on the stove, he is on the average comfortable. We get into a little of that problem here. In terms of averages, we are doing mighty well, but it leaves out a lot of people, and those are the people we are talking about here.

Thank you.

The CHAIRMAN. Senator Williams? Senator Curtis?

Senator CURTIS. I would just ask one question. How do you reconcile the total number of unemployed in the country with the fact of shortage of help in almost every section of the country?

Secretary WIRTZ. There are several elements to that answer, Senator, and let me simply list them. A large part of the unemployment which shows up in the monthly figures is the seasonal unemployment. It is one of the least realized aspects of it. It shows up particularly in the construction trades, building and construction, and in the agricultural industry. It is the largest single unrealized factor.

Another factor is the lack of training for the jobs which are skilled jobs. Another is the lack of—well, as far as the unskilled jobs are concerned—the right people being in the right place.

Another factor is the factor of transition from one job to another. Those are the principal factors to explain that.

A good deal of the unemployment now is less than 5 weeks, a good deal more than it was before, which represents the movement from one job to the other. I think about a quarter of the unemployment is the seasonal unemployment.

Senator WILLIAMS. How do you determine the rate of unemployment? By actual statistics on those receiving unemployment benefits, or is it rather by a survey?

Secretary WIRTZ. It is by a survey for the overall rate of unemployment, and by actual statistics for those seeking unemployment benefits. That figure, the insured unemployment rate, is considerably lower. That is about 1.6.

Mr. NORWOOD. About 1.8.

Secretary WIRTZ. About 1.8 percent. The determination on total unemployment is made on the basis of a monthly survey. It is a sampling survey of 35,000 households every month all over the country, to determine that, and we get the figures from that.

Senator WILLIAMS. In other words, a Gallup poll type of survey.

Secretary WIRTZ. Yes, but a quite extensive one, and I mean no odious comparison with the Gallup poll. It is worked out very carefully in terms of what households we take. With a shifting number, we shift a quarter of them each time we take it, and it is worked out on a very refined basis.

Senator WILLIAMS. Has your procedure for taking this poll or this survey changed in the last few years?

Secretary WIRTZ. It has not changed. However, at the present time we are making an additional, an additional spot sampling each month as a testing of our regular program, and we are probably going to make some suggestions within the next 2 or 3 months about slight modifications.

Senator WILLIAMS. Has there been a change——

Secretary WIRTZ. There has not.

Senator WILLIAMS (continuing). In your method of gathering these statistics which would change the overall reported figure?

Secretary WIRTZ. There has not. It was reviewed by an outside committee, of which Mr. Ruttenberg was at that time a member, the so-called Gordon Committee, in 1961, and they found no necessity in these changes. There has been no change in that survey since about 1953 or 1954.

Senator WILLIAMS. I noticed, Mr. Secretary, a good bit of your statement is in support of S. 1991. Of course, you realize the Finance Committee couldn't, even if it wished, report that bill. We can only act on a House measure.

We have no right to originate a bill on this side, since it doesn't raise taxes, so the Senate committee's approval of that bill is out of the question, unless we take it as a complete substitute. Now, do I understand that you are recommending that S. 1991 be accepted as a complete substitute, or are you recommending some of both?

Secretary WIRTZ. Some of both.

Senator WILLIAMS. In that event, will you furnish to the committee a series of amendments in written form, so that they could be printed and available for the study of the committee, and for the industry likewise, which will be wanting to testify on this bill, and have those amendments relate to the House bill?

Secretary WIRTZ. Yes, sir.

Senator WILLIAMS. At the appropriate place.

Secretary WIRTZ. We are prepared to do that immediately and would.

Senator WILLIAMS. I would assume that the chairman or somebody can introduce those on your behalf, and they would be printed and available.

Secretary WIRTZ. I will be glad, on that, Senator Williams and Mr. Chairman, to introduce such a set of amendments in the record at this point, if that is the committee's desire.

Senator WILLIAMS. Just in the event that the Senate committee did not approve of those amendments, then we are confronted with the question of reporting the House bill 15119 as is. That may not happen but it is a possibility. In that event, does the administration recommend that we proceed to report and act on H.R. 15119, or would you rather just have no bill?

Secretary WIRTZ. I would not be prepared at this point to support it without qualification.

Senator WILLIAMS. Then you would——

Secretary WIRTZ. I don't know the answer. You have put the question in a perfectly proper showdown term, and I don't know what the answer would be.

Senator WILLIAMS. I wasn't trying to——

Secretary WIRTZ. No, no, it is a fair question.

Senator WILLIAMS. I appreciate the fact that you are making different recommendations and you have agreed to put those in writing, haven't you?

Secretary WIRTZ. Yes, sir.

(These recommendations are contained in the committee print entitled: "Amendments Recommended by the Labor Department to H.R. 15119, Unemployment Insurance Amendments of 1966.")

(The committee print follows:)

PROPOSED AMENDMENTS TO H.R. 15119 AND TECHNICAL EXPLANATION

DESCRIPTIVE WORD INDEX

[Material in brackets to be deleted; material in italics to be added]

PART A—COVERAGE

Amendment.—Section 101, page 1, line 11 through page 2, line 11, should be amended to read as follows:

"DEFINITION OF EMPLOYER

"SEC. 101. (a) Subsection (a) of section 3306 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 paid wages of [$1,500] *$300* or more [; or].

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

Explanation.—The proposed change is designed to extend coverage to employers who have at least a $300 payroll in a quarter, as recommended by the Interstate Conference of Employment Security Agencies. Such a provision has several significant advantages over the provision of H.R. 15119 which contains alternative provisions of at least 20 weeks of work in a year or a quarterly payroll of $1,500. It would increase coverage by 1.55 million workers, 350,000 more than provided by the House bill, and would be easier to administer. The limitation of $300 in a quarter is high enough to avoid coverage of those only casually in employer status. It is the highest quarterly payroll limit now used by States which determine coverage solely by size of quarterly payroll.

DEFINITION OF WAGES

Amendment.—(b) Subsection (b) of section 3306 of the Internal Revenue Code of 1954 is amended by adding at the end thereof a new paragraph (10) as follows:

"(10) Any remuneration for employment as defined in section 3306(c)(1) unless the remuneration constitutes wages under section 3121(a)(8)(B) and was paid by an employer to an employee but only if such employee was paid by such employer such wages in the amount of at least $300 in any calendar quarter in a calendar year or in the immediately preceding calendar year."

DEFINITION OF EMPLOYMENT

Amendment.—(c) Paragraph (1) of subsection (c) of section 3306 of the Internal Revenue Code of 1954 is amended to read as follows:

"(1) agricultural labor (as defined in section 3306(k) unless performed for an employer who, in a calendar year or in the immediately preceding calendar year, paid wages under section 3121(a)(8)(B) for such labor to each of 50 employees."

Explanation.—The proposed additions in subsections (b) and (c) are designed to cover for Federal unemployment tax purposes farm employers who employ 50 or more workers reportable under FICA. Only the wages of those workers who were paid $300 in any calendar quarter, however, would be taxed and only such workers would be covered for unemployment insurance. The 50 or more workers requirement is designed to describe the large farm. The $300 quarterly payroll requirement is designed to eliminate migrant, casual, or intermittent workers.

EFFECTIVE DATES

[(b)] *Amendment.—(d)* The amendment made by subsection (a) shall apply with respect to remuneration paid after December 31, [1968] *1967. The amendments made by subsections (b) and (c) shall apply after December 31, 1968.*

Explanation.—Subsection (a) changes the size of firm limitation in the definition of "employer." An earlier effective date of January 1, 1968 (instead of January 1, 1969, as in H.R. 15119), will present no problems, because the 13 States which would need to amend their laws to provide broader coverage have legislative sessions in 1967.

The extension to large farms, however, would not be automatic in 20 States, several of which do not have a regular legislative session until 1968. Therefore, the effective date for this change is January 1, 1969.

SECTION 105. STUDENTS ENGAGED IN WORK-STUDY PROGRAMS

Amendment.—Section 105, page 9, lines 2 through 16, should be amended to read as follows:

SEC. 105. (a) Paragraph (10) of section 3306(c) of the Internal Revenue Code of 1954 is amended by striking out the semicolon at the end of subparagraph (B) and inserting in lieu thereof ", or" and by adding at the end thereof the following new subparagraph:

"(C) service performed by an individual who is enrolled at [an] *a nonprofit or public* educational institution [within the meaning of section 151(e)(4)] *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 institutions, which combines academic instruction with work experience, if such [institution has certified to the employer that such] service is an integral part of such program, *and such institution has so certified to the employer, except that this paragraph shall not apply to service performed in a program established for or on behalf of an employer or group of employers."*

Explanation.—The proposed changes are designed to clarify the language used in H.R. 15119 to assure that it carries out the intent of

the House Ways and Means Committee as evidenced in its report: "This new exclusion does not apply to employee educational or training programs run by or for an employer or group of employers."

PART B.—PROVISIONS OF STATE LAWS

PROVISIONS REQUIRED TO BE INCLUDED IN STATE LAWS

Amendment.—Section 121 of the bill, page 9, line 19 through page 10, line 22, is amended to read as follows:

"SEC. 121. (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 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];

" '*(8)(a) compensation may not be denied in such State to any otherwise eligible individual*

" '*(i) by reason of a State disqualification for a period in excess of 13 weeks following the week in which a disqualifying act occurred; or*

" '*(ii) for any week of unemployment during his benefit year by reason of a cancellation of his wage credits or reduction of his benefit rights (other than a reduction because of earnings or disqualifying income) except that—*

compensation may be denied in accordance with disqualification provisions of applicable State law for unemployment due to a labor dispute or for fraud in connection with his claim, without regard to the limitation of this subsection.

" '*(b) Compensation paid to any individual (or a derivative of compensation) after he has been disqualified because he left work without good cause or was discharged for misconduct in connection with his work shall not be (1) charged against the experience rating account of the employer from whose employment he left or was discharged, or (2) otherwise reflected in such employer's experience on the basis of which his rate is determined as required by section 3303(a)(1).*' "

Explanation.—The proposal would change the Federal standard with respect to disqualifications from that provided in H.R. 15119 by (1) providing a limitation on the period of disqualification, (2) prohibiting any reduction (instead of only total reduction) of benefits, and (3) prohibiting the charging to the separating employer's experience rating account of benefits paid following certain disqualifications.

With certain specified exceptions, disqualifications must not exceed a denial of compensation for 13 weeks following the week in which the disqualifying act occurred. The language retains the prohibition in H.R. 15119 against cancellation of wage credits, and prohibits any reduction of the worker's earned monetary entitlement, as well as disqualifications which last for the duration of a period of unemployment.

The limitation to a 13-week denial does not apply to disqualifications imposed in cases of labor dispute or of fraud in connection with a claim. A State remains free to impose whatever disqualification it deems appropriate in such cases.

The proposal does not preclude a State from reducing an individual's weekly benefit amount because of his receipt of disqualifying income, such as earnings or pensions during a week claimed as a week of unemployment.

The proposal also prohibits a State from charging to the experience rating account of the separating employer any compensation paid after a worker has been disqualified because he left work without good cause or was discharged for misconduct in connection with this work.

The proposal provides for the handling of the experience-rating problem in States which have experience-rating systems that do not charge compensation.

Amendment.—"(9) compensation shall not be denied to an individual 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);

"(10) compensation shall not be denied or reduced to an individual solely because he files a claim in another State *or in Canada* or because he resides in another State *or in Canada* at the time he files a claim for unemployment compensation;".

(b) The amendment made by subsection (a) shall take effect January 1, 1969, and shall apply to the taxable year 1969 and taxable years thereafter.

Explanation.—The proposed change would include Canada in the requirement that State unemployment insurance systems refrain from discriminating against workers who earned benefit rights in the State but who file their claims from outside the State.

In 1942, the United States and Canada entered into an executive agreement authorizing the inclusion of Canada in the Interstate Benefit Payment Plan as if it were a State. All but four States (Alabama, Iowa, Maine, and New Hampshire) and Puerto Rico have subscribed to the reciprocal agreement with Canada. Failure of the two border States to do so puts a premium on the hiring of Canadian workers in preference to American workers; because separation of American workers could result in charges to the employers' experience-rating account whereas the separation of Canadian workers would not.

PART C—JUDICIAL REVIEW

Amendment.—Section 131(a) of the bill, page 12, line 19 through page 15, line 22 should be amended to read as follows:

"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 provisions of 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, [unless contrary to the weight of the] *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 [unless contrary to the weight of the] *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, 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 not stay the Secretary's action, but the court may grant interim relief if warranted, including stay of the Secretary's action and including such 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 adding at the end thereof the following new section:

"SEC. 3311. 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 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, United States Code.

"(b) FINDINGS OF FACT.—The findings of fact by the Secretary of Labor, [unless contrary to the weight of the] *if supported by sub-*

stantial 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 [unless contrary to the weight of the] *if supported by substantial evidence.*"

Explanation.—These proposed changes are designed to provide that the Secretary's findings of fact shall be conclusive "if supported by substantial evidence" instead of "unless contrary to the weight of the evidence" as in H.R. 15119. The substantial evidence rule is generally applied in judicial review of administrative action. It is contained in, for example, section 10(y) of the Administrative Procedure Act, section 404 of the Social Security Act, section 217(b) of the Economic Opportunity Act of 1964, section 603 of the Civil Rights Act of 1964 (by reference to sec. 10 of the Administrative Procedure Act), and section 608(b) of the Hospital and Medical Facilities Amendments of 1964.

Amendment.—Section 131(b)(2), page 16, lines 20 through page 17, line 19, of the bill should be amended to read as follows:

"(2) Subsection (c) of section 3304 of the Internal Revenue Code of 1954 is 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 [the] *any* provision [in State law specified] in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law with respect to which [further administrative or judicial review is provided for under the laws of the State.] *the time for review provided under the laws of the State has not expired or further administrative or judicial review is pending.* On October 31 of 1969 or of any taxable year thereafter, 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 subsection (a) added by the Unemployment Insurance Amendments of 1966, or has with respect to the 12-month period (10-month period in the case of October 31, 1969) ending on such October 31 failed to comply substantially with any such provision *in such subsection.*"

Explanation.—The proposed change to the first and last sentences of section 3304(c) of the Federal Unemployment Tax Act as amended by H.R. 15119 is designed to clarify the reference to the provisions in subsection (a) of section 3304. It reflects no change in substance.

The proposed changes to the second sentence of section 3304(c) are designed (1) to make it clear that the compliance referred to is with the provisions of section 3304(a)(5), the so-called labor standards provision, and (2) to eliminate the present ambiguity as to whether the Secretary may act on a State's application or interpretation of the labor standards provision in State law that was not appealed to

the highest State court. The second change, however, assures that no action may be taken by the Secretary until an application or interpretation of State law is final. Thus the Secretary may not act while a case is pending review within the State or the period available to obtain such review has not yet expired.

PART D—ADMINISTRATION

AMOUNTS AVAILABLE FOR ADMINISTRATIVE EXPENDITURES

Amendment.—SEC. 141. [(a)] Section 901(c)(3) of the Social Security Act is amended—

[(1)](*a*) by striking [out "the net receipts" each place it appears in the first sentence and inserting in lieu thereof "five-sixths of the net receipts"; and] *paragraphs (A) and (B) and substituting therefor the following new paragraphs:*

"(A) in the case of fiscal year 1967, 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 net receipts during such year under the Federal Unemployment Tax Act;

"(B) in the case of fiscal year 1968, 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 five-sixths of the net receipts during such year under the Federal Unemployment Tax Act; and

"(C) in the case of any fiscal year thereafter, 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 eight-elevenths of the net receipts during such year under the Federal Unemployment Tax Act.

[2](*b*) by striking "0.4 percent" in the second sentence and inserting in lieu thereof "0.6 percent *for calendar year 1968 and 0.55 for subsequent calendar years*".

[(b) The amendments made by subsection (a) shall apply to fiscal years beginning after June 30, 1967.]

Explanation.—This change is necessary to make the current limitation on the amount authorized as available for grants to the States for administration of the employment security program relate to the new tax rates provided in section 301 and the distribution of the tax receipts provided in section 207.

UNEMPLOYMENT COMPENSATION RESEARCH PROGRAM AND TRAINING GRANTS FOR UNEMPLOYMENT COMPENSATION PERSONNEL

Amendment.—Section 142 of the bill, page 18, line 19, through page 19, is amended to read as follows:

"SEC. 142. 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, 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.

" 'Authorization of Appropriations

" '(b) [To assist in the establishment and provide for the continuation of the comprehensive research program relating to the unemployment compensation system, there] *There* are hereby authorized to be appropriated for the fiscal year ending June 30, 1967, and for each fiscal year thereafter such sums 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.' "

Explanation.—The proposed change is a technical one to insure that the authorization of appropriations applies to both programs authorized by subsection (1) of section 906.

Amendment.—Title I of the bill, page 24, should be further amended by adding at the end thereof a new Part E—BENEFIT REQUIREMENTS, as follows:

"PART E—BENEFIT REQUIREMENTS

"SEC. 151. The Internal Revenue Code of 1954 is hereby further amended adding a new section 3312 as follows:

" '*SEC. 3312. (a) CERTIFICATION.—On October 31, 1968, and October 31 of each calendar year thereafter, the Secretary of Labor shall certify to the Secretary each State whose law he finds is in accord with the requirements of subsection (c) and has been in accord with such requirements for substantially all of the 12-month period ending on such October 31 (except that for 1968, it shall be the 4-month period ending on October 31) and that there has been substantial compliance with such State law requirements during such period. The Secretary of Labor shall not withhold his certification to the Secretary unless, after reasonable notice and opportunity for hearing to the State agency, he finds that the State law is not in accord with the requirements of subsection (c) or has not been in accord with such requirements for substantially all of the 12-month period ending on such October 31 (except that for 1968, it shall be the 4-month period ending on October 31) or that there has been a failure to comply substantially with such State law requirements during such period. For any State which is not certified under this subsection on any October 31, the Secretary of Labor shall within 10 days thereafter notify the Secretary of the reduction in the credit allowable to taxpayers subject to the unemployment compensation law of such State pursuant to section 3302(c)(4).*

" '*(b) NOTICE TO GOVERNOR OF NONCERTIFICATION.—*

" '*If at any time the Secretary of Labor has reason to believe that a State may not be certified under subsection (a) he shall promptly notify the Governor of such State.*

" '(c) *REQUIREMENTS.*—

" '(1) *WITH RESPECT TO BENEFIT YEARS BEGINNING ON OR AFTER JULY 1, 1968.*—

" '(A) *the State law shall not require that an individual have more than 20 weeks of employment (or the equivalent as provided in subsection (4)) in the base period to qualify for unemployment compensation;*

" '(B) *the State law shall provide that the weekly benefit amount of any eligible individual for a week of total unemployment shall be (i) an amount equal to at least one-half of such individual's average weekly wage as determined by the State agency, or (ii) the State maximum weekly benefit amount (exclusive of allowances with respect to dependents) payable with respect to such week under such law, whichever is the lesser;*

" '(C) *the State law shall provide for an individual with 20 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.*

" '*Any weekly benefit amount payable under a State law may be rounded to an even dollar amount in accordance with such State law.*

" '(2) *The State maximum weekly benefit amount (exclusive of allowances with respect to dependents) shall be no less than 66⅔ percent of the Statewide average weekly wage most recently computed before the beginning of any benefit year, except that, for benefit years beginning between July 1, 1968, and June 30, 1970, such amount shall be no less than 50 percent of such Statewide average weekly wage, and for benefit years beginning between July 1, 1970, and June 30, 1972, such amount shall be no less than 60 percent of such Statewide average weekly wage.*

" '(3) *In determining whether an individual has 20 weeks of employment, there must be counted as a week, any week in which the individual earned at least 25 percent of the Statewide average weekly wage.*

" '(4) *For the purpose of subsections (c)(1)(A) and (C), the equivalent of 20 weeks of employment in a State which uses high-quarter wages is total base period wages equal to five times the Statewide average weekly wage, and either one and one-half times the individual's high-quarter earnings or forty times his weekly benefit amount, whichever is appropriate under State law.*

'(d) DEFINITIONS.—

" '(1) *"benefit year" means a period as defined in State law except that it shall not exceed one year beginning subsequent to the end of an individual's base period.*

" '(2) *"base period" means a period as defined in State law but it shall be fifty-two consecutive weeks, one year, or four consecutive calendar quarters ending not earlier than six months prior to the beginning of an individual's benefit year.*

" '(3) *"high-quarter wages" means the amount of wages for services performed in employment covered under the State law paid to an individual in that quarter of his base period in which such wages were highest, irrespective of the limitation on the amount of wages subject to contributions under such State law.*

" '(4) *"individual's average weekly wage" means an amount computed equal to (A) one-thirteenth of an individual's high-quarter*

wages, in a State which bases eligibility on high-quarter wages paid in the base period or (B) in any other State, the amount obtained by dividing the total amount of wages (irrespective of the limitation on the amount of wages subject to contributions under the State law) paid to such individual during his base period by the number of weeks in which he performed services in employment covered under such law during such period.

" '(5) "statewide average weekly wage" means the amount computed by the State agency at least once each year on the basis of the aggregate amount of wages, irrespective of the limitation on the amount of wages subject to contributions under such State law, reported by employers as paid for services covered under such State law during the first four of the last six completed calendar quarters prior to the effective date of the computation, divided by a figure representing fifty-two times the twelve-month average of the number of employees in the pay period which includes the twelfth day of each month during the same four calendar quarters, as reported by such employers.' "

"LIMITATION ON CREDIT AGAINST TAX

"SEC. 152. (a) Section 3302 of the Internal Revenue Code of 1954 is amended by adding at the end of subsection (c) thereof a new paragraph (4) as follows:

" '(4) If the unemployment compensation law of a State has not been certified for a twelve-month period ending on October 31 pursuant to section 3312(a), then the total credits (after applying subsections (a) and (b) and paragraphs (1), (2), and (3) of this subsection) otherwise allowable under this section for the taxable year in which such October 31 occurs in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced by the amount by which 2.7 percent exceeds the four-year benefit cost rate applicable to such State for such taxable year in accordance with the notification of the Secretary of Labor pursuant to section 3312(a).'

"(b) Subsection (c)(3)(C)(i) of section 3302 is amended by substituting the term '4-year' for the term '5-year'."

"(c) The heading for paragraph (5) of subsection (d) of section 3302 is revised to read '4-year benefit cost rate', and the paragraph is amended to read:

" 'For purposes of subsection (c)(4) and subparagraph (C) of subsection (c)(3), the four-year benefit cost rate applicable to any State for any taxable year is that percentage obtained by dividing—

" '(A) One-fourth of the total compensation paid under the State unemployment compensation law during the four-year period ending at the close of the first calendar year preceding such taxable year, by

"(B) The total of the remuneration subject to contributions under the State unemployment compensation law with respect to the first calendar year preceding such taxable year. "Remuneration" for the purpose of this subparagraph shall include the amount of wages for services covered under the State law irrespective of the limitation of the amount of wages subject to contribution under such State law paid to an individual by an employer during any calendar year beginning with 1968 up to $5,600, and beginning with 1971, up to $6,600; for States for which it is necessary, the Secretary of Labor shall estimate the

remuneration with respect to the calendar year preceding the taxable year.' "

Explanation.—The proposed changes add to the provisions in H.R. 15119 requirements as to State benefits which must be met by a State if employers in that State are to receive full tax credit against the Federal unemployment tax for contributions paid to the State. If a State provides benefits meeting the prescribed minimum levels of benefit adequacy, employers in the State would be eligible for the full 2.7 percent credit against the Federal tax; if, however, the State benefits are below the established level, employers' Federal tax credit is limited to the actual average cost of the benefits being provided. This proposed addition represents the most significant improvement to H.R. 15119.

The purpose of the benefit requirements and reduced credit provisions is to protect the States which want to provide adequate benefits by assuring that no State can get for its employers a reduction in a Federal tax by providing inadequate protection to the unemployed workers in the State. Thus, the requirements restore the Federal unemployment tax to its original and intended role of eliminating the fears of interstate competitive tax disadvantages as a deterrent to State action.

The benefit requirements relate to the three primary factors determining the adequacy of protection—the measure of past labor force attachment required to qualify for benefits, the weekly benefit amount, and the duration of benefits payable.

The language provides that the qualifying employment or qualifying wage requirements in the State benefit formula cannot exclude from benefits workers who have had 20 weeks of employment (or the equivalent) in a 1-year base period.

The qualifying requirement limits the program's protection to regular members of the labor force. It should be high enough to eliminate workers with insignificant past employment, without eliminating workers regularly attached to the labor force who have had some unemployment, underemployment, or noncovered work during their base period.

The proposal is expected to influence States with very low qualifying requirements to amend their law to provide more adequate measures of attachment while at the same time it protects workers against unreasonably high requirements.

Under the proposal, the State law would be required to provide that those who meet the State qualifying requirement be entitled to a weekly benefit amount of at least 50 percent of the individual's weekly wage, up to the State maximum. States are free to pay some or all claimants a benefit which represents more than 50 percent of their weekly wages.

The State maximum, exclusive of any amount payable with respect to dependents must be set, for benefit years beginning between July 1, 1968, and June 30, 1970, at a level representing 50 percent of the statewide average weekly wage. In order to assure that most covered workers will be able to receive a benefit of at least half their own wages, the maximum must be higher than 50 percent of average wages. Therefore, the maximum would have to increase to 60 percent of the statewide average weekly wage for benefit years beginning between July 1, 1970, and June 30, 1972, and to 66⅔ percent of the statewide average for subsequent benefit years. At all stages, the individual

benefit need not represent more than 50 percent of the individual's wage; at the final stage, it is estimated that about 75 percent of the male claimants would receive a benefit of 50 percent of their own wages; the other 25 percent would still be cut off by the maximum.

With respect to duration, the proposal would require State laws to provide eligible claimants having 20 weeks of base period employment, or its equivalent, with potential duration of at least 26 times the weekly rate. This does not mean that the State must provide uniform duration for all who qualify for benefits under State law. Workers who qualify with less than 20 weeks of employment may be provided potential duration of less than 26 weeks. A State which provides benefits in excess of 26 weeks may restrict the longer duration to workers with more than 20 weeks of employment.

Moreover, without a requirement as to duration, there may be pressures to meet the weekly benefit amount requirement at the expense of reduced duration.

The proposal includes necessary definitions. It provides for a uniform method of computing the statewide average weekly wage on the basis of information currently available from required reports. The aggregate remuneration paid during a year to all individuals covered under the State law is divided by 52 to convert it to a weekly basis, and then divided by the average number of persons employed at midmonth periods. The resulting figure is the amount paid to an average worker while working in a covered job. While this figure reflects the wages paid to high-paid executives, it also includes wages for casual and part-time jobs. The high- and low-paid jobs tend to offset each other's effect on the average wage. In 16 States which now relate the maximum weekly benefit to statewide average wages, this is essentially the formula used to compute average wages.

TITLE II—FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION PROGRAM

General explanation.—The proposal would retain with few changes the Federal-State extended unemployment compensation program contained in H.R. 15119. The principal change is that benefits paid during an extended benefit period would be financed 100 percent by the Federal Government. It would, however, provide an additional program for the long-term unemployed. There would be a 50 percent sharing by the Federal Government of regular State benefits paid between 26 and 39 weeks in a benefit year. This would encourage, but not compel, the States to provide such additional duration.

Amendment.—Title II of the bill, page 24, line 18 through page 39, line 13 is amended to read as follows:

"SHORT TITLE

"SEC. 201. This title may be cited as the 'Federal-State Extended Unemployment Compensation Act of 1966'.

"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 individuals' 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. 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 wage credits for 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.

"[State May Impose Special Eligibility Requirement

"[(*b*) Notwithstanding subsection (a)(2), the State law may provide that to be eligible for extended compensation an individual must have had a number of weeks (specified in such law, but not to exceed twenty-six weeks) of covered employment in his base period (or a specified wage or work history which is the substantial equivalent).]"

Explanation.—The proposed change would delete section 202(b) of H.R. 15119. Such an option is not appropriate in a program financed wholly by the Federal Government.

Individuals' Compensation Accounts

Amendment.—[(d)] (*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 eligibility period. 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, *or*

(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.

Explanation.—The proposed change would delete paragraph (C) of subsection (d)(1) of H.R. 15119. This alternative is not consistent with other proposals which prohibit reductions in an individual's benefit rights.

The reference to reduction because of additional compensation paid under the State law is no longer appropriate with full financing by the Federal Government.

EXTENDED BENEFIT PERIOD

Beginning and Ending

Amendment.—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, *but if an extended period begins by occurrence of a national "on" indicator, such extended benefit period shall last not less than thirteen* consecutive weeks succeeding the third week following the "on" indicator,

(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.

Explanation.—The proposed change to section 203(b)(1)(A) of H.R. 15119 is designed to assure that there could be an extended benefit period in all States for at least 13 consecutive weeks succeeding the third week after the national "on" indicator. When there is a national recession extended benefits should be payable in all States.

Eligibility Period

Amendment.—(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, the next thirteen or fewer weeks which begin in such extended benefit period] *12-month period immediately succeeding his last exhaustion of rights to regular compensation under any State law or to compensation under any other Federal law.*

Explanation.—The proposed change to section 203(c) of H.R. 15119 is designed to accommodate the recession benefit program to the Federal sharing in the cost of regular State benefits in excess of 26 times an individual's weekly benefit amount.

National "On" and "Off" Indicators

Amendment.—(d) For purposes of this section—

(1) There is a national "on" indicator for a week if—

(A) 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 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), and

(B) the total number of claimants exhausting their rights to regular compensation under all State laws during the period consisting of such three months equaled or exceeded 1 per centum of average monthly covered employment under all State laws for the first four of the most recent six calendar quarters ending before the beginning of such period.

(2) There is a national "off" indicator for a week if either—

(A) for the most recent calendar month ending before such week, the rate of insured unemployment (seasonally adjusted) for all States was less than 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 such month), or

(B) paragraph (1)(B) was not satisfied with respect to such week.

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 3 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.

COMPENSATION FOR LONG-TERM UNEMPLOYED

SEC. 204. (a) Any State which provides regular compensation for an individual for weeks of unemployement in a benefit year equal to more than 26 times his weekly benefit amount shall be paid an amount equal to ½ the compensation paid to each such individual in excess of 26 times his weekly benefit amount but in no event more than 39 times his weekly benefit amount.

SPECIAL ELIGIBILITY REQUIREMENTS

(b)(1) The State law may provide that to be eligible for regular compensation in excess of 26 times his weekly benefit amount an individual must have had such additional employment or wages, or both, in his base period as is specified in such law.

(2) The State law may provide that if, without good cause, an individual refuses to take training to which he is referred by the State agency or leaves training to which he has been referred, or if he is terminated with cause, he shall be disqualified from receiving regular compensation in excess of 26 times his weekly benefit amount for a period of from 1 to 13 weeks from the date of refusal, leaving, or termination, as the case may be.

Explanation.—The proposed change would add a new section 204 to H.R. 15119. It provides for a 50-percent Federal financing of regular State benefits beyond 26 times a worker's weekly benefit amount but not to exceed 39 times such weekly benefit amount. The option of providing such benefits, however, is left to the States. A State may require that to be eligible for such benefits an individual must have had in his base period such additional employment or wages, or both, as is specified in the State law. A State may also require, with respect to such benefits, that an individual who, without good cause, refuses to take training to which he is referred by the State agency, or leaves such training, or is terminated for cause shall be disqualified.

PAYMENTS TO STATES

Amount Payable

Amendment.—SEC. [204] *205* (a)[(1)] There shall be paid to each State an amount equal to [one-half of] the sum of—

[(A)] *(1)* the [sharable] extended compensation, and

[(B)] *(2) one-half* the [sharable] regular compensation *as provided by section 204(a)* paid to individuals under the State law.

(b) No payment shall be made to any State under this [sub]section 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(d)(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.]

Explanation.—The proposed changes to section 204 of H.R. 15119 (redesignated sec. 205) are designed to reflect the 100-percent Federal financing of benefits paid during periods of high unemployment and the 50-percent Federal financing of regular State benefits beyond 26 times a worker's weekly benefit amount but not to exceed 39 times such weekly benefit amount.

PAYMENT ON CALENDAR MONTH BASIS

[(d)] *(c)* 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)] (*d*) 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] *206*. 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 title XV of the Social Security Act), other than extended compensation and additional compensation.

(3) The term "extended compensation" means compensation (including additional compensation and compensation payable pursuant to title XV of the Social Security Act) 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.

EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT

Amendments.—SEC. [206] *207*. (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) The Secretary of the Treasury shall transfer (as of the close of January [1968] *1967* 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 to [16⅔ per centum] *three-elevenths (except for 1968)* 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). *The amount of transfer determined by the Secretary for each month of 1968 shall be equal to one-sixth of the amount by which transfers under paragraph (A) exceed payments under paragraph (B).*

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."

Explanation.—The proposed changes are designed to adjust the distribution of net FUTA revenue between administrative costs and long-duration benefit costs in accordance with the changes in the tax rate and taxable wage base.

For the taxable year 1967, the Federal tax rate and the distribution of the revenue will be the same as provided in H.R. 15119 for that year and succeeding years. That is, the Federal tax rate will be 3.3 percent, and the net rate will be 0.6 percent; of this amount, 0.1 percent, or one-sixth of collections during calendar year 1968, is earmarked for financing the programs of benefits for long-duration unemployment. The other five-sixths of the net receipts are available for Federal and State administrative expenses of the employment security program.

For the taxable years beginning with 1968, however, the increase in the taxable wage base permits a decrease in the Federal tax rate to 3.25 percent and a decrease in the amount earmarked for administration to 0.4 percent. Thus, beginning with January 1969, three-elevenths of the net Federal collections is to be transferred to the extended benefit account, and the ceiling on administrative grants to the States is to be computed on the basis of eight-elevenths of net receipts.

Amendment.—"(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, 1967, 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) [$500,000,000] *$1,000,000,000* or

"(B) the amount (determined by the Secretary of Labor and certified by him to the Secretary of the Treasury) equal to [two-tenths] *four-tenths* of 1 per centum 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."

Explanation.—This proposed change increases the ceiling on the extended unemployment compensation account by doubling the requirements in H.R. 15119. The provision for higher ceiling is necessary in view of the provision for full Federal financing of extended benefits during extended benefit periods and shared Federal financing of regular State benefits for weeks 27 through 39.

"Transfers to State Accounts

"(c) Amounts in the extended unemployment compensation fund shall be available for transfer to the accounts of the States in the unemployment trust fund as provided by section [204(e)] *205* of the Federal-State Extended Unemployment Compensation Act of 1966.

"Transfers to Federal Unemployment Account

"(d) If the balance in the extended unemployment compensation account as of the close of any fiscal year exceeds the greater of the amounts referred to in subparagraphs (A) and (B) of subsection (b)(2), the Secretary of the Treasury shall transfer (as of the close of such fiscal year) from such account to the Federal unemployment account an amount equal to such excess. In applying section 902(b), any amount transferred pursuant to this subsection as of the close of any fiscal year shall be treated as an amount in the Federal unemployment account as of the close of such fiscal year.

"Advances to Extended Unemployment Compensation Account

"(e) There are hereby authorized to be appropriated to the extended unemployment compensation account, as repayable advances (without interest), such sums as may be necessary to provide for the transfers referred to in subsection (c)."

(b) (1) Section 901(f)(3) of the Social Security Act is amended by striking out "to the Federal unemployment account" and inserting in lieu thereof "to the extended unemployment compensation account, to the Federal unemployment account, or both,".

(2) Section 902(a) of such Act is amended by striking out "the total amount of such excess" and inserting in lieu thereof "the portion of such excess remaining after the application of section 905(b)(2)".

(3) The second sentence of section 1203 of such Act is amended to read as follows: "Whenever, after the application of section 901(f)(3) with respect to the excess in the employment security administration account as of the close of any fiscal year, there remains any portion

of such excess, so much of such remainder as does not exceed the balances of advances made pursuant to section 905(e) or this section shall be transferred to the general fund of the Treasury and shall be credited against, and shall operate to reduce, first the balance of advances under section 905(e) and then the balance of advances under this section."

APPROVAL OF STATE LAWS

SEC. [207] *208*. 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 1966; and".

EFFECTIVE DATES

SEC. [208] *209*. (a) In applying section 203, no extended benefit period may begin with a week beginning before January 1, 1969.

(b) Sections 204 *and 205* shall apply with respect to weeks of unemployment beginning after December 31, 1968.

(c) The amendment made by section [207] *208* shall apply to the taxable year 1969 and taxable years thereafter.

TITLE III—FINANCING

INCREASE IN TAX RATE

Amendment.—Section 301 of the bill is amended to read as follows: "(a) Section 3301 of the Internal Revenue Code (relating to rate of tax under Federal Unemployment Tax Act) is amended—

"(1) by striking out '1961' and inserting in lieu thereof *'1968'*,

"(2) by striking out '3.1 percent' in the first sentence and inserting in lieu thereof '3.25 percent', and

"(3) by striking out the last two sentences [.] *and substituting therefor the following:*

" 'In the case of wages paid during the calendar year 1967, the rate of such tax shall be 3.3 percent in lieu of 3.1 percent.' "

Explanation.—The proposed change would provide that when the wage base for the Federal unemployment tax is increased above $3,000, the Federal tax rate will be reduced. The H.R. 15119 proposal for a Federal unemployment tax rate of 3.3 percent for taxable year 1967 and thereafter would be limited to the taxable year 1967.

For the taxable year 1968 and subsequent years, when the amount of wages taxable is more realistically related to wage levels, a Federal unemployment tax rate of 3.25 percent will produce adequate revenue to finance both the administrative costs and the new programs of extended benefits.

On the higher new wage base, administrative costs can be financed by a 0.4 percent tax rate. The new extended benefit programs—including the Federal sharing of one-half the cost of any regular State benefits in excess of 26 weeks and the full Federal payment of extended benefits in period of high unemployment—could, it is estimated, be financed over a period of years at a tax rate of 0.15 percent on the recommended wage base.

INCREASE IN WAGE BASE

Amendment.—Section 302 of the bill is amended to read as follows:

"SEC. 302. (a) Effective with respect to remuneration paid after December 31, [1968] *1967*, 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 ['$3,900'] *'$5,600'*.

"(b) Effective with respect to remuneration paid after December 31, [1971] *1970*, section 3306(b)(1) of such Code (as amended by subsection (a)) is amended by striking out ['$3,900'] *'$5,600'* each place it appears and inserting in lieu thereof ['$4,200'] *'$6,600'*."

Explanation.—The proposal would provide a greater increase in the taxable wage base than is provided by H.R. 15119 and would advance the effective date of the changes.

The initial increase would be to $5,600, rather than to $3,900, and it would be effective with respect to remuneration paid after December 31, 1967, rather than after December 31, 1968.

The second step, to $6,600 instead of $4,200, would be effective in calendar year 1971 rather than 1972.

The increases in H.R. 15119 are not large enough, nor do they become effective soon enough. A substantial increase in the wage base for both State and Federal taxes is needed promptly to provide adequate revenue on an equitable basis.

The $3,000 limitation was added to the unemployment compensation program in 1939 for the sole purpose of making it possible to simplify employer reporting by using the same base for unemployment taxes as for OASDI. After the limit was added, 98 percent of wages in covered employment were still taxable. In the quarter century since then, wages have so increased that only about 53 percent of wages in covered employment are taxable, and the wage base for OASDI has been increased repeatedly to the present level of $6,600.

The widening gap between wages subject to contributions and total wages in covered employment has contributed to serious financial problems and to inequities in the incidence of both State and Federal taxes among covered employers.

For State purposes, a wage base realistically related to the wage levels on which benefits are based is needed if the required revenue is to be collected on an equitable basis as between employers. Increasing the taxable wage base will permit rates to reflect employer experience more completely.

Federally, an increase in the wage base to $5,600 for 3 years and to $6,600 thereafter will permit financing of both administrative costs and more nearly adequate benefits for long-duration unemployment at a net tax rate of 0.55 percent, instead of the 0.6 percent proposed in H.R. 15119.

Moreover, even the 0.6 percent would be inadequate in a short time. Program cost increases follow the increases in wage levels more closely than would the revenue increases on the limited wage base provided in H.R. 15119. In its first year, 1969, the proposed $3,900 wage base would represent only 62 percent of total wages in covered employment, and the proportion would decrease in succeeding years.

Senator WILLIAMS. The committee will consider them, and I may be for some of them; I may be against some, but there is a possibility that the committee would not accept them. You realize that?

Secretary WIRTZ. Yes.

Senator WILLIAMS. And they may not accept the recommendations in the House. If we get to that point, then we are confronted with the question, Do we want the bill or don't we? and I would like to have the position of the administration.

Secretary WIRTZ. It is a perfectly proper question. I answer quite candidly. I don't know at this point what the administration position would be with respect to that.

Senator WILLIAMS. Will you furnish to the committee a recommendation in that connection before the hearings close?

Secretary WIRTZ. I would be hesitant about that, Senator. It assumes a set of developments which probably isn't important, but it seems to me very wrong. I would hesitate to be put in a position of being asked what the administration position would be about something other than has already been determined on by the Senate.

Senator HARTKE. Will the Senator yield?

Senator WILLIAMS. Yes. But this is a possibility. It has happened in the House, and we in the Senate ofttimes get confronted with that question. We did just the other day. There were many features of a bill which I didn't like and many features which I did like.

You have to weigh the good against the bad, and make a decision. It is very unfortunate, and embarrassing sometimes, but we do have to say yes or no. We are going to be confronted in the committee with that choice, and of course, the administration would likewise. I don't insist on the answer.

Secretary WIRTZ. I understand.

Senator WILLIAMS. But I think it is a proper question.

Senator HARTKE. Will the Senator yield?

Senator WILLIAMS. Sure.

Senator HARTKE. Let me ask you this in a different way. What you are telling us, as I understand it, is what you think is right and just what your recommendation is.

Secretary WIRTZ. And we have gone beyond that, Mr. Chairman, to try to suggest a position which takes account of the conflicting forces.

Senator HARTKE. By taking account of the conflicting ideas. You are not here bargaining with us as to what you can get.

Secretary WIRTZ. No.

Senator HARTKE. You are trying to tell us and give us the best advice and let us make up our minds on the basis of that advice. We are going to finally write the bill, and then, the only question is whether the President will veto it or not.

Secretary WIRTZ. That is right.

Senator HARTKE. Is that right? I think that is fair. We put too much emphasis sometimes, with due respect to my dear friend, and I know he is sincere, but we put too much emphasis on what the administration will be willing to accept. I think it is better for us to go ahead and let you tell us what you think is right and give your reasons why it is right. Then let somebody else come in, and if they want to dis-

agree with that, let them give their reasons. We try to be just and honest men, and we try to make a clear decision on the basis of the facts, and let opinions and what druthers would be go by the wayside.

Secretary WIRTZ. That is right.

Senator WILLIAMS. I want it to be clear that I wasn't asking the Secretary as to his opinion whether the President would veto the bill. I fully recognize that question would be improper.

I was asking the Secretary, in his capacity and knowledge of this subject, whether, when the chips are down, whether he would rather have this bill or have no bill. I have great respect for the responsibility of the President, but I have equal respect for the Secretary, that he too has an opinion.

I think you understood the basis of the question. I wasn't pressing for an answer, but it is one that we will be confronted with, and it is one that you will be answering before it is over.

Senator HARTKE. Let me interrupt.

Secretary WIRTZ. The chairman has very properly, I think, described my situation. As Secretary, all of these factors you refer to are in there. Now if you were to ask my personal answer to your question, Senator, I would have two reactions. One is that it is not worth anything, therefore, why do you ask me in my personal capacity.

But, second, there wouldn't be much hesitation about the answer.

Senator WILLIAMS. I would appreciate having it, and it would be worth a lot.

Senator HARTKE. Let me say to my distinguished friend, the Secretary, I hope that you do not assume the position of being a U.S. Senator, that you will just be the Secretary of Labor, and that you will administer the law that we enact, to the best of your ability. Let us use our judgment on what is right and what is wrong. We will try to make the basis, if you will give us the facts, and that is what we hope you will do——

Secretary WIRTZ. I appreciate your statement.

Senator HARTKE. If you want to give your personal opinions, that is all right; I am not going to object to them, but we will consider the source of all personal opinions and give them the weight to which we think they are entitled.

Secretary WIRTZ. Thank you.

Senator WILLIAMS. Now that the Secretary has decided to leave it to the committee, and you are willing to accept our opinions, I have no further questions, and I am delighted to leave it there. I thought you would have some opinions, but since the acting chairman thinks that you shouldn't express any opinions, why, I accept that.

Senator HARTKE. I didn't say he shouldn't express any. Let me make it very clear. He can express any opinions he wants to. All I said was that the committee ought to have enough commonsense in its own right to make a judgment on the basis of whether the argument has good logic behind it, or whether the opinions are not good.

I think we are off on a dispute, and I think it is a tactical play for what is going to happen on the floor of the Senate later. We are going to say this is what the administration wants; this, the administration doesn't want. I am really not much concerned about that.

I am more concerned about what is going to be good for these people who are working. I am interested in what happens to the man who

loses his job. That is what the Secretary should try to do in my opinion, to try to tell us what is best, not alone for the man who loses a job, but for the country as a whole, and I hope he will do that.

Senator WILLIAMS. I don't think there was any dispute or misunderstanding between the Secretary and myself, and I thought we had pretty well established our opinions until the acting chairman go in. I think what you interpreted as a dispute was in reality a clear understanding of the Secretary himself as to his position on this.

Senator HARTKE. I did not want to let it go by that it was a clear understanding with this Senator, because I want to know what is right and what is just and what the facts are and what the conclusions are, based on the facts, rather than upon some position as to whether or not the administration is willing or not willing to accept it. Let them make up their minds after we make up our minds. That suits me fine. I am willing to do that.

The Senator from Illinois.

Senator DIRKSEN. At this juncture, Mr. Chairman, I only have one question.

Senator HARTKE. Maybe we can pass this bill out this afternoon.

Senator DIRKSEN. Mr. Secretary, this bill had an overwhelming vote in the House, 374 to 10. It had an overwhelming vote in the committee. I haven't talked with any House Members. I have not talked with Chairman Mills.

It would occur to me, however, that the House would probably be pretty well adamant on the position that they have taken in this particular bill, H.R. 15119, and if this went to conference, I don't know just what the ultimate result would be, assuming that the Senate encumbered it with a good many amendments.

Secretary WIRTZ. Senator, I don't know the proprieties of the House Ways and Means Committee rules and, therefore, would be grateful if the record here be in the end in accordance with those rules, but my point, of course, is that on the key and critical issue, the House Ways and Means Committee vote was 13 to 12, and I think that probably reflects the practical situation.

Everybody knows that we have got a real closely disputed issue involved in this whole thing, and I say I hope that the record, if this violates any confidence, it does it only in a technical sense, because this is a practical answer to your point. It is a very close question as to what the standards ought to be on these key points.

Senator DIRKSEN. Mr. Ruttenberg was reported to have said that if something similar was not approved in this session, that it might be 10 years before you had any improvement in your unemployment compensation structure. Others are of the opinion that it probably wouldn't be that long, maybe 3 or 4 years. How fatal would it be if there was none?

Secretary WIRTZ. If there was no change?

Senator DIRKSEN. Yes.

Secretary WIRTZ. I tried to answer that earlier, Senator, in these terms. A car is running well as far as the economy is concerned. There are a bunch of people that are left out. The question is whether we have got a jack in the back end of the car, if we should have a flat tire. Now, that is about what it comes down to.

If theeconomy continues to run this way, then the casualties are going to be comparatively few, only 4 million. Well, I hate to say it

that way because that is an awfully high number, but I suppose that a hard answer to your question is that as long as things are going as well as they are now, you measure the casualties in these comparatively limited terms.

If there should be any disruption, then I don't know whether we have got a decent jack in the car or not. That is about what it comes down to, and I do know that we are moving at a time of high prosperity on the basis of an unemployment system worked out to meet the desperations of the 1930's.

I do know that the unemployment among the kids is 15 percent, and among the minority groups it is 7 to 8 percent. I know that 14 million people last year lost some worktime. I know that unemployment in the construction industry, which we think is so good, the industry in general is, in some seasons of the year, up around 9 to 12 percent.

I know that in general we are doing real well, but that there are a large number of people who are not, so I would have to answer your question in those broad terms as to how important it is; but unemployment insurance benefits aren't the answer. Jobs are the only answer in the long run. We still haven't got it made as far as that is concerned.

Senator McCarthy. Mr. Chairman.

Senator Hartke. Senator McCarthy.

Senator McCarthy. Mr. Secretary, on the question of the extended benefits recommendation which you are making, what if the States did not respond and failed to set up the 13-week program on a 50–50 basis? What would happen in a State which did not?

Secretary Wirtz. On the details of this there is danger of misleading you, so I will ask Mr. Ruttenberg.

Senator McCarthy. What are your recommendations?

Mr. Ruttenberg. If the State does not pick up the voluntary measure of extending the benefits for the weeks from 27 to 39, nothing would happen in that State until the National or State trigger went into effect.

Senator McCarthy. It would be 13 weeks, then.

Mr. Ruttenberg. Then, when the National or State trigger point was reached the other program, which would be under our proposal 100 percent federally financed, would come into being.

Senator McCarthy. But there would be a 13-week gap during which the unemployed would not receive benefits?

Mr. Ruttenberg. No. They would receive the extended benefit at the point in time that the national trigger went into effect. Otherwise, they would get only the State benefit program, so that if they got 26 weeks of regular benefits, and then it might be 6 months, it might be a year, it might be a considerable length of time before unemployment became sufficiently serious to spark off and trigger the extended benefit program.

But once the extended benefit program started, the individual would begin to receive, as he is eligible, as he exhausts the State benefits, he would then pick up the extended benefits. There wouldn't be a gap, in other words.

Senator McCarthy. Not necessarily.

Mr. Ruttenberg. No, there wouldn't be a gap.

Senator McCarthy. It would depend upon the trigger.

Mr. Ruttenberg. It would depend upon the trigger.

Senator McCarthy. If it didn't trigger with the State, there would be a gap for the industry.

Mr. Ruttenberg. If it didn't trigger.

Senator McCarthy. Yes.

Mr. Ruttenberg. Then there would be a gap, yes; there would be a gap for everybody, whether there was the in-between program or not.

Senator McCarthy. Does your recommendation for the triggering device apply to the 50–50 State program or not?

Mr. Ruttenberg. No; the 50–50 State program would be on the basis of the State's eligibility requirements.

Senator Curtis. Mr. Chairman.

Senator Hartke. The Senator from Nebraska.

Senator Curtis. Would the triggering device change the tax paid by the employer?

Secretary Wirtz. No, sir.

Senator Curtis. Would the election by a State to avail themselves of the additional compensation that is optional in the absence of a triggering provision, change the tax paid by the employer?

Mr. Ruttenberg. Well, with respect to the in-between program of 50–50 matching and State voluntary effort to extend the program from the 27th to the 39th week, the State that did that would have to collect their share of the 50–50 costs from the employer, yes.

Senator Curtis. Would the rate charged by employers change?

Mr. Ruttenberg. The rate would not change necessarily.

Senator Curtis. Would the length of time they had to pay it change?

Mr. Ruttenberg. It would depend upon the experience; it would depend upon the total trust account of the State, as well as the individual employer accounts. Now, if that employer had an experience in which the workers will be drawing the 30th and 35th or 39th week of unemployment benefit, yes, his rate would then go up.

Senator Curtis. Now, tell me how much of a spread there is in the rate of the tax between employers by reason of the experience rate?

Mr. Ruttenberg. Yes; we can answer that very easily. Do you have that book?

Senator Curtis. This one?

Mr. Ruttenberg. Yes. If you would turn to page 47, I think you would get a very clear picture of that, Senator. If you will look at the last two columns, the 1965 rates, minimum versus maximum, the State of Alabama, the—well, take your own State of Nebraska. The variation would run from 0.1 to 2.7, if you follow that over to the last two columns.

Senator Curtis. That is the minimum and the maximum. Take the State of Nebraska where it runs from 0.1 to 2.7 percent; do you know what the average would be?

Mr. Norwood. The previous table would show that. It is on page 46. It is table 30. For 1966, it is 1 percent on the taxable wage base, which is $3,000 in Nebraska, and it would figure, at 0.5 percent of the total payroll.

Senator Curtis. That is the average.

Mr. Norwood. Yes, sir.

Senator Curtis. One-half of 1 percent.

Mr. NORWOOD. As a percent of total payroll; yes, sir.

Senator CURTIS. As the percent of total payroll. That doesn't give me anything, because the total payroll includes the executives and includes all the people whose wages are above $3,000.

Secretary WIRTZ. That is right. That is a different point. Your question was as to what is the average rate.

Senator CURTIS. On the present base.

Secretary WIRTZ. Do you have that?

Mr. GOODWIN. That is 1 percent.

Senator CURTIS. One percent.

Senator WILLIAMS. That 1 percent is in addition to the 4.

Secretary WIRTZ. To the 0.4, isn't it?

Mr. NORWOOD. Yes.

Senator CURTIS. In addition to the 0.4.

Secretary WIRTZ. That is right.

Senator CURTIS. The 0.4 going to the Federal Government.

Secretary WIRTZ. The Federal Government.

Senator CURTIS. So the average employer now in Nebraska is paying 1.4 percent.

Secretary WIRTZ. That is correct. The 0.4 percent goes to the Federal Government, Senator. You will understand it goes to the Federal Government, then back through the trust fund to the States for all the administrative costs of their programs.

Senator CURTIS. Yes. That is for what year?

Secretary WIRTZ. Administration.

Senator CURTIS. This 1.4, which is the average in Nebraska, is for what year?

Mr. NORWOOD. That is the current year, 1966 estimate.

Senator CURTIS. Under current law. Now, if we applied the bill as introduced in the Senate, S. 1991, back to the current year for Nebraska, what would the average employer's tax be?

Mr. NORWOOD. The estimate of the additional cost that was originally suggested was 33 percent. That would be the raise in the cost. The tax rate might not vary directly with the cost increase because of the condition of the Nebraska fund. But over the long pull, that cost would have to be financed.

Senator CURTIS. So, if we enacted the Senate bill, it would be 1.9.

Secretary WIRTZ. About 1.9.

Mr. NORWOOD. This is added to the State portion we were discussing, the 33 percent that I was mentioning was the additional impact on the State cost, so that this would be applicable to your 1 percent we were discussing.

Senator CURTIS. So it would make it 1.7.

Mr. NORWOOD. Overall?

Senator CURTIS. Yes. Now, what would be the rate applied back to 1966 on the average employer in Nebraska, if the House bill became law?

Mr. NORWOOD. The 1 percent would be left virtually untouched. The four-tenths would be increased to six-tenths but on a higher base.

Senator CURTIS. It would be 1.6.

Mr. NORWOOD. Yes.

Senator WILLIAMS. Will the Senator yield?

Senator CURTIS. Only 1 percent difference for the average employer in Nebraska between the House bill and the administration proposal?

Senator WILLIAMS. Would the Senator yield? There would be this difference, would there not? The present rate is on $3,000.

Secretary WIRTZ. That is correct.

Senator WILLIAMS. And the increase of one-tenth of 1 percent may sound small, but you have increased your base from $3,000 to $6,600 under the administration bill.

Secretary WIRTZ. That is right.

Senator WILLIAMS. So it would be more than double.

Senator CURTIS. How much is the increase under the House bill?

Secretary WIRTZ. From $3,000 to $3,900, then, up to $4,200 later.

Senator CURTIS. So, while now the average employer, in Nebraska, is paying—1.4 on $3,000——

Secretary WIRTZ. That is right.

Senator CURTIS. Under the administration proposal, he would pay 1.7 ultimately on $6,600.

Secretary WIRTZ. That is correct.

Senator CURTIS. And under the House-passed bill he would pay 1.6 on $3,900.

Mr. RUTTENBERG. $3,900 and, ultimately, $4,200 in 1972. But, Senator Curtis, one point we might make. It isn't quite fair to say that you pay the 1.7 on the $6,600. The cost to the State or to the employer might be much less than 1.7 on $6,600, so that the rate might go down to 1.5 or even 1.4 or 1.3 on the $6,600. This becomes a very complicated balance for determination within the State, but it is quite clear that if the wage base went to $6,600, the total tax would no be 1.7 but would be less.

Senator CURTIS. Under the administration bill, what would be the immediate increase of the base from $3,000 to $5,600?

Mr. RUTTENBERG. $5,600 for taxable year 1967, under S. 1991.

Senator CURTIS. So $3,000 at 1.4 would be $42 per employee, and $5,600 at 1.7, according to my figures would be $95.20.

Secretary WIRTZ. It would depend on what had happened to the State fund and to the experience rating as far as that individual employed is concerned.

Senator CURTIS. Now, when you talk about averages, is that an average for employers or an average based on the employees? There may be someone with a very poor experience rating only employing 15 or 20 people. There might be a large concern employing thousands, such as the Telephone Co., that has low unemployment. How do you arrive at the average?

Secretary WIRTZ. On the average employer contribution rate; that would answer your question.

Senator CURTIS. So you average employers rather than employees.

Secretary WIRTZ. That is correct.

Mr. GOODWIN. Right.

Senator CURTIS. So when an employer with 20 employees is paying a very high rate, and an employer with 5,000 employees is paying a very low rate, you take the 2 rates and add them together and divide by 2 and say that is the average; is that right?

Mr. NORWOOD. No, sir. It is the tax rate on the total taxable wage in any State. It is a weighted average. It is not a simple averaging of the number of employers and their rate.

Senator CURTIS. How is it weighted?

Mr. NORWOOD. In terms of their payroll. The rate that is given here is the average rate that is paid on payroll by all employers.

Mr. RUTTENBERG. It might be fair to say, Senator Curtis, that it is just as much on the employees as it is on the employers, because the employees are the ones who receive the payroll that the employer pays and it is on the basis of the payroll that we make a calculation.

Senator WILLIAMS. There is a misunderstanding that has developed in answer to a previous question, when Senator Curtis was told that it was the average of the employers. In reality, if you are using the wage base you are really averaging the employees, are you not?

Senator CURTIS. It comes nearer to that.

Senator WILLIAMS. It comes nearer to being that.

Mr. RUTTENBERG. Because it is the employees you are talking about.

Senator CURTIS. None of these bills do anything for anyone who has never had a job, do they?

Secretary WIRTZ. No.

Senator CURTIS. I have had my attention called to a case here in the District of Columbia, of a young lady, a member of the minority group, a very fine individual, and a good student of good character. Both of her parents work and are going to try to send her to college this fall. She had read about jobs for youth here in the city of Washington.

She applied and was turned down because she was not a juvenile delinquent.

Secretary WIRTZ. I would like her name, Senator, because from what you say——

Senator CURTIS. Not turned down by private employers, but some of this Government-promoted employment.

Secretary WIRTZ. Because she is not a juvenile delinquent?

Senator CURTIS. Because she is not a juvenile delinquent.

Secretary WIRTZ. Well, that would come very squarely, if I understand you——

Senator CURTIS. I don't think it would come under your Department.

Secretary WIRTZ. I believe that the Neighborhood Youth Corps—what is her age?

Senator CURTIS. I would guess 17 or 18, just graduated from high school.

Secretary WIRTZ. And the income, what is the family income?

Senator CURTIS. The father's income, I think, was less than $4,000 and the mother works as a domestic.

Secretary WIRTZ. It may be that the family income takes her outside the coverage of the Neighborhood Youth Corps program, and on that I just can't tell. But regardless of those, any suggestion that anybody has been turned down because she is not a juvenile delinquent would warrant the most careful attention. With all due respect, I can't believe that that action would be taken, and would appreciate greatly the opportunity to follow it up in terms of its facts and her name.

Senator CURTIS. I will consult with them and see.

Secretary WIRTZ. Fine.

Senator CURTIS. The original proposal had a provision for extended benefits after the required 26 weeks. How does the present proposal modify it?

Mr. RUTTENBERG. The proposal in S. 1991 would have provided for benefits to be paid to individuals who had long-term attachment to the labor force, such as work experience in 78 weeks of the previous 156 weeks, in other words, a year an a half worked in the previous 3 years. If they met that qualification, then they would have been eligible under S. 1991 for the extended benefit program.

Senator CURTIS. At whose expense?

Mr. RUTTENBERG. That would have been 100 percent Federal, with half of it being paid by the employer tax and one-half being paid out of general revenue. In other words, it would come from the employer, the Federal part of the employer tax, by increasing it 0.15 percent under S. 1991.

Senator CURTIS. But it all originates federally.

Mr. RUTTENBERG. Yes; any tax under the Federal Unemployment Tax Act does.

Senator CURTIS. To that extent, it would federalize our employment system, because for the first time you would be collecting a tax on employers to give benefits. At the present time, in reality all you are doing is collecting and administering it, isn't that right?

Mr. RUTTENBERG. Well, during the period of 1961 there was a temporary unemployment compensation program which the Congress enacted, which was federally financed, as was a similar one I guess in 1958—1958 and 1961.

Senator CURTIS. Now, what is your proposal for the extended benefits?

Mr. RUTTENBERG. Our current proposal that is in the testimony of the Secretary today provides a voluntary effort on the part of the States to increase duration beyond the 26-week, and if they voluntarily do that by State law, 50 percent of that cost would be borne by the Federal employer tax. Fifty percent of it would be borne then by the employer tax within the State.

Senator CURTIS. Would that mean a new employer tax?

Mr. RUTTENBERG. No.

Senator CURTIS. Federally?

Mr. RUTTENBERG. No. That is what the Secretary meant earlier when he said it was hard to calculate what the final rate of tax would be on the wage base, because we would have to know what provision the Congress was going to enact on extended benefits to determine how much the cost would be.

Senator CURTIS. I don't want to prolong this, but I want to get it clear in my mind. At the present time, the employer pays a Federal unemployment tax that goes to pay benefits.

Secretary WIRTZ. They do not.

Senator CURTIS. They do not, but under what you are proposing today, they will.

Secretary WIRTZ. That is correct.

Senator CURTIS. Do you know how much that would be?

Mr. RUTTERBERG. Under the House bill it is 0.10, one-tenth of 1 percent.

Senator CURTIS. Under the administration's original proposal, what would it be?

Secretary WIRTZ. Point one five.

Senator CURTIS. Point one five; and under what you are recommending today, what would it be?

Secretary WIRTZ. It would be the same, 0.15, Senator, but as a practical matter until we know what base we are talking about, our answer is a sort of incomplete answer, on the assumptions we are making about the base, it would be the 0.15.

Senator CURTIS. In general, has the present system of State unemployment compensation programs worked well?

Secretary WIRTZ. There are 4 million people out of work today. Eighty out of every hundred are getting no unemployment insurance, and the answer to your question depends a little on how to evaluate the kind of question you are very properly putting; or put earlier, about this girl to whom you refer. I would answer no, that it is not working sufficiently and satisfactorily, and that too many people are being left out.

Senator CURTIS. Let me put my question this way. Among the people who are covered, is our present State system working all right?

Secretary WIRTZ. No; I think not.

Senator CURTIS. In what way is the system deficient?

Secretary WIRTZ. Oh, the fact that 60 percent of the men are getting less than 50 percent of even their own salaries when they are out of work would seem to me the worst deficiency in the present system.

Senator CURTIS. Do you feel there are any abuses in qualifying and drawing unemployment compensation?

Secretary WIRTZ. Both the Senate bill and the House bill propose the elimination of the double dip abuse, which seems to us among the most serious.

I think, probably, beyond that, Senator, the worst problems arise in connection with the administration of the availability rule. I am afraid that there are some situations in which there are payments made to somebody despite the fact that the individual has declined to take work which is available. I think a practical answer to your question is that that is the worst abuse situation.

Senator WILLIAMS. Would you yield?

Senator CURTIS. Are there a few cases where someone avails himself of the benefits, but his performance isn't quite up to what it could be?

Secretary WIRTZ. I am not sure I understand that question.

Senator CURTIS. At the present time, are there any situations where an employee, knowing that if he is laid off he gets a certain period of unemployment compensation, might do something which is not a gross violation of any law but would result in his being laid off?

Secretary WIRTZ. The question is, does any individual in the country, of the 200 million people——

Senator CURTIS. I mean, is the number significant enough to be a problem?

Secretary WIRTZ. I thing it is not, and appreciate the question in that form. I am sure there is an occasional abuse. I think that it is not a significant problem.

Senator CURTIS. Unemployment compensation is tax-free, isn't it?

Secretary WIRTZ. Yes, it is tax-free.

Senator CURTIS. And, of course, the person who draws it does not have certain expenses, as he does when working, such as for clothes and transportation to and from work. Now, is there a point—I am not suggesting that it is in this bill—is there a point where unemployment compensation might be more attractive to some people than work?

Secretary WIRTZ. Yes, sir; there would be such a point.

Senator CURTIS. You do not think it is reached in this administration proposal?

Secretary WIRTZ. I think very strongly that it is not.

Senator CURTIS. I am not going to ask you to try to fix it. Do you think it would be sound public policy for the Government to ever approach the point where it is more profitable or nearly so to be unemployed than to be employed?

Secretary WIRTZ. Are we talking about a person who has what it takes to work?

Senator CURTIS. Yes.

Secretary WIRTZ. We are setting aside that unfortunate group of society which just doesn't have what it takes.

Senator CURTIS. That is right.

Secretary WIRTZ. And now your question would be whether the Government should ever approach——

Senator CURTIS. In lengthened amount of benefits, something that would be a temptation for someone to prefer to be unemployed than to be employed.

Secretary WIRTZ. I think we should always have our guard up against that. I think we are far short of that area when we are talking about this 50 percent kind of rule.

There just aren't many people for whom it makes sense to do the kind of thing you and I are talking about now, when the price of doing it is going to be that they get 50 percent or less of their normal earnings.

Senator WILLIAMS. Would the Senator yield at that point?

Senator CURTIS. Yes.

Senator WILLIAMS. In connection with the abuses, and this may have been corrected, but my attention was called sometime back to the fact that many of our major companies, and perhaps in Government, too, as their employers reached retirement and are going off the payrolls, public payrolls anyway, they are told by the employer, "In addition to your retirement, you go down to the unemployment office and start picking up your checks." They could very easily show because that at age 65, other companies don't hire them, so they could draw their unemployment insurance as well as their retirement, and this is being pointed out as one of the benefits of retirement. Is that still permissible, and is it a problem?

Secretary WIRTZ. As you have stated, there would be no State, I think, which automatically makes such provision. Every person that we come to in this area has got to be qualified in terms of availability for work.

It would be an abuse of the administrative system. Now, there are some States which will permit and do permit—we can give you that number—the payment of unemployment insurance benefits in a situation in which an individual has retired, is receiving retirement benefits, is looking for work, and is unable to find that kind of work. It is 33 States which reduce benefit payments if the claimant receives a pension from the employer and 19 which don't.

Senator WILLIAMS. Then, do I understand that that is not provided for or excluded under this bill, but it is primarily a State problem?

Secretary WIRTZ. That is correct.

Senator WILLIAMS. It could be. I know that it has been suggested, in fact it was suggested in my own State that this was rather prevalent,

and the word is being passed down by many companies that the employees should just go on down to get it and several were amazed. Other companies, and most companies operate on the same basis, are not offering employment to that 65-year old man.

Secretary WIRTZ. This gets us into another area.

Senator WILLIAMS. At least a comparable job.

Secretary WIRTZ. That, we don't mean to get into. I think we have got a lot of new thinking to do about our older worker situation. The fact that an older worker continues to get this kind of coverage under this law doesn't bother me, frankly. I say I think we have gotten into some bad thought habits about the older worker.

Senator WILLIAMS. That is the reason I am asking do you think then it is not an abuse but it is a practice that as these workers retire Government workers or otherwise, that if they can's get a comparable job in another plant, why that they should be able to draw this insurance?

Secretary WIRTZ. If they are available for work.

Senator WILLIAMS. If they are available.

Secretary WIRTZ. And they want to work and they are trying to work and can't get the work, yes, then I think they are entitled to the benefits that they built up.

Senator WILLIAMS. And even if they are only available for a similar job to that which they had.

Secretary WIRTZ. That presents a special problem. No, I begin to draw back on the answer to that. I think that the fact of retirement might very possibly be from retirement of a high executive position, and I would not apply that rule in that way.

I should make it quite clear that I am talking without authority because as we have recognized here it is a matter which is up to the States, and which this law doesn't cover at all. But, I would think that the right rule, if we were sculpturing the rule for the future there, Senator, would require a different test of comparable work from what you apply in the other kind of situation. I don't believe that a $35,000 or $40,000 a year man retiring would be entitled to unemployment insurance just because he couldn't find another $35,000 or $40,000 a year job.

Senator WILLIAMS. That is the question because this has been mentioned. This is a problem, maybe not much in money but it does have a tendency to discredit the system.

Secretary WIRTZ. That is right.

Senator WILLIAMS. Thank you.

Senator CURTIS. Here again I am speaking in general terms. It is not the purpose of unemployment compensation to be the answer for chronic or long-term unemployment; is it?

Secretary WIRTZ. It depends a little on the definition of terms. I think in terms of the question you have in mind, the answer is "No." As it stands now, there are very few States that go beyond 26 weeks. Ten go beyond the 26-week period. Only 1 goes beyond 36.

Senator CURTIS. What I am trying to illustrate is that there are other agencies of Government and other programs that have certain responsibilities.

Secretary WIRTZ. Yes. They aren't very well developed yet. I am sure that the longer range answer should not place on the employ-

ment relationship, Senator, that limitless longrun burden. It becomes a matter of hard economics, and whether we should pay as taxpayers or as customers for the burden of chronic unemployment I think involves a question of balance.

My own view is that we have placed about as much burden on the employment relationship as we can, and that that long range beyond a certain period should not go on the employer.

Senator CURTIS. In other words, unemployment compensation pays a benfit to an individual who may have considerable property in his own right, he might have been well paid, and might have not experienced a period of unemployment for years. I am not criticizing the system. I am pointing out that it is complex and there are other parts of our Government that have responsibility.

By the same token, a person lacking considerable training, who is somewhat handicapped or otherwise, tries a job for a little while and it is the only job he has ever had in his life and he can't hack it and he has to stop after just a short attempt at it. It is some other department of Government under the present setup that carries the responsibility to do what ever the Government can do for him; is that right?

Secretary WIRTZ. That is correct.

Senator CURTIS. And unemployment compensation is something for people who have had a chance to be employed and there is no income or property or needs test applied whatever.

Secretary WIRTZ. That is right.

Senator CURTIS. That is all.

Senator HARTKE. The Senator from Illinois, Senator Douglas.

Senator DOUGLAS. I regret that I have not been able to be here for much of the hearing because I was required to be at the markup of the housing bill.

Your thesis as I understand it is that on extended unemployment, this is not the fault of any one particular industry, but is the result of the financial economic operations of the system as a whole, and that, therefore, the industries which suffered heavy unemployment in the past, the durable goods industries, should not be compelled to bear the burden. That it is simply not their fault, that it has occurred in a factory outside the industry; is that right?

Secretary WIRTZ. Yes, beyond a certain period.

Senator DOUGLAS. This is precisely the principle for which I contended when the original act was drawn in 1935, and if it had not been for the Department of Labor at that time we might have had it. But the Department of Labor then insisted on the doctrine of individual responsibility.

I think this was the crucial turning point in the system, and that 30 years background rises to haunt us. Press Commons was a noble man, a great teacher, and a great reformer. He got the idea of a parallelism between workmen's compensation and unemployment, and said that we should make unemployment a burden upon the individual employer who would then have an incentive to reduce unemployment.

This is completely in applicable in cyclical unemployment. The incidence falls on the particular industry, but the causes are way out side the monetary and banking system, so I welcome this change of heart on the part of the Labor Department. It is 31 years too late, Mr. Wirtz, but I am very glad that as an Illinois man you are cor-

recting some of the mistakes made by the gentleman from the State to the north of us.

Senator HARTKE. Anything else?

Senator DOUGLAS. That is all. I have been waiting to say this for over 30 years.

Senator HARTKE. I want to ask you a technical question, Mr. Secretary, which is involved in the House bill on page 9. I don't know who should answer this. This deals with students engaged in work-study programs.

Under section 105 it provides for a new paragraph, subparagraph C, which says:

Services performed by an individual who is enrolled at an educational institution within the meaning of section 151(e)(4) as a student in a full-time program taken for credit at such institution which combines academic instruction with work experience, if such institution has certified to the employer that such service is an integral part of such program.

Now in the House report they deal with this section at the bottom of page 37, in which they make this statement:

Although such service need not tie in directly to the academic instruction portion of the program, it must constitute part or all of the required work experience portion of the program and the institution must certify to the employer that the service is an integral part of that program.

It then says this:

This new exclusion does not apply to employee, educational, or training programs run by or for an employer or group of employers.

Now, what I would like to know is whether or not this exclusion for the work-study programs on page 9 of the House bill does apply to an educational institution like the General Motors Institute, whether in your opinion it does or does not apply as written.

Secretary WIRTZ. Whether the exclusion applies?

Senator HARTKE. Whether the exclusion applies, that is right.

Secretary WIRTZ. That came in, and we thought very properly came in in the House committee itself. I would think it was not intended from that legislative history to apply to that situation.

Senator HARTKE. In other words, the exclusion was not intended to apply.

Secretary WIRTZ. That is correct.

Senator HARTKE. And in your opinion should it?

Secretary WIRTZ. Well, I would assume not. That would be my present opinion.

Senator HARTKE. If you have any other comments upon that, I would be glad to have them for the record.

(The following comment was subsequently received from the Department of Labor:)

Language to assure that the provision carries out its stated intent is included in the amendments to H.R. 15119 which the Department of Labor has recommended. (See p. 61.)

Secretary WIRTZ. All right.

Senator HARTKE. Because I think this is just a question of clarification of intention here of what should be done, and it is not a question necessarily at this point expressing any opinion.

Secretary WIRTZ. All right.

Senator HARTKE. One thing that always concerns me, and I think concerns a lot of us here, is this constant thought and sort of a fear that somehow or another unemployment compensation will be a way of life.

Do you have any recommendations as to what can be done in order to discourage that idea?

Secretary WIRTZ. Well, constant awareness of it doesn't give you much of an answer. There is in this bill, Mr. Chairman, a strong emphasis on the improvement—in this bill and in others presently before the Senate having to do with the employment service—strong emphasis on the improvement of the administration of these programs at both the Federal and the State levels, and I believe that in practical terms, my answer to your question would be related to those provisions.

I believe that anybody who works closely with this kind of legislation at the center of it, legislatively or administratively, is thoroughly aware of the problem to which you refer. I am not sure that that awareness goes far enough through the organizations always. Therefore, I would find in the provisions in S. 1991 and in the other legislation before the Congress, provisions for improved administration, for additional research and that kind of thing as the best answer I know to this problem. It is not one that lends itself to absolutes.

Senator HARTKE. Let me come back to another factual situation, and this is one which I personally had a chance to observe during the Studebaker crisis, which was very severe in my home State——

Secretary WIRTZ. Yes.

Senator HARTKE. And which is a national example of difficulty in a period of relative high prosperity throughout the country. There are work-study programs which were instituted as you well know and for which I compliment you, in South Bend, which have changed the hearts of some of those people about some of these Federal programs, by the way.

There is a work-study program there, and there is a young fellow there with four children. I think he was either 29 or 30 years of age. He was receiving certain payment benefits in the retraining program, but he had an opportunity in the middle of this program to go and take another job from which he could receive I think $2 an hour, which gave him on a 40-hour work week $80. What was the payment, about $37 under the retraining program?

Secretary WIRTZ. $36 maximum.

Senator HARTKE. So I asked him, I said "Truthfully and honestly, you came out of Studebaker with no qualifications other than what you were doing for them, and there just aren't any jobs like that. Why would you give up this chance which is being provided for you now for long-time opportunity and security in employment instead of this temporary job which most certainly is going to end up in nothing for the long range."

He said, "Let me say to you, sir, I have four children and a wife. You try living on $37 and I dont think you will ask that question again."

Now, is there anything in this program that would make it possible to encourage these people to stay on these retraining programs?

Secretary WIRTZ. We have done two or three things. First, since that South Bend period, the Manpower Development and Training

Act has been amended to add the dependent allowances to the training allowance. That would help a little. It wouldn't help enough.

The bills presently before us, both S. 1991 and H.R. 15119, do provide for getting rid of this horrible situation in some States where you lose your eligibility for unemployment insurance, if you turn down an offer of the kind that you are talking about: that is, if you refuse a job while you are taking training approved by the agency. That is corrected here. That still stops short of the real answer to your question. And the truth of the matter is that the training allowances would still, in the case we are talking about, fall about $35 short of his need, and the answer really to your question is no, there is nothing which adequately meets that problem. However, if the worker was entitled to unemployment compensation, the benefit standards we propose could give him more adequate benefits. Even if he were not, the MDTA training allowance, since it is based on the average unemployment compensation payment in the State, would similarly be more adequate.

Senator HARTKE. If you come up with any ideas on that, I would like to know; I will be interested in trying to help develop them, because I think this is a very, very difficult problem. I think that it what we are dealing with here.

Secretary WIRTZ. I do want to make clear, Senator, that since your case, the amendments to the MDTA do add $5 per dependent.

Senator HARTKE. That helps some.

Secretary WIRTZ. Yes.

Senator HARTKE. But, I don't know if that helps enough either. I don't know that it does.

Let me ask a question here that was raised. I think there constantly seems to be this conflict in basic approaches. That is whether you are going to adopt a federalized program overall or whether you are going to permit the States to continue to operate these programs. Can you just briefly tell me what the benefits were under the program in 1958 for supplemental payments, and in the 1961 recession period. I don't want you to go into great detail. Just benefit amounts and——

Mr. GOODWIN. They were based upon the individual receiving, in terms of duration, 50 percent of what he had received from the State, and he would receive in benefit amount the same amount that he was entitled to under the regular State program.

Secretary WIRTZ. Fifty percent in terms of length of benefit.

Mr. GOODWIN. Length of benefits, yes.

Senator HARTKE. Those programs in 1958 instituted for the recession then and in 1961 were identical for all intents and purposes.

Mr. GOODWIN. On this particular point?

Senator HARTKE. Yes.

Mr. GOODWIN. They were.

Senator HARTKE. Who paid the bill?

Mr. GOODWIN. Well, in one case the Federal Government paid the bill.

Senator HARTKE. Which is the one case you mean?

Mr. GOODWIN. Pardon? That is TEVC.

Senator HARTKE. Let's identify one case. What is the one case?

Mr. GOODWIN. The 1961 program.

Senator HARTKE. In 1961 what happened?

Secretary WIRTZ. Well, in absolute terms I don't suppose. In relative terms, yes.

Senator DOUGLAS. The relationship to the cost of living.

Secretary WIRTZ. That is correct.

Senator HARTKE. That is what I am speaking about. In other words, in relation to the cost of living, of how he has to live and his general standard of living, he suffers greater now than he did during the time when we first experimented with this program.

Secretary WIRTZ. Yes, I think so.

Senator DOUGLAS. Assuming no more reserves.

Senator HARTKE. That is right.

Secretary WIRTZ. Yes.

Senator HARTKE. If he had reserves that is good, that is fine.

Senator DOUGLAS. Yes.

Senator HARTKE. But, that is not due to the law.

Senator DOUGLAS. That is right.

Senator HARTKE. The law has just failed to keep pace. This is what I am trying to bring out. I would like to point out that Mr. Martin Gronvold—I don't know who he is, I have never met the gentleman—Unemployment Compensation Division of North Dakota, points out that although something is done along the line, and that their State has taken steps, they are not lagging behind in benefits, and unless there is some type of overall approach to making some uniformity throughout the Nation, that they will have to cut back.

Secretary WIRTZ. That is right.

Senator HARTKE. In other words, unless something is done along the lines which are being suggested here today, of a material benefit to raise the actual percentage of benefits which are received, the amount of the benefits received, then those States which have been progressive enough to try to meet this problem on a local level will find that in order to be competitive with other States they are going to have to turn the clock back.

Secretary WIRTZ. That is still right, and this is why, Senator, we are just so hopeful that there won't be just some easy settling on H.R. 15119, because if there is, it will leave out all that you are talking about here.

Senator HARTKE. Then I would like to come back to the difference in the duration proposal, and I was hoping that the Senator from Delaware would have stayed, because I wanted to take that quotation which is made by Mr. Rosbrow of the Delaware Employment Commission, and he testified that:

We in Delaware have had our share of casualties due to technological change. Garment plants, paper equipment manufacturing, a steel fabricating plant, iron works, in our generally prosperous State. The toll, not men in between jobs, but men in new occupations and new opportunities to utilize skills required and sharpened over decades of conscientious effort. Neither the State of Delaware nor its employers—

And I think this is an important factor—

Neither the State of Delaware nor its employers are responsible for the changes of this nature.

This is a factor which we must take into consideration.

We believe it appropriate that unemployment of this type extend beyond 26 weeks. The Government of the United States should step in to meet some of the cost of a national phenomenon.

I wanted to get that statement in this testimony early before we go off into those other tangents.

Is there at the present time a tendency on the part of the States to be fearful that their funds may become insolvent, and, therefore, that they hesitate, and frequently say that "We do not want to increase the benefits too much because of the danger of insolvency"? Have you run into this at all?

Secretary WIRTZ. Is there a hesitancy on the part of the States to improve their provisions?

Senator HARTKE. Improve their provisions for the benefits.

Secretary WIRTZ. Well, there is that, but there is another very strong factor involved, too, and that is the pressures in that direction that come from employers because of the experience rating system. Now, we don't mean to go into that here.

Senator HARTKE. I understand that.

Secretary WIRTZ. But, it is certainly a realistic part of the answer to your question, and if the broad question, Mr. Chairman, is whether there is timidity, a tendency to draw back, a tendency not to keep pace with a developing economy as far as the State administration of these systems is concerned, you will know that my feeling is that there is.

Senator DOUGLAS. Will the Chair permit me to break in again. This was one of the grievances which some of us saw in the Labor Department bill back in 1935. By providing for merit rating you gave a financial incentive to the employers to try to keep the benefits down, not merely on individual cases, but on the scale of benefits. As I say, I congratulate the Department of Labor for being able to learn over the span of 30 years. You have learned much more quickly, Mr. Secretary.

As I say, a lot of this trouble could have been avoided if the experts of the Department of Labor had thought this problem out in 1935 instead of adopting the idea that unemployment was the fault of the employer. That if you just penalize him for it, he would eliminate unemployment as it was said he would reduce accidents.

Accidents are only partially under the control of the employer. They are under the control of the employer only to a very limited degree.

You will forgive me if I raise these points. I don't want to be put in the position of point scoring, but I have waited 31 years to say this.

Secretary WIRTZ. I want to be clear in my answer, Mr. Chairman, that I don't mean to reopen the question of going into experience rating further.

Senator HARTKE. I understand.

Secretary WIRTZ. We subscribe to the House approach to that entirely, but your question is whether there are forces committed, or whatever you want to call them, as far as the State administration is concerned that is part of the answer.

Senator DOUGLAS. I would agree that this is part of life.

Secretary WIRTZ. Yes.

Senator DOUGLAS. That the experience rating is embedded and you can't change it.

Secretary WIRTZ. Sure.

Senator DOUGLAS. But it results in powerful pressures being exerted to keep the scale of benefits down. I commend the Senator from Indiana for bringing this point out.

Senator HARTKE. Thank you. I don't have 31 years of experience to look back to, to point to, but I want to say that I am glad that the Senator from Illinois is now able to say, "I told you so."

Mr. Secretary, we have taken a long time, and I want to thank you for coming. I would hope—and I say this on my own behalf—that you will make sure that as we proceed through the testimony, you would at least have some of your competent staff present so that in the event there are any questions which can be answered by your staff, we will have them available.

Secretary WIRTZ. They will be here at all times, Mr. Chairman, and there will be somebody here with full authority to speak for the Department, so if at any point the committee wants to raise a question, it will be covered.

Senator DOUGLAS. Mr. Chairman, the Secretary has been most gracious and I regret that I have not been here during the major portion of the hearing.

With your permission, I would like to ask one final question, if I may. It is this. My experience goes back not 31 years, but 46 years, because in 1921 I started advocating unemployment compensation.

Secretary WIRTZ. That is right.

Senator DOUGLAS. Which was called unemployment insurance. We had quite a time for 15 years trying to get it on the books. I want it to have complete success. Now, this refers to the practical definition of unemployment. I have always believed that unemployment is where a man was able to work, is willing to work, is seeking work, but unable to find suitable employment. These were the true cases of unemployment.

Now, I was always aware that there is a possibility that some would not really seek employment, and there was danger of an overrigid definition of what was suitable employment.

I would like to ask you this. Do you find the tendency for men who are unemployed, particularly single men, or people who are careless of their family responsibilities, to content themselves with merely registering as unemployed at the employment office, but not really seeking employment, except as the employment office may refer them to jobs? In other words, is there a tendency for a man to register and then passively submit, and is there a tendency for the public employment offices, either through failure of industry to refer jobs to them, to content themselves with paying out benefits without actually really hunting for jobs for the people?

Secretary WIRTZ. Two answers, Senator. If the question relates to the overall statistics, which I think it does not, but which I want to include in the answer to make it complete, there are more people today outside the unemployment figures than the Nation realizes at all because they are not looking for work.

Our question each month is "Are you looking for work and can't find it?" And so the unemployment statistics leave out some place between 400,000 and 1 million people who aren't trying hard enough. We leave them out in our statistical approach. But, I don't believe that was your question.

Senator DOUGLAS. No. The question was whether people drawing benefits are not really seeking employment.

Secretary WIRTZ. We think that there is room for improvement as far as the administration of this program is concerned. That is the

reason S. 1991 and the House bill do include the provision for additional training.

Senator DOUGLAS. Can they be denied unemployment benefits if they refuse to take additional training?

Secretary WIRTZ. Well, additional training? No; not under H.R. 15119. Under our proposal, under the S. 1991 proposal and under the proposal we now make to you, they could be denied the extended benefits. (See Sec. 204(b) of "Amendments Recommended by the Labor Department to H.R. 15119," p. 61.)

Senator DOUGLAS. I think that is all right. The original benefits you say covers a right.

Secretary WIRTZ. That is correct.

Senator DOUGLAS. But the extended benefits will come upon the condition of trying to prepare themselves for other jobs.

Secretary WIRTZ. Yes, sir.

Senator DOUGLAS. Now, are you going to enforce that, Mr. Secretary?

Secretary WIRTZ. Yes; certainly as far as the extended benefits are concerned we want to do everything we can to move these claimants back into employment. We contemplate Employment Service counseling of these long term unemployed and their referral to training where it is appropriate. (Note: Under the Administration's bill as introduced, S. 1991, extended benefits could be denied for refusal to accept training without good cause, as well as under the amendments of H.R. 15119 the Department of Labor has recommended. See p. 61.) Beyond that the idea of training of the State administrative people would help meet this kind of need.

Senator DOUGLAS. I was not here. Is one of your staff in charge of the Employment Service, one of the men who accompanies you?

Secretary WIRTZ. Yes, Mr. Cassell is not here, the head of our Employment Service, but the Manpower Administrator is and the Administrator of Employment Security.

Senator DOUGLAS. This is terribly important. I have been out of touch with developments for 25 years really, but as I go over the country, I pick up a great many complaints which are not purely prejudicial, that the Employment Service is not hunting for jobs very hard, and that the preparation of the unemployed for jobs is not very good.

Secretary WIRTZ. Well, there is a problem. That is part of the reason, really it is a large part of the reason, that lies behind our pressing at the current point for an Employment Service bill. The Wagner-Peyser Act, you know, has never been amended.

Senator DOUGLAS. Yes.

Secretary WIRTZ. Just as this one has not been. We have presently before the Congress the amendments to that bill, which reflect the kind of concern that you are talking about. Now it gets into the manpower development training——

Senator DOUGLAS. Is that in this bill or is it a separate bill?

Secretary WIRTZ. It is a separate bill. What is that number?

Mr. NORWOOD. S. 2974.

Secretary WIRTZ. S. 2974.

Senator DOUGLAS. That is before the Labor Committee?

Secretary WIRTZ. That was before the Labor Committee. It has already passed the Senate.

Senator DOUGLAS. Couldn't it be brought before this committee so fas as extended benefits are concerned? Couldn't it be an amendment to the extended benefits feature of the bill? This section of the bill deals with extended benefits.

Secretary WIRTZ. It has been passed by the Senate and it is now before the House.

Senator DOUGLAS. Very good. Well, I think this is crucial.

Secretary WIRTZ. It is, and the answer to the general attacks on the unemployment insurance system, and there have been a number of them, the answers to them very often lie in the better administration of that rule of availability and these related matters.

Senator DOUGLAS. We have kept you much too long.

Secretary WIRTZ. No; to the contrary.

Senator DOUGLAS. I used to review the decisions of the English referees in these cases, the definition of suitable employment, leaving employment without just cause, and so forth. There is always a tendency for a great softening of the rulings over time. This is outside the jurisdiction of the Federal Government and is in the hands of the States?

Secretary WIRTZ. No, I don't count it that, Senator.

Senator DOUGLAS. You don't?

Secretary WIRTZ. I think it is part of our responsibility to see that those practices are as exemplary as possible.

Senator DOUGLAS. Do you have any control through control over the administration funds?

Secretary WIRTZ. Control is the wrong word. We are working together on it. Part of the reasons for the training provisions in the bill here is that——

Senator DOUGLAS. Do you have any teeth that you can use?

Secretary WIRTZ. I don't know how to answer that question Senator. The relationship is better than it used to be. I don't think it is as good as it should be. I don't think the answer lies in teeth or control. I think it lies in improved coordination. I don't know what the right words are.

Senator DOUGLAS. You are a very gentle man, Mr. Secretary.

Senator HARTKE. What the Senator from Illinois is referring to is what I think I was referring to a moment ago, and that is the so-called way of life.

Secretary WIRTZ. Sure.

Senator HARTKE. That you live with unemployment compensation. I think the same problem exists in the administration of our welfare departments, and although personally I am a great advocate of both of these programs, I find it very difficult to sometimes get enthused about a continuation of a program which doesn't try to alleviate the condition and really takes it as a matter of trying to say, well, these people are not entitled to money, but we are just going to give it to them because the Federal Government has got a lot of money anyway and we might as well take it away from them, never knowing where it is coming from.

Secretary WIRTZ. Anything that was put into this bill to make clearer the importance of the availability for work requirement would in our judgment represent an improvement in it.

Senator HARTKE. Let me ask what was the name of that bill you said passed the Senate, the number.

Mr. NORWOOD. S. 2974.

Senator HARTKE. I might say to the Senator from Illinois there is no reason if it has passed the Senate why it couldn't be adopted as an amendment to this bill. We can pass it again twice and give it a little emphasis.

Senator DOUGLAS. Sure.

Senator HARTKE. I want to thank the Secretary.

We will now adjourn until, according to the instructions of the chairman, at 9 a.m., in accordance with the preference of the acting chairman, at 10 a.m. That is on Friday.

(Whereupon, at 12:45 p.m., the committee adjourned, to reconvene at 9 a.m. on Friday, July 15, 1966.)

UNEMPLOYMENT INSURANCE AMENDMENTS OF 1966

FRIDAY, JULY 15, 1966

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

The committee met, pursuant to notice, at 9 a.m., in room 2221, New Senate Office Building, Senator John J. Williams presiding.

Present: Senators Long (chairman), Douglas, McCarthy, Hartke, Williams (presiding), Bennett, and Dirksen.

Also present: Senator Aiken, of Vermont.

Also present: Tom Vail, chief counsel to the committee.

Senator WILLIAMS. The hearing will come to order. Our witnesses today are all State administrators. These are the people who administer the unemployment compensation laws and pay out the benefits.

The president of the Interstate Conference of Employment Security Agencies, and a committee of that group, is scheduled to be the first witness.

I understand that the administrator from Texas who is appearing separately would like to make his statement before the interstate conference. Without objection, that will be done.

Mr. Birdwell, would you take the stand.

STATEMENT OF W. S. BIRDWELL, JR., COMMISSIONER, TEXAS EMPLOYMENT COMMISSION

Mr. BIRDWELL. Thank you, Mr. Chairman.

Mr. Chairman, I am W. S. Birdwell, Jr., one of the three commissioners from the Texas Employment Commission.

Texas is one of four States that possesses a full-time commission which is composed of one member to represent labor, one member who represents business, and one member who represents the public. In the case of Texas, the member representing the public is always the chairman of the commission.

The three commissioners have closely followed the progress of the proposed amendments to the unemployment compensation laws which I will refer to as H.R. 15119. The three commissioners with their director appeared before the House Ways and Means Committee in 1965 and submitted testimony. The Texas Employment Commission volunteered the services of our very capable staff to the Ways and Means Committee during their executive session when they gave studious and generous study in the writing of H.R. 15119.

After careful consideration, and feeling the individual responsibility of representing our various interests, the three commissioners of the State Employment Commission of Texas unanimously endorse

the updating provisions of H.R. 15119 and feel that the House Ways and Means Committee has done an outstanding job in the writing of this bill.

With the chairman's permission, I would like now to put on another hat in which I speak solely as a representative of the employers of Texas. I think that this committee would be interested in knowing—and is entitled to know—that the vast majority of the business interests of Texas are willing to accept their responsibility in paying the vastly increased tax to support this program.

As you gentlemen know, if the present provisions of H.R. 15119 should become law, the Federal tax on the employers of this country would increase 50 percent the first year, beginning in January 1967; and another 30-percent increase in January 1969, making a total of an 80-percent increase in the Federal unemployment tax in 2 years. Mr. Chairman, in all honesty, I cannot say that the employers of Texas, whom I represent, relish the prospect of an 80-percent increase in their taxes, but they are willing to accept the burden of this expanded program. As you know, this entire program is financed 100 percent by tax on the employers of the Nation.

I thank the chairman for this opportunity to present the views of the business community of Texas, as well as the official views of the Texas Employment Commission.

Senator WILLIAMS. Thank you, Mr. Birdwell.

Are there any questions?

Mr. BIRDWELL. Thank you, Mr. Chairman.

Senator WILLIAMS. Mr. Hill. J. Eldred Hill.

STATEMENT OF J. ELDRED HILL, JR., PRESIDENT, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES; ACCOMPANIED BY CURTIS P. HARDING, RICHARD L. COFFMAN, PAUL RAUSHENBUSH, JACK B. BROWN, HENRY ROTHELL

Mr. HILL. Mr. Chairman and members of the committee, my name is J. Eldred Hill, Jr., and I am a commissioner of the Virginia Employment Commission and president of the Interstate Conference of Employment Security Agencies.

My appearance here today is on behalf of the interstate conference which is an organization composed of the chief State officials administering the employment security program in the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

The basic objectives of the interstate conference include efforts to improve the effectiveness of our unemployment compensation laws and employment service programs and where desirable to propose new State and Federal legislation in the field of employment security.

It is the pursuit of this objective that prompts my appearance here today. My statement will be brief and is intended primarily to acquaint you with the role the interstate conference has played in the development of H.R. 15119 and to acquaint you with the present position of the State administrators with respect to this legislation.

I will not endeavor to cover the many ramifications of the issues involved, but I will touch on the major improvements contained in the bill and then I will defer to the committee for any questions you may have. I have with me here today several of the Nation's out-

standing State administrators who, with your permission, will assist me in responding to your inquiries. All of these gentlemen have had long experience in the employment security field and each of them participated in the executive sessions of the House Ways and Means Committee when this bill was formulated.

Mr. Chairman, if I may, I would like to introduce these gentlemen to you and to the committee at this time.

First, Mr. Curtis P. Harding, administrator of the Utah Department of Employment Security;

Mr. Richard L. Coffman, administrator, Texas Employment Commission;

Mr. Paul Raushenbush, director of unemployment compensation, Industrial Commission of Wisconsin;

Mr. Jack B. Brown, executive director, Bureau of Employment Security of Pennsylvania; and

Mr. Henry Rothell, director of unemployment insurance, Texas Employment Commission.

Mr. Chairman, when the administration's proposal for improving the unemployment insurance program was first presented to the Congress last year the State administrators had not been afforded an opportunity to participate in the development of the measure that was presented. Although the unemployment insurance program has been a Federal-State program since its inception, with the States being the operating arm of this partnership, we were excluded from the discussions and deliberations which produced the original proposal. When this fact was revealed to the Ways and Means Committee during its public hearings last August, several members of that committee requested the interstate conference to submit its recommendations for improving the unemployment insurance program. In response the conference established a working committee of 10 State administrators and after several meetings this special committee agreed upon a number of things that might be done to improve the program. Then in January of this year a special 2-day national meeting of the entire conference membership was held and the final recommendations were formulated. Those recommendations were presented to the Ways and Means Committee at a special public hearing on March 15 and 16 of this year. When the Ways and Means Committee commenced its executive sessions, the interstate conference was invited to participate and for 2 months we worked long and hard to produce H.R. 15119, which as you know, promptly won overwhelming approval in the House.

H.R. 15119 does not include all of the items recommended by the interstate conference. Some of the things we recommended were modified and some items were included which we had not considered. During the extensive work performed by the Ways and Means Committee, it became apparent that some of the objectives the conference sought could best be obtained in ways different from those we had proposed; and it, likewise, became apparent that some of the things we had proposed would result in inequities among the various States. But we were given the opportunity to work with the committee in a conscientious effort to devise the best possible bill. We believe the bipartisan measure finally reported by the committee and passed by the House is a sound and practical solution.

Undoubtedly there are those who will argue that this is a watered-down proposal compared with the original administration bill. They

will say this bill does not go nearly far enough. But, Mr. Chairman, H.R. 15119, if enacted in its present form, will entail far more change in the unemployment insurance system than has been previously enacted in all of the bills passed since the birth of the program some 31 years ago.

Among other things, this bill would establish a new Federal-State extended unemployment compensation program which would require the States to enact laws, that would have to take effect beginning with calendar year 1969, to pay extended benefits to workers who exhaust their basic entitlement to unemployment compensation during periods of high unemployment.

It would extend the coverage of unemployment compensation laws to employers who employ one or more workers in 20 weeks during a calendar year or who pay wages of $1,500 or more in any calendar quarter of a year.

It would extend coverage to certain nonprofit organizations and to certain employees of State hospitals and institutions of higher education.

It would extend coverage to agricultural processing workers.

It would require workers to have intervening work since the beginning of his benefit year to qualify for benefits in his next benefit year, thus outlawing the so-called "double dip."

It would prohibit the cancellation of wage credits or total reduction of benefit rights except in cases of discharge for misconduct in connection with work, fraud in connection with a claim for compensation or disqualifying income.

It would prohibit the denial or reduction of benefits to a worker because he files his claim or resides in a State other than that in which he earned his wage credits.

It would prohibit the denial of benefits to a worker engaged in an approved training course.

It allows a State to reduce its tax rate for a new or newly covered employer to not less than 1 percent until that employer has been covered sufficiently long to establish a record for merit rating.

It increases the taxable wage base to $3,900 effective with respect to wages paid in calendar year 1969 through 1971 and to $4,200 beginning in 1972 and thereafter.

It increases the net Federal unemployment tax rate from 0.4 percent to 0.6 percent effective next year.

It extends for 5 years the time within which the States may expend for administrative purposes funds previously returned to them in the form of excess Federal tax collections.

And it furnished the States a procedure for appealing decisions of the Secretary of Labor relating to conformance with Federal law to the U.S. court of appeals for a judicial review.

No, Mr. Chairman, this is not an anemic little bill. Its enactment will mean real and substantial change.

Now, there will be others who will argue that the change is too great—that the bill goes too far, too fast. To these people I would simply point out that the changes involved are based on demonstrated need. These improvements have been carefully put together in a period of economic prosperity under the unemotional light of administrative experience. H.R. 15119 does not entail change simply for

the sake of change—nor does it hold on to existing concepts simply because they have historically obtained.

Mr. Chairman, the item which attracted the greatest publicity and evoked the closest study and attention in the development of this measure was the question whether the Federal law should impose minimum weekly benefit standards upon the States. The administration proposal would have imposed Federal minimum benefit standards eventually requiring each State to pay eligible claimants 50 percent of their average weekly wage up to a maximum of 66⅔ percent of the statewide average weekly wage. The principal argument for a Federal benefit standard centers around the charge that in some States the benefit amount has lagged behind increase in wages. The interstate conference was sharply divided on this issue, but did vote to endorse a Federal benefit standard of 50 percent of a claimant's average weekly wage up to 50 percent of the statewide average weekly wage. Most State administrators would agree that this is a reasonable level for State benefits and many States already maintain this level or a higher one.

Senator DIRKSEN. Let me ask you at that point, that was the Phoenix meeting?

Mr. HILL. Yes, sir; that is correct.

Senator DIRKSEN. How many did endorse weekly benefit standards?

Mr. HILL. Well, the vote on the actual issue of the Federal benefit standard there was—as I recall it, 24 States voted for it and 21 against.

Senator DIRKSEN. Now, there are no Federal benefits tendered in this bill?

Mr. HILL. That is correct.

Senator DIRKSEN. I am just wondering whether there was any other explanation for it. It would appear that you and your associates are all for the instant bill without those Federal benefit standards.

Mr. HILL. Yes, Senator Dirksen, with the little bit I have left in my statement I explain to you that the State administrators now have been repolled on this measure and will reveal to you that actually 41 States now support H.R. 15119 as it was passed by the House, and actually in the latest poll we have taken, none of the States voted in opposition to 15119. We did have 11 States that did not cast a vote either way. But this change that took place with respect to Federal benefit standards I think should have some explanation.

First of all, you must understand that when the conference began to develop its recommendations we had a special committee of 10 State administrators, and those 10 State administrators met on several occasions and we kicked around the various proposals as to what might be done and what ought to be done; and that special committee came to the conclusion that by a vote, as I recall it, eight or nine to one, that no Federal benefit standard could be devised that would truly be equitable, and so we recommended to the entire conference membership when it met in Phoenix, that no Federal standard be endorsed. But in the argument that took place on the floor in Phoenix, the people who favored a Federal standard were persuasive, and a special committee that had studied its report was rejected, and a Federal standard was endorsed.

We found in many of the States that the impositon of a Federal standard would mean, in effect, virtually wiping off the books the

kind of program that that State had. It was not just a matter of increasing the amount they paid but it was a matter of actually changing their whole philosophy of paying benefits; and Senator Dirksen, I might say to you that one of the States that we have given great consideration to was your State of Illinois where you pay on what we call a variable maximum theory, and this variable maximum theory is not very adaptable to a 50-percent or 60-percent standard. You would have to give it up and switch to some other system.

We found that there were other States also, at least one that has a variable maximum system.

We also found that imposing any kind of Federal benefit standard does not really bring the States any closer together in the disparity that exists between their maximums. In many cases it even makes this disparity greater because the weighing levels in the different States vary.

If I might, at that point, I would like to pick up and finish what little bit I have and then would like to get these people who were present while we were working on the Federal standard to talk with you about it.

I think there were a lot of State administrators who came to the conclusion that an equitable Federal benefit standard with our present system just couldn't be devised and, consequently, I think for that reason when the Ways and Means Committee apparently reached the same conclusion, and when the House overwhelmingly endorsed this bill, I think the State administrators felt that the best job that could be done had been done and, therefore, they again now have overwhelmingly said we like this bill like it is.

But if I may pick up with my statement, I want to say that the Ways and Means Committee examined the effect such a standard would have on the various State laws and they explored with us the problems that would arise in those States paying benefits on the variable maximum system and those paying on an anual wage formula. They looked at the differential between the benefits being paid under present State laws and compared it with the differential that would exist under the proposed Federal benefit standards. They pondered the question how to impose a benefit standard on weekly amount and make it meaningful without likewise standardizing the eligibility requirements, the disqualification requirements, the earnings requirements, et cetera, of all of the States.

In other words, and I depart from my statement, one of the problems we ran into if you standardize one feature of the program and leave all the rest as to who can draw and how much money it takes to be eligible, you leave all that free to the States, you don't really solve the problem because, I may say, one State may make it twice as easy to draw its 50 percent of wages as another. So that once you get into the proposition of standardizing benefit amounts, then you must standardize duration, you must standardize eligibility requirements, you must standardize human behavior, what kind of penalties the States can exact, otherwise some will not be as rigid as others, et cetera.

Well, the committee ultimately determined that a Federal benefit standard ought not to be imposed and, Mr. Chairman, the State administrators now agree with that decision.

An official poll of all the States was taken by the interstate conference this past week. That poll indicates that the State administrators

are overwhelmingly in favor of the enactment of H.R. 15119 in exactly the same form as passed by the House.

With your permission I would like to read into the record the question put to each State administrator and then report the results obtained. The question asked was simply this:

Do you favor enactment of H.R. 15119 as approved by the House?

In response to this question 41 State administrators answered yes; none answered no; and 11 did not respond. The States answering yes have 69 percent of the Nation's covered workers and 77 percent of the covered employers. The States not responding have 31 percent of the covered workers and 23 percent of the covered employers. Of the 41 States favoring H.R. 15119, 3 qualified their vote by indicating they would not necessarily be opposed to certain amendments without specifying what those amendments were.

Mr. Chairman, the men and women who work at administering these laws at the State level believe H.R. 15119 is a good bill. We believe it makes sound improvements in the program. We hope it will be the pleasure of this committee to report H.R. 15119 to the Senate floor without amendment.

We appreciate this opportunity to express our views and if there are questions, my associates and I will endeavor to answer them.

Senator DIRKSEN. Let me ask just one.

Why do you think eight State administrators failed to respond?

Senator BENNETT. Eleven.

Mr. HILL. There were 11, Senator Dirksen, and always when we take a poll we will have some States that will not respond. In some instances that failure to respond can result from the fact that the State administrator and perhaps his State administration generally may not see eye to eye on the issue, and rather than have the State administration going one way and the administrator himself another they simply won't respond. In many instances we find that the issue is so close or such a difficult one that they prefer not to respond rather than to be held to it.

Actually though, we try to encourage as many States to respond to these polls as possible, because under the conference code, it is not possible for us to reveal how any given State voted, and any State administrator can tell you if he wants to how he voted on this poll; but so far as the poll itself is concerned we do not reveal the names of the States that voted one way or another.

We try to do that in order to elicit from the State administrator not a political response but a purely technical response as to what he thinks would be good in terms of operations of the program.

Senator DIRKSEN. Now, who else do you want to have comment on this?

Mr. HILL. I would like to have several of these gentlemen comment on this.

Mr. Brown here was present during the time we were working on Federal standards over in the Committee on Ways and Means. Jack, would you like to comment about why the Federal standard was omitted?

Senator DIRKSEN. Mr. Brown, you are the administrator in Pennsylvania?

Mr. BROWN. That is right, Senator.

Of course, we did a great deal of research for them. We were able to point out that actually in a lot of the States, there are about 16 States right now which have the equivalent in their laws of this kind of a standard, and it was interesting to find out that in many of those States that standard, as written to their law, does not produce a replacement of wages for a majority of the claimants in those States because of other factors in their economy or in other parts of their law.

Interestingly enough among several of the States, including Pennsylvania, where our maximum does not quite meet the standard, we are paying up to 63 percent of our claimants 50 percent of their lost wages.

So what we find is that each State has tried to tune in, you might say, its benefit formula with its economy, with its experience, with the kind of claimants, with the kind of industries that are involved, and as a result of all of these deliberations, and I could go on in great detail but I won't.

The point was pretty well made, and in fact it wasn't the first time that it had been made interestingly enough. Back in 1958 the Federal Advisory Council recommended a standard along these lines, and the Advisory Council in the State of New York made a study of that recommendation at that time, and this was reported by that Advisory Council in 1958. And I might just read the concluding statement in this, and I would be glad to submit this report for the record. It says:

> Thus the proposed Federal standard fixing the maximum weekly benefit rate in each state at a percentage of the states' average weekly wage would not and could not achieve an equitable result among the states.

So in these last few months we were not the first to find this out. The New York Advisory Council found it out back in 1958 as a result of exhaustive study, and I will submit this report of theirs for the record.

Senator DIRKSEN. I have no objection.

(An analysis by the Federal Advisory Council follows:)

ANALYSIS OF THE FEDERAL ADVISORY COUNCIL RECOMMENDATION THAT THE MAXIMUM WEEKLY BENEFIT SHOULD BE FIXED AT TWO-THIRDS OF A STATE'S AVERAGE WEEKLY WAGE[1]

This is intended to achieve the generally accepted goal that the majority of the claimants should receive a benefit rate equal to at least half their individual weekly wage. If this standard of fixing the maximum weekly benefit amount as a percentage of the State's average weekly wage were to be adopted, it is an unfortunate fact (apparently not realized by the proponents of this particular standard) that there would be great variation among the States in the percentage of claimants who would be stopped at the maximum weekly benefit rate.

This fact may be illustrated by the following data for New York and North Carolina, on the one hand, and Illinois and Ohio, on the other hand. In the fiscal year ending June 30, 1958, 16 per cent of the claimants in North Carolina and 24 per cent of the claimants in New York State were receiving the maximum weekly benefit rate. Obviously, in these two states the great majority (84 per cent in North Carolina and 76 per cent in New York) were receiving at least 50 per cent of their weekly wage, since they were not subject to the maximum limitation. During the same period, in Illinois 84 per cent of the claimants and in Ohio 79 per cent of the claimants were eligible for the basic maximum weekly benefit rate. In these two States, only a minority (16 per cent in Illinois and 21 per cent in Ohio) were receiving at least half their weekly wage, since they were not subject to the maximum limitation.

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[1] Abstracted from minority views, New York State Advisory Council's 1958 Annual Report.

Assume that the basic maximum weekly benefits were set at 50 per cent of the average weekly wage in each State as the result of a Federal standard. (This is actually what the public and labor members of the Federal Advisory Council recommended for the first two years of Federal standards.) The effect of this proposal in North Carolina would actually be retrogressive, since the present maximum benefit rate in North Carolina is already 52 per cent of the State's average weekly wage. The present $45 maximum in New York State is 49 per cent of the average weekly wage, so that the 50 per cent standard would require New York to raise its maximum to $46 and there would be 22 per cent of the insured claimants eligible for this maximum (as against 24 per cent under the present $45 maximum). Thus, the effect of this Federal standard of 50 per cent would be negligible in New York and North Carolina. In Ohio, if this standard were adopted a rough estimate indicates that 53 per cent of the insured claimants would still be limited by the maximum benefit rate and most of these would be receiving less than half their individual weekly wage. Similarly in Illinois, about 50 per cent of the insured claimants would still be subject to the new maximum and almost all of these would still be receiving less than half their individual weekly wage. Thus the proposed Federal standard fixing the maximum weekly benefit rate in each State at a percentage of the State's average weekly wage (whether this percentage is 50 per cent, 60 per cent, two-thirds, etc.) would not and could not achieve an equitable result among the States. The existing State differences would still be present. Uneven, inequitable treatment among the states would still prevail and this type of proposed Federal standard could not achieve uniformity even as the "minimum benefit standard" which proponents of Federal standards seek to achieve.

The many improvements that have been made in the State laws over the last twenty years indicate clearly that the State agencies have the ability and the willingness to continue to improve their unemployment insurance programs without the extra whip of Federal minimum standards, which are difficult, if not impossible, to formulate in a way that would meet the varied economic conditions among the States in an equitable and effective fashion.

It is of the essence of the American spirit that when the needs and the facts about any problem are understood by the people of any community or State, the local governmental units will take the required action. To assume that only through Federal benefit standards can these local community problems be met, is to surrender our faith in this fundamental aspect of the American character. In the field of unemployment insurance there has been no showing of the necessity for this surrender.

Senator DIRKSEN. Now, who is from Texas?

Mr. COFFMAN. Mr. Coffman.

Senator DIRKSEN. Have you some comments on this matter of standards?

Mr. COFFMAN. Yes, I would like to comment in this respect, Senator.

The charge is made or the statement is made that one of the reasons we ought to have a benefit standard is the failure of the States to perform in a manner which would reach the required level.

I would suggest to you that the record doesn't support that statement because the States have constantly through the years improved and added to their structure, including the improvement of their benefit wage formula.

During the last calendar year, 21 States increased their maximum benefit amount. Just this year, with very few legislatures in session, being an off year, six States have already increased their maximum benefit amount by some amount.

The point I make is that the States are constantly improving this situation, and I am confident that they will continue to improve, as they have through the years.

In the early stages of consideration of this bill we went back and studied the legislative history of the 50 States in this connection, and we find that since the inception of this program there have been more

than 500 legislative enactments in the States improving unemployment compensation in those States. I think this speaks for itself.

The CHAIRMAN. Let me ask a question, if I may, at that point, Senator. I just want to get one or two things straight in my mind.

When this program first went into effect, and I am looking at page 40 of this document prepared by our staff, you will notice 17 States in 1939 had benefits that were 70 percent or more of the average weekly wage. Nine States had benefits exceeding 65 percent of minimum wage. Now, between those two, those are 26 States that exceeded 65 percent of the average wage. Eight States exceeded 60 percent, 12 States exceeded 55 percent. All but two States exceeded 50 percent.

Now there is only one State that exceeds 55 percent of average wage, 17 States exceeded 50 percent, that would be 18 States. How did this sharp shift come to happen and why?

Mr. RAUSHENBUSH. May I take that. I am Paul Raushenbush of Wisconsin and I think, perhaps, I have some personal responsibility for how that happened which I haven't previously put forward in this kind of a record.

I was asked, because I had been the first administrator of an unemployment compensation law in this country and had helped draft the Wisconsin law to get it passed and then had, much to my surprise, been drafted to administer it and I have been at it ever since. Well, in the early history of Federal participation, a few years after we passed our law, I was asked to help draft a bill which the Committee on Economic Security might send out to the States, and in the process of drafting that bill what figure did I put in? I put in a $15 maximum weekly benefit amount figure. I didn't try to say how each State should roll its own, and under the pressures of time limits and the like, a good many States just took that $15 figure.

Now, Senator, as you very well know, a flat dollar figure will be a very uneven percentage of wages in a great many different States. So this is partly a historical accident that you started that way.

Now, over the years in every State year by year in their legislatures they have been considering what the proper figure ought to be. What should be the maximum weekly benefit amount for the highest paid workers, and they have been adjusting this time after time.

Take in Wisconsin, since I know that better than any other situation. We have a statutory mandate to a joint labor-management advisory committee to bring in recommendations to the legislature every 2 years, and we have done that year after year after successfully getting joint agreement and, as a result, our maximum weekly benefit amount is now at a $58 level. We happen to have an escalator clause, so that we go to not 50 percent, but 52½ percent of the average statewide wage. We like that device. We have recommended it to other States but that doesn't mean that we think the Congress ought to force it on everybody. We like the educational process.

We still think State responsibility in these matters is desirable. So I want you to realize that a lot of progress has been made by the States over the years. If anyone says that the States haven't been improving their laws, let me give you a couple of figures.

Back in 1938 or 1939, what was the maximum possible amount, the total amount of benefits that the highest paid worker, and most steadily employed worker, could possibly draw? It was about $300. I

don't think any State went above that at that time. That is a combination of the maximum weekly benefit payment times the maximum number of weeks, multiplying it out produces $300.

What is the picture now? Forty-seven out of fifty-one laws, counting the District of Columbia, 47 of them are above $900, that is three times as much, and 25 of them are over $1,200. My own State is over $1,900, and that is the process of steady improvement both of weekly benefit amounts and weekly duration, reduction of waiting period.

I think when you get an indictment as you sometimes do in connection with this type of legislation, that the States aren't doing an adequate job, well adequacy is a matter of difference of opinion, but they have been working at it, and they have made a lot of progress and I am convinced they will continue to make progress if you leave it in their hands as the original concept of the Federal-State program did.

The CHAIRMAN. Let me submit a problem to you and get your reaction to it.

We have a big payroll down there at New Orleans at Avondale Shipyard, about 50,000 people working there. I hope to help launch a ship down there tomorrow. Baltimore also has a shipyard. We bid against them on building a ship, and we beat them by $100,000 on a $50 million contract. So they go in there and put all the pressure they can on everybody. They made the mistake of putting it in the newspaper that they were going to take it away from us. That sent me over to the White House and them down to the White House, and sent them over to the Maritime and us down to the Maritime. We went all around the Commerce Department and Maritime and had pretty much of a fist fight over hill and dale in trying to prevent them from taking the bid away from us.

So it stood that way. We won by one-fifth of 1 percent and that meant we had a lot of people working in our shipyards.

Incidently, the argument they made all through the executive branch was that they had a lot of people out of work up there, and we fought to keep it that way. Now, if somebody has to be out of work I would rather it be somebody in Maryland than in Louisiana; that is the viewpoint a Louisiana Senator would take. A Maryland Senator would take the other point of view, but if both States were required to have the same general level of unemployment tax then the cost advantage of one State against the other would not exist.

That is how the program started out, as I recall. The Federal Government just levied a tax, we levied a 3-percent tax and gave you a credit for 90 percent of that, so we would get three-tenths of 1 percent and you would get the other 2.7.

Do you approve of the Federal Government fixing the level of the tax?

Mr. RAUSHENBUSH. May I talk on that again.

The original idea of the Federal Unemployment Act with its tax credits and offsets was to get every State to pass a law, surely. It was in some measure to remove the interstate competition impediment. Here was Wisconsin having passed its law in January 1932, and it was—well, seven States passed a law through one house in 1933 but nobody got a law on the books. So the device of the Federal unemployment tax to encourage action by all States was a very ingenuous and effective device. Every State did pass a law.

But I would like to distinguish between levying the tax to get State legislation, on the one hand, and any degree of uniformity or elimination of all interstate competition differential. That was not part of the plan and I can document that by pointing out that the original enactment in the Social Security Act of 1935 provided that a State could vary its contribution rates between employers based on their individual experience, and this has been a very basic feature of American unemployment compensation laws—the experience rating provisions.

Now, the moment you had those experience rating provisions with variations for employers based on experience, you were bound to have some differentials in the overall average rate between States and that has been inherent in the picture from the very beginning, that you recognize that you weren't going to have a uniform tax in every State or even a uniform average tax in every State and, of course, there are dozens of other interstate competition differentials. Wage rates, for instance, are far more important and, by the way, I used to teach economics years ago before I got into this program so I am afraid I am apt to be pretty emphatic, but there are a lot of different interstate competition differentials, and I think we should not exaggerate the importance of this one particular feature.

Senator DIRKSEN. Mr. Raushenbush, this probably would be a good place to comment as, to whether or not in your judgment the States have kept up with the increases in living costs.

Mr. RAUSHENBUSH. Oh, they have more than kept up with the increases in living costs, Senator Dirksen. They have probably even kept up with take-home pay which is a new concept that wasn't in the picture back in 1935 in view of the withholding of Federal income tax.

I think it is true that they have not fully kept up with the gross wage level rise. Unless you are looking at the total entitlement, as I was saying before, the difference between $300 and $1,200, for example, I think the States have done very much better than keep up with cost of living, and they have overall, I think very well compared to take-home pay.

It is true that if you take only the weekly benefit amount and gross wage increases they haven't quite kept up.

Mr. BROWN. Let me add to that record, if I may, the cost of living increased from 1939 to 1965 by 128 percent. The average unemployment compensation benefit paid by all States increased in exactly the same period of time by 247 percent. On the other factor that was mentioned on total entitlement, the combination of weekly benefit and duration entitlement, the increase has been 160 percent. So in really both areas, Paul, the States have produced a compensation plan that is paying more than the increase in cost of living over the same kind of time.

Senator DIRKSEN. Would you say that was true of all States?

Mr. BROWN. I would say it is true of all States; yes, sir.

The CHAIRMAN. On page 41 of our statistics relating to unemployment insurance compensation, I notice that Louisiana pays a maximum weekly benefit of $40 and that works out to 40 percent of average payroll. Now, Maryland has a maximum benefit of $50 and that works out to 49 percent of the average weekly wage. Is that enough difference to put that ship contract to New Orleans?

Mr. BROWN. Not necessarily, Senator.

The CHAIRMAN. And in view of the fact that we keep our shipyard filled with work and theirs is empty half the time, that gives us a lower experience rating at New Orleans.

Mr. HILL. Now you are touching on the point. You see the experience rating is what does it more so than the fact that you have a differential necessarily in your benefit amount.

For instance, if your shipyard has steady employment there, the rate there is going to be much less regardless of what benefit Maryland paid even if they paid half the benefit.

The CHAIRMAN. It is going to cost you more money to pay a $50 maximum than a $40 maximum; anybody can figure that out.

Mr. HILL. Well, there is a State maximum but that maximum doesn't necessarily mean that the shipyard in Maryland would pay a higher tax rate than the one in New Orleans because this isn't necessarily so. It would depend on their experience in Maryland.

The CHAIRMAN. It seems to me it would depend on the two of them.

Mr. HILL. Correct. It will depend on both of them to a certain extent but the major factor will be the experience rating of the company involved. For instance, we can have a General Electric operation in the State of Virginia that may be taxed at one rate because of its experience there, and identically the same type of operation in the State of North Carolina where the benefit may be different but would have a different experience and therefore, their rate would be quite different.

The CHAIRMAN. When you put a tax on a $3,000 wage basis, and the purchasing power of that money diminishes to where it would take $6,000 to get you the same amount of purchasing power that the $3,000 would get you originally, don't you of necessity have a smaller program if you are still working from a $3,000 base after 30 years?

Mr. HILL. This is correct, that is why we endorse the increase in 15119.

The CHAIRMAN. This is what confuses me; your group endorsed this first step increase, this 50 percent, not to exceed 50 percent of average weekly wage. I was under the impression your people had endorsed that when the bill came to the House although you are not asking for it now.

Mr. HILL. That is true.

The CHAIRMAN. What was your position on that when the bill was first introduced?

Mr. HILL. Well, when the bill was first introduced after our meeting at Phoenix, the Interstate Conference endorsed a Federal standard of 50 percent of the individual's wages up to a State maximum of 50 percent of each State's average weekly wage and, as I explained earlier, this was taken to the Ways and Means Committee. We presented it to them, we urged it upon them and we sat in executive sessions with them and tried to work it out. Having been through that and when it was finally determined that it could not be equitably done, and when the bill went to the floor of the House and received overwhelming endorsement, the next thing we did was to repoll our group to determine whether or not we should continue to insist upon some kind of Federal standard or whether we should endorse this bill as it was passed by the House, and as I explained to you our vote was very similar to that in the House. I would describe it as being overwhelm-

ing; 41 of the States said yes they wanted this bill passed as it was in the House.

The CHAIRMAN. So you endorsed the recommendation when it came in but now you don't ask for it. I take it you wouldn't be too angry if it became law in view of the fact that you at one time endorsed it. Am I right or wrong about that?

Mr. HILL. State administrators from long experience are not unhappy with what hapens to us, but we are simply urging you at this moment to report this bill without any amendments.

The CHAIRMAN. Mr. Raushenbush would probably know about this. Here is the report to the President of 1935, you may have drafted this thing, Mr. Raushenbush.

Mr. RAUSHENBUSH. No; I don't think so.

The CHAIRMAN. But on page 11 in the middle of this thing, here is the statement:

> If still unemployed after a waiting period, the worker becomes entitled to unemployment compensation at a specific percentage of his average wages prior to discharge or layoff subject to an absolute maximum and usually also the absolute minimum.

Now, at the time this was drafted Wisconsin had the best program in America.

Mr. RAUSHENBUSH. The only one.

The CHAIRMAN. In fact I think only three States had a program and Wisconsin was regarded as the best.

Mr. RAUSHENBUSH. We were the only one.

The CHAIRMAN. Is that right, sir, you had the only one? The report continues:

> In our calculations a 50 percent compensation rate and a maximum of $15 per week but no minimum were assumed.

Mr. RAUSHENBUSH. This is an actuarial calculation where they were trying to say what program you could finance for a given tax rate.

The CHAIRMAN. So that when States undertook to draft their statutes, I think they were looking for one and someone just mailed out of Washington——

Mr. RAUSHENBUSH. I said I was guilty. [Laughter.]

The CHAIRMAN (continuing). A model statute. Was that the Wisconsin statute that was mailed out?

Mr. RAUSHENBUSH. No, this was a draft bill prepared specifically for the Committee on Economic Security. I was asked to come down to Washington, and spent several weeks doing it because I at that point had more experience than anybody else in the country. But let me go back to this 50 percent business. You realize that in practically all States, I think, most of the benefit rates schedule as to weekly benefit amounts does yield 50 percent to the worker who is not the highest paid worker. The whole issue then that was here involved really was the maximum.

Now, maybe you ought to be aware of one reason I am sure Ways and Means after playing around with this idea of a weekly standard abandoned this approach was they ran head on into Illinois and Michigan with their variable maximum provisions. You know what that is; that is a combination of wages and dependents. It is a form of dependents allowances. But it is a form which sets a different maximum for the single worker and a different maximum for the worker

with two dependents and a different maximum for the worker with four dependents, all depending on wage level. So it is a combined wage level and dependents feature.

Now, both Michigan an Illinois would probably have to scrap their present provisions which they are much attached to, if you said, "Well, you have got to meet a 50–50 type standard."

There are nine other States with dependents allowances, usually figured as an addition to the amount otherwise computed. Probably most of those other States would also have wanted to abandon their dependents allowance feature if you put in a 50–50 weekly amount standard. So this was one of the complications that Ways and Means faced up to, and said, "Well, we don't want to revamp these State programs to that extent, and abandon the standards approach." They also, as Mr. Brown pointed out earlier, said, "Well, all these standards would have to be interrelated," all these benefit provisions are interrelated.

It is really a seamless web. If you once get into this you are hopelessly bogged down in federalizing the whole system you had better leave it to State judgment and discretion, because there is lots of evidence of responsible State action over the years. Sure this is a controversial field. Don't think it is easy for labor and management in Wisconsin to reach agreement every 2 years, but they do.

The CHAIRMAN. You are an economist.

Mr. RAUSHENBUSH. I used to be, at least.

The CHAIRMAN. Yes, sir. Well, I always thought it is something like being a lawyer, once a lawyer always a lawyer, at least you kind of like to think so.

Mr. RAUSHENBUSH. Thank you, sir.

The CHAIRMAN. And you do recognize that the diminishing purchasing power of the dollar has given us a smaller program than we had when this program first went into effect.

What is your reaction to that?

Mr. RAUSHENBUSH. Well, I have several reactions.

The CHAIRMAN. Do you think something ought to be done about it or not?

Mr. RAUSHENBUSH. I have several reactions, Senator.

In the first place, I am in favor of a broader taxable wage base for Federal and State purposes but not way up where you will jar industry very badly if you make such a big change as the original bills proposed in the House.

The CHAIRMAN. You would like to see it increased?

Mr. RAUSHENBUSH. I would like to see it increased, and I think the increase that the House decided on is a House solution.

Now, I realize that the Secretary of Labor told you it wasn't a very adequate increase. I think it will fill the bill for the next 6 years. Maybe after that you will have to take another look. But I think the change to $3,900 in 1969, giving the States an adequate opportunity to legislate meanwhile in regular sessions rather than special sessions, and then the move to $4,200 in 1971, combined with the tax rate increase from net Federal tax rate, moving from four-tenths to six-tenths, this is going to finance the program much more adequately perhaps than it has been in the last few years. This is particularly true of administrative costs.

The $3,000 base having stayed hitched for so long has really begun to turn the screws both on administrative money, net Federal unemployment tax receipts, and grants to the States for administration, but also on benefit provisions in the States, and, as you know, Senator, a number of the States have adjusted their wage base, their contribution base. They felt they had to to keep a good solvent benefit program and continue to liberalize their benefit provisions.

There are now, I believe, 18 States which go above $3,000 as a base. Wisconsin joined that group just this year. We now have a $3,600 base.

Senator DIRKSEN. Doctor Raushenbush——

Mr. RAUSHENBUSH. Yes.

Senator DIRKSEN. I think you should at this point comment on the possible impact of the Secretary's suggestion with respect to this higher wage base on the economy of the various States.

Mr. RAUSHENBUSH. Well, this certainly concerned all of us. Employers, I think, would probably be up in arms if you were seriously considering the type of proposal originally made of jumping the wage base from $3,000 to $5,800 and then to $6,000, because they see no necessary relation between the social security base and this one. These two taxes, although they are both payroll taxes, differ widely. In social security you have joint contributions, employer and employee, and you have no experience rating whatsoever. It is a wholly different situation, and ever since 1939 when the Congress changed to a $3,000 base, these two things have gotten farther and farther apart every time you adjusted social security.

So there is no reason why you shouldn't treat this on its own merits and not hook it up with the social security base.

But certainly the impact on industry and its costs would be a very major impact when you go from $3,000 into the Secretary's most recent proposal of $4,500.

I think Ways and Means was right in doing it in two steps, and the first one postponed a couple of years, with due notice, giving the States a chance to legislate this, too, as part of their benefit financing, $3,900 in 1969, and then $4,200 in 1971, they considered this very seriously. They got all kinds of actuarial estimates from the Federal people in the Bureau of Employment Security, what this would take for administrative financing and also for the financing of the 50-percent Federal share of extended benefits, which is part of the proposal of 15119.

This ground has been very thoroughly canvassed and I think the thing that this committee, in particular being a tax committee, should give very serious consideration to is how heavy a jolt are you willing to give the employers of the country by jacking up the wage base too fast, too far; does that answer your question, sir?

Senator DIRKSEN. Yes.

The CHAIRMAN. Well, you made a good case, gentlemen.

Mr. RAUSHENBUSH. Well, we have thought about it a little bit.

The CHAIRMAN. Senator Dirksen, do you have any further questions?

Senator DIRKSEN. I thought there should be some comment on the Secretary's suggestion about extended benefits.

Mr. RAUSHENBUSH. I would like to pass that to Curt Harding of Utah who chaired our committee on this subject.

Is that agreeable?

Mr. HILL. Yes, Mr. Curtis Harding of Utah.

Mr. HARDING. This is rather difficult to reply to. I would like, though, to report that we started in 1961, that is a committee of the States, to see if we could not devise a program to meet the needs of the unemployed workers during periods of recession.

We met for a period of 2 years and we obtained the information from the Bureau of Employment Security in Washington; they worked with us very cooperatively. We worked with many State administrators and many of our research people, and over a period of 2 years we devised a program of extending our protection to the workers during these high unemployment periods.

One of the big issues was as to whether this should be completely federally financed or completely State financed, and after considerable study we concluded that the program we had recommended with the 50–50 sharing of financing would produce the best benefit payment program and result in the best formula.

Now, this program that was proposed the day before yesterday by the Secretary is new. None of us have had an opportunity to review it. Remember that these costs represent hundreds of millions of dollars in benefits and in taxes, and I couldn't pass judgment on this really until I had an opportunity to make a careful analysis as to what it would do, how much it would cost and really put it under the same type of microscope that we put our recommendations.

Incidentally, Paul Raushenbush was a member of this committee, I was on it. Paul—I really don't know how I can answer the question. I just think it is too new.

Mr. HILL. Let me make one comment about this. One of the features that we considered when we were developing our extended benefit program was whether or not it ought to be totally State financed or totally federally financed or partially federally financed. One of the things that led us to the conclusion that any kind of extended benefit program ought to be at least a shared-cost proposition was because once you get into a total Federal payment for extended benefits you lose employer participation in terms of whether the individual is still looking for work and trying to find work. The employer loses interest. It is no longer merit rated. It is coming out of the Federal kitty and he couldn't care less from that point on whether or not the man gets the benefits.

Now, unfortunately, we have a feeling this may carry over also to State administration and we are State administrators here. But when you get into the business of paying out of the State funds, State moneys to the people you get better and closer administration with the people who are unemployed and we wanted that, and for that reason we asked that there be some State money along with the Federal money because we felt we would get better administration.

Mr. RAUSENBUSH. Mr. Chairman, one more brief comment on that. We noted that the Congress in 1958, and again in 1961, had passed a program of extended benefits directly related to recession periods or high unemployment periods, and right after that experience of 1961 we said we think the Congress is going to be interested in an extended benefit program whenever the economic weather gets really rough. Therefore, our committee went to work and spent a couple of years in

developing this program which Mr. Harding and Mr. Hill have just outlined, and after we had developed it we put it to the States. We had a number of regional meetings in which we thoroughly discussed it. Then we took a conference poll. There was general support for it and at this point we got bipartisan introduction of the proposal in the House.

Chairman Wilbur Mills and John Byrnes, each introduced an identical bill so that this would be before the public for a period of time, and this has been true now for a couple of years. This has been common property, these ideas.

Now, the Ways and Means Committee, in its executive session deliberations modified that original proposal somewhat to throw in national trigger points, in other words, to have all States participating if the nationwide economic conditions were such that it seemed desirable, but still they stuck to the idea of a recession period or high unemployment period either State or Nation wide and they stuck to the idea of joint financing and sharing of costs.

Now, the Secretary's proposals, of course, would go for a hundred percent Federal financing under recession conditions. Even though the Secretary did accept the trigger points of H.R. 15119, we still think what the House passed is better and we are very hopeful because we think this is a very major, important bill, making some real progress in this field, in coverage, in financing, in extended benefits in judicial review, and we hope that this committee will recommend it without amendment and that it can still be passed in this session of Congress.

Senator DIRKSEN. Dr. Rausenbush, it would occur to me if in a recession period you had a hundred percent of Federal financing that would be just one facet but it would open the door to ultimate federalization of the other attributes of the program.

Mr. RAUSHENBUSH. There is surely that danger, Senator. There has always been a question as to the proper role of unemployment compensation, is it an earned rights program or is it a welfare program or relief or whatnot, and there are some people who think it ought to be a welfare program.

The CHAIRMAN. I think it would be a better program, Mr. Raushenbush, if we had you here in Washington instead of Wisconsin.

Mr. RAUSHENBUSH. Maybe I have already talked too much.

The CHAIRMAN. Are you through, Senator Dirksen?

Go ahead.

Senator DIRKSEN. Go ahead.

The CHAIRMAN. How much money is there in the unemployment trust fund now; What is the total?

Mr. RAUSHENBUSH. I would have to look that up. It is over $7 billion.

Mr. HILL. It is over $7 billion.

The CHAIRMAN. That is close enough. So as of now as I understand your position, you say, well, we have over $7 billion in the fund and you feel that with these extended benefits it might be better just to wait and if you run into bad, stormy economic weather then let Congress act as it did previously.

Mr. RAUSENBUSH. No; we would like to have it done in advance.

Mr. HILL. In this bill.

Mr. RAUSENBUSH. That is what this bill does. It puts it on the books in advance.

The CHAIRMAN. So you want it that way?

Mr. RAUSENBUSH. Yes. Because every State will have to enact legislation to meet the new extended benefit program of this bill, and they should be doing that in their regular sessions in 1967 and some of them meeting only in 1968. So they are getting advance notice and an opportunity to legislate.

We like that provision of the bill.

The CHAIRMAN. For once you are a little bit off, gentlemen; the State reserves rates are $8.4 billion.

Mr. RAUSENBUSH. I was being conservative, I said over $7 billion.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. Mr. Chairman, if I am correct the Secretary of Labor last Wednesday recommended that every State pay every claimant who has 20 weeks of work 26 weeks of benefits on a flat uniform basis.

Mr. Harding, who is the administrator of the Utah Department of Employment Security is here and I would like to ask him how would this affect our program in Utah if it were adopted?

Mr. HARDING. Well, I would be pleased to comment on this, Senator Bennett.

I might start out by saying at one time in the State of Utah we had a law and this law paid our people 26 weeks of benefits if they qualified for benefits; that is, with 26 weeks of work. We have a problem in that we have a high seasonal percentage of industry, we have a great number of seasonal workers, and the greatest cost of our program is paying benefits to seasonal workers.

Many States had provisions in their laws that denied benefits to these seasonal workers and the issue came before our advisory council, which was constituted of labor representatives, management representatives and the public, and they were trying to devise a system of improving the program and increasing the benefits but the cost of the seasonal workers was so high that they just couldn't see their way clear to do it so they were trying to work out a seasonal clause to see if they couldn't perhaps deny benefits to these seasonal workers in order to have a more equitable program to pay benefits as the advisory council says to the people for whom the legislation was really enacted.

After considerable discussion and because we have so much seasonal industry they concluded that this would be inequitable so at that time we changed the program, the policy which we had been operating under and rather than having a uniform duration for all of the people they said we still pay benefits to these people but we will pay them a lesser amount, and they, at that time adopted a plan of what is called variable duration. In this regard, I would like to state that at that time there were in the neighborhood of 16 to 17 States, I believe, that had uniform duration. If you will check the record, I think you will find that about half that number continue to have uniform duration. In other words, the States have moved in this other direction, and we did it, as I say, to improve our program.

We didn't want to deny these people benefits. We just wanted to recognize that labor market attachment isn't something which is not black and white.

You go to 20 weeks and you pay the man 26 weeks of benefits. He has 19 weeks of employment and you pay him something less than that, or zero. So if this were enacted we would have two choices and I think they would both be bad. Right now we pay in the State of Utah a minimum of 10 weeks for 19 weeks of work. We pay a maximum of 36 weeks for approximately 40 weeks of work.

Now, if our advisory council and our legislature is confronted with this problem of having to pay anyone who qualifies with 20 weeks of work 26 weeks of benefits they are going to have to reevaluate our program and we have two choices and I think they are both bad. Are they going to adopt seasonality provisions now and deny benefits to these people who otherwise receive something less than 26 weeks? Are we going to make up the additional costs by some other part of the formula and are we, for instance, going to look at the recipients that receive above 26 weeks and make some adjustments to that?

We are going to have to then work our formula in accordance with this mold which is put out at this national level, we are going to have to fit the economy. Utah does not fit into this national mold and it is going to create a very, very difficult problem and deny us the right, us in the State of Utah, the right to adopt that program which most equitably meets the needs of our people.

Our advisory council a few years ago when we extended duration up to 36 weeks for the man with long labor market attachment said:

We want this program to pay the right people at the right time and we want to recognize that the person who has substantial labor market attachment is entitled to substantial benefit payments.

And that has been the policy which has been in effect for some long period of time. So I would suggest that this provision, if it were enacted, would make it very difficult for us to fit our economic, our unemployment program in Utah to the mold that was forced upon us.

Senator BENNETT. Thank you. I think that clarifies that problem, and I am sure there are many other States that have this seasonality problem.

Mr. HARDING. Incidentally, Pennsylvania just went up from uniform to variable duration, didn't you, Jack?

Mr. BROWN. Well, I think we have a little longer history than you do in this area, because we were a variable duration State for many years, and then for almost 10 years we were uniform duration and the real problem with uniform duration is that you have to adopt a fairly high cutoff point such as 20 weeks of work. Anybody below that you just can't afford to pay them this uniform duration.

So here we were with a uniform program in Pennsylvania actually denying thousands and thousands of people benefits that we really thought ought to have some entitlement, especially these seasonal workers, so we have gone back again now to variable, and our neighboring State, New York, is still one of the uniform duration States. But I would say there are hundreds of thousands of people in Pennsylvania who would not be eligible for benefits in New York under the New York formula, and we are proud to be able to say that we can pay a just, fair benefit to people with short-term attachment. So we think it is a much more pliable program to ajudicate.

Senator BENNETT. Any of the rest of you who would like to comment on this particular problem?

Mr. RAUSENBUSH. There are only seven States now which have a flat uniform duration. All the others use varying duration based on length of work or amount of wages for covered work in the base period. So this is, of course, the kind of a controversial issue which every State deals with in its legislature.

This always keeps coming up, it has had a lot of consideration, and it is indicated that some States have abandoned flat uniform duration and moved to variable because they think it meets the problems better.

Mr. BROWN. I might add this, that it seems to me if there is any thought of a Federal legislation adopting some kind of standard in any area, wouldn't it be logical that this standard be evolved from the common denominators of experience that have developed in the States, and uniform duration is not a common denominator of the development in the program when there are only seven States left doing it.

Senator BENNETT. Well, from your testimony, it seems to me it is a step backward.

Mr. BROWN. That is right.

Senator BENNETT. Rather than a step forward.

I have one other question.

The Secretary of Labor suggested that H.R. 15119 should be changed to further limit and restrict the right of the States to disqualify individuals for benefits for certain causes. He has recommended that the State should not be allowed to postpone benefits for more than 13 weeks because of any disqualifying act other than a labor dispute or fraud. He has coupled this recommendation with a brandnew standard which does not appear in either H.R. 15119 or S. 1991. His completely new standard would prohibit a State from charging an employer's experience rating account with any benefits paid for unemployment which follows a disqualifying act.

I would like to throw the question to the panel and have one of you respond with your comments on this new proposal of the Secretary of Labor. Were these proposals considered in the House?

Mr. HILL. Yes, Senator Bennett—well, not exactly this specific proposal, but you will recall that the original administration proposal had in it a standard that would have limited disqualifications to a postponement of benefits for 6 weeks.

Now, of course, the House rejected that. They made a limitation on how far you could go with disqualifications but it was a limitation which simply said "You cannot wipe out entirely the man's credits."

This proposal of 13 weeks moves off of the original 6 and just says instead of 6 now we will settle for 13, and when this whole matter was taken up before the Ways and Means Committee Mr. Mills asked the Department of Labor to appoint several people and he asked me to appoint several people from the States and to formulate a little committee over the Easter recess, as I recall, to work on this exact problem to see whether or not there was an equitable kind of standard that could be developed in this field.

H.R. 15119 has in it a standard but it was not one that was agreed upon by the States and the Department. There was one simply that the Ways and Means Committee put in at the end, and we do not object to it.

However, this particular 13 weeks, the problem with that is that from time to time you run into disqualifications where 13 weeks are not severe enough. So, consequently, any kind of limitation that you put on disqualifications of this nature in terms of weeks, we think is bad.

Now, let me have one shot at this business of noncharging and then I will pass this question along to the others.

You will notice part of the Secretary's proposal, and this is new, is that on disqualifications after you are allowed to postpone up to the 13 weeks, you are not to charge the employer for any benefits that are paid thereafter.

Well, somebody has to pay the bill for this. So, in effect, when you do not charge a given employer, that is you don't charge it back to his merit rating, you charge it against the State fund, and thereby everybody, in effect, picks up the bill for that. You have socialized the cost, if you will.

Now, most of the State administrators, I think, would urge you not to move into the area of noncharging because the further you go down the road of saying that "we are going to pay benefits but don't charge them back to a specific employer; charge them to everyone," the further you go toward the elimination of merit rating, that in effect is what you are doing. You are saying now, "We are going to pay this man but we no longer are going to charge it to the account of a particular employer. We are just going to spread the costs."

So I simply point that part out about the proposal.

Now, Mr. Brown served on the committee that tried to work in this very field and he probably has some comments.

Mr. BROWN. Just briefly, again, I fall back on the point that I made earlier and that is that it would seem to me that even in this area of disqualifications that the collective, cumulative experience of the States and their current practices might serve as a common denominator for a so-called standard.

Well, a common denominator of State laws is diametrically opposite to this proposal. If there is one thing that is common among State laws, for example, it is to generally say that a man quits his job must become reemployed again before he is going to be eligible for benefits. The States collectively have this viewpoint. This would violate that.

Senator BENNETT. Any other comments on this question?

Mr. COFFMAN. Yes, I would like to comment briefly, sir.

You know part of our problem is that we hope that we have public acceptance of our program, that the public, people who are affected by it have confidence in it. This is most important in order that the system might work.

Last year, last fall, there was a poll taken by the Gallup people which asked some questions about what the general public thought of unemployment compensation in this country, and I would like to comment first of all that one of the questions was:

Would you favor or oppose making the unemployment benefit laws more strict?

Sixty-nine percent of those who replied favored it, a more strict law, coupled with the fact that the very first question asked:

Do you think many people collect unemployment benefits even though they could find work?

And we find that 75 percent of those polled think they could. In other words, they are saying that there are many people who are drawing unemployment compensation that probably shouldn't be.

Now, this proposal which we have before us instead of making the law more strict lessens it. This modifies it. It is a postponement.

The person can embezzle thousands of dollars and get caught and under this provision 13 weeks later he is a claimant.

Now, we believe it is far better to fit the penalty to the crime. The facts in each individual case ought to be considered, and the appropriate penalty, if one is required or necessary, should be applied by the people who are reviewing the facts at the point where it occurred, and not in accordance with some standard that has been promulgated flatly.

Senator BENNETT. Mr. Chairman, I will be happy to wait, I have one more question, and I will be happy to wait, and ask it later if Senator Hartke is anxious to get away.

Senator DOUGLAS (presiding). I am going to recognize Senator Hartke, but before I do so I would like to recognize our beloved colleague from Vermont, Senator Aiken, who has the commissioner of employment security of Vermont with him.

Senator Aiken, would you like to introduce her?

STATEMENT OF HON. GEORGE D. AIKEN, A U.S. SENATOR FROM THE STATE OF VERMONT

Senator AIKEN. Yes, Mr. Chairman. I thank you for this opportunity. It is a very welcome assignment.

I realize that the next witness will not be giving her testimony immediately, and I will have to leave to attend the markup of the so-called food-for-freedom bill in the Agriculture Committee. I would like to say that if all the States of the Union were as broadminded and forward looking as the State of Vermont that you would be relieved of much of the proposed legislation which comes before your committee and probably would not have the present bill before you today.

Vermont was the first State to legislate cooperation with all phases of the Social Security Act, and we have undertaken——

Senator DOUGLAS. You were Governor then?

Senator AIKEN. What?

Senator DOUGLAS. That is when you were Governor?

Senator AIKEN. I was Lieutenant Governor then, but we all worked on it. There was no difficulty at all. We have tried to maintain that progressive record ever since.

We were the first State to have an effective 39-week coverage period for unemployment. There were two other States that had a 39-week coverage period, but the criteria were such that I believe Vermont was the only State where it was possible to make it effective.

We have had a minimum wage coverage which has been much broader than most of the States of the Union, I believe broader in some ways than Federal law itself, and as a result I maintain we have in Vermont the highest quality employees of any State in the Union, if you don't mind my saying so, and we have the best relationship between employers and employees. We seldom have any difficulties unless someone from somewhere comes in and stirs them up.

Now, I want to simply introduce to you the best commissioner of employment security, without disparaging in any way the commissioners of the other 49 States. I don't know what Mrs. Hackel, Stella, as we call her—yes, I do know what she is going to say because I have read it while I have been waiting here, and I approve it, so you put me on record as approving her testimony. And inasmuch as I do have to leave, I would just now like to ask Mrs. Stella Hackel to stand up. After seeing her, I am sure you are all going to remain for her testimony.

Senator DOUGLAS. We are very glad indeed to welcome both you and Mrs. Hackel. Vermont is indeed a progressive State. It started that way when you entered politics in the State of Vermont. We are very glad to see that the seeds which you sowed are bearing fruit in a somewhat different pasture.

Thank you very much Senator.

Senator AIKEN. Adios, or whatever you want me to say, and I will go over and see what we can do on the food-for-freedom bill.

Senator DOUGLAS. Thank you very much, Senator.

Senator Hartke?

Senator HARTKE. I don't know who I speak to here.

Senator DOUGLAS. Mr. Hill is acting as chairman of the committee.

Senator HARTKE. Mr. Hill, let me ask an elementary question. You people operate on a consensus theory, in other words, what the consensus of the State administrators is, is that your operating theory?

Mr. HILL. Actually, what we do on legislation is we take a poll, that is we ask the State administrators to respond to particular questions, and I read into the record earlier on this particular bill exactly the question asked and the response received.

Senator HARTKE. Yes. Well, do you operate on a consensus theory or not? In other words, after a poll is taken, that is what the basis of the census is, I suppose.

Mr. HILL. Right.

Senator HARTKE. Then do you follow those recommendations, or do you digress from them, or what are the criteria?

Mr. HILL. Well, we follow those recommendations with respect to Federal legislation, that is if the State administrators vote that they want, that they are in favor of a given proposition then we present that.

Now, this does not preclude us at a later point in the development of legislation from repolling or taking another poll, because at times there are changes in our position.

Senator HARTKE. On the repoll, do you present the same basic questions with the modifications or alternatives, or do you do it in a summary fashion?

Mr. HILL. Not necessarily.

Senator HARTKE. Or is there any prescribed method of doing it?

Mr. HILL. No prescribed method. The conference code prescribes that the executive committee of the conference which is made up of administrators from the various regions of the country will simply approve a poll and decide and determine what shall be asked.

Senator HARTKE. The executive committee then approves of the question which is formulated and——

Mr. HILL. Right.

Senator HARTKE (continuing). And then submits it to the membership.

Mr. HILL. Yes.

Senator HARTKE. All right.

Who, in the executive committee, is charged with the responsibility of the formulation of the questionnaire—any individual?

Mr. HILL. No particular individual. Usually it is formulated by the legislative committee of the conference. We have a committee on legislation. They usually determine the language on the poll and submit it to the executive committee. Sometimes it is changed, sometimes it isn't.

Senator HARTKE. Then, as you proceed through the consideration of the legislation, who then formulates the question?

Mr. HILL. I don't know that I follow your question as you proceed.

Senator HARTKE. Well, you change, you said that you change during the procedure along with the action of the committee. Who, then, does the formulation of the revised questionnaire?

Mr. HILL. Well, the questionnaire is ultimately formulated by the executive committee.

What I intended to say to you earlier, the fact we sent out a poll, take their measure, for instance.

Senator HARTKE. Yes.

Mr. HILL. We initially had a poll of the States, in effect it was a national meeting instead of a poll, in which we resolved a number of issues about our position on this bill, and we urged that position in the House, and after the House changed the legislation in certain respects, some of what we urged they agreed to, some of it they didn't agree to, but finally when the bill was ultimately put together in the House and voted upon, we decided to take it back to the States again and say, "Now, do you support this kind of legislation as it came out or not?" And the response I have already read into the record.

Senator HARTKE. Let me state to you quite honestly that I have great respect for polls, but it is an elementary principle of all pollsters that if the formulator, those who are in charge of formulating the questions, can come out with a result which they generally want to, they would desire to make that type of procedure. You understand that.

I am sure with you people that you wouldn't intentionally try to come up with a result which was not in accordance with an objective approach.

However, the poll which you placed in the record this morning was quite detailed, was it not, in the original instance dealing with substantive features of the measures itself, in which you were approaching some of these broad changes in the unemployment compensation laws?

Mr. HILL. Right.

Senator HARTKE. However, when you came to the place where you had another poll dealing with the final bill which was in front of them, these measures were not taken up in the same categories, in the same fashion, and in the same detail as they were in the original instance, isn't that true?

Mr. HILL. That is true.

Senator HARTKE. So what you have done here is submit to them in the first instance a questionnaire upon the substantive individual portions of the law as originally proposed and as we are now considering them, isn't that true?

Mr. HILL. Correct.

Senator HARTKE. But when you come to the final analysis, the administrators were not given an opportunity to express any views upon the substantive changes, upon the alternatives, on the modifications, or any of the details upon which you are testifying today, isn't that true?

Mr. HILL. Well, they weren't—we didn't go through it item by item, you are correct.

Senator HARTKE. Just be honest with us. It is true you asked a general question, "Do you favor this bill?" Isn't that right?

Mr. HILL. Well, as approved by the House.

Senator HARTKE. As approved by the House.

Mr. HILL. Is part of the question.

Senator HARTKE. That is right. In other words, you didn't talk about all those details in your poll which you have been testifying to quite in detail here this morning and expressing opinions, isn't that true?

Mr. HILL. That is true.

Senator HARTKE. All right. So for all intents and purposes you have really not found out what the consensus theory should have brought you to as to these measures upon which you are testifying in detail here today, would that be true?

Mr. HILL. Well, the response we got, Senator, indicated, I think quite clearly that the majority of the States, the vast majority of them do favor the passage of this bill in the form it passed the House.

Senator HARTKE. I am not disputing what you found in your results. I am coming back to the basis of poll-taking and why it is so dangerous to base public opinion upon polls, and especially why it is so dangerous to have enactment of legislation on the basis of polls. I am not one who believes that the results of answers to questions which are formulated by people, whether objectively or subjectively, are necessarily the ultimate determining factor as to what you are going to do. I will come back to that a little later.

What I am trying to establish now is what the factual situation is. Let me restate it very clearly as I understand it, and if I am wrong, you correct me.

The basic changes you are saying here are, according to this joint statement—and I read from the bottom of page 3—

will entail far more change in the unemployment insurance system than has been previously enacted in all the bills since the birth of the program some 33 years ago.

All right.

Yet this is not just a one-shot change. There are multiple changes and several categories in which there are major changes in the basic approach to unemployment compensation law.

Is that true so far?

Mr. HILL. Yes.

Senator HARTKE (reading):

Most of the major questions before us were included in the original poll, and submitted to the State administrators, and they replied.

Is that true or is that not true?

Mr. HILL. I would be afraid to answer that yes because you have a lot of questions now before you in this bill that are different from those that were in the original proposal if you are speaking of the——

Senator HARTKE. You are speaking about the House bill now.

Mr. HILL. Pardon?

Senator HARTKE. You are talking about the House bill.

Mr. HILL. That is right, sir. There are a number of different changes in approaches.

Senator HARTKE. All right. Let me modify my question or my statement of what I understand to be true. The questionnaire which is in the record now will speak for itself. But in a fair interpretation, that questionnaire is certainly much more detailed than the final questionnaire which was submitted to them upon the bill which resulted from the action of the Ways and Means Committee and the House of Representatives.

Mr. HILL. Oh, yes; I don't think there is any question about the fact, it is more detailed. Let me make one more comment, if I may, with respect to this. When we first took our first poll which was actually a 2-day meeting which we had and we discussed all of these issues, and we took this to the Ways and Means Committee, a great deal of the things that we asked the Ways and Means Committee to do, a great deal of the action that we asked for was taken and is in 15119. In effect, we got a large measure of response to what we asked for in our initial poll.

Now, there were some modifications and changes, most of them I would describe as slight in what we got. Some of the things we wanted we did not get when the Ways and Means Committee put this together.

When we came out of the Ways and Means Committee we could, of course, go through and detail every item again, you see on a poll, and done it all over again. The problem with doing it that way—and this is a very practical problem, we weren't necessarily trying to achieve a particular result because I don't mean to indicate now——

Senator HARTKE. I didn't say that you were. If you have any feeling of guilt on this, you are ascribing it to yourself; I am not ascribing it to you.

Mr. HILL. What I mean to say I don't mean to indicate on this that every State administrator who voted "yes"—and I was one who voted "yes," but I don't necessarily like every single part of 15119. If I had my way about it, there are some things in it that I would change about 15119 although I voted "yes" on the poll. I am likewise sure this is true of the vast majority of State administrators. But what good would it do this committee if we came along with a long list of individual items that the State administrators would like to have changed but without any particular consensus, if you will, on a given item.

So instead of that, we simply said: "Since we got most of the things that we were after and we missed only a few, do you want this bill the way it is or do you dislike it so much because it lacks certain items that you would be opposed to it." And this, in effect, is all in the world we were after.

So I am not—I do not try to indicate to you that there are 41 State administrators who think this is a perfect bill in every respect, and I don't think the poll itself indicates that.

Senator HARTKE. All right.

But the fact remains that upon the substantive changes which appear here, you have now endorsed in blanket form a poll, and by your

statement before the Senate Finance Committee, which in substance says that you are asking us to rubberstamp the action of the House Ways and Means Committee.

Mr. HILL. Well, yes; the answer to that is "Yes," except we are not asking you to rubberstamp.

Senator HARTKE. Let us just wait a minute here. If you have something you are afraid of, I will get to that later. We will come back to this whole statement. This whole statement does not take one single item from your original poll upon which you had other votes and changed.

Let me come back to page 6. You say:

Most State administrators would agree that this is a reasonable level for State benefits and many States already maintain this level or a higher one.

In the original questionnaire was this question submitted to them in regard to a Federal benefits standard of 50 percent of the claimant's average weekly wage up to 50 percent of the statewide average weekly wage?

Mr. HILL. Yes.

Senator DOUGLAS. What was the decision?

Mr. HILL. The decision, by a vote of 24 to 21, was in favor of the Federal standard.

Senator DOUGLAS. Now, is that provision in the House bill?

Mr. HILL. No.

Senator HARTKE. Was any effort made to obtain a consensus from the administrators as to whether or not they wanted to accede to a degree, to retreat, or to water down the bill—I am using your words—in this regard?

Mr. HILL. Only by virtue of the question asked; that is, "Do you favor the bill as passed by the House?"

Senator HARTKE. The bill as written.

Mr. HILL. And the administrators were aware that this was not in the bill.

Senator HARTKE. Now then, tell me how you come to this conclusion on page 6 that the committee ultimately determined, and you are not speaking, I don't suppose, of the executive committee, but of the committee which you represent?

Mr. HILL. No, I am talking about the Ways and Means Committee.

Senator HARTKE. And the State administrators now agree with that decision; is that right?

Mr. HILL. Yes, sir.

Senator HARTKE. How can you tell, how can you really say, that is true?

Mr. HILL. Well, the reason I say it is true is that they answered the poll by saying they favored the bill as it was enacted by the House.

The House bill does not have a standard in it, and I would assume, therefore, that they favor a bill without a standard in it.

Senator HARTKE. Let us come on back. You said that was approved by a vote of 24 to 21.

Mr. HILL. Yes.

Senator HARTKE. Let me read from page 3, and you tell me where I am wrong, if I am wrong:

That on the Federal benefit standard questionnaire, Item No. 3, the provision No. A, the Conference recommends that the Internal Revenue Code be amended to provide that the weekly benefit amount of any eligible individual for a week

of total unemployment shall be in an amount exclusive of allowances with respect to dependents, equal to at least 50 per cent of such individual average weekly wage as determined by the State agency up to a maximum benefit, weekly benefit, an amount which shall be no less than 50 per cent of the State-wide average weekly wage in covered employment.

Is that not the question involved here upon which you are testifying?

Mr. HILL. Well, that was a question involved at the meeting; yes, sir.

Senator HARTKE. And you say that report was adopted by 24 to 21?

Mr. HILL. I say that that amendment was adopted to the report, original report, by a vote of 24 to 21.

Now, when the final report was adopted there was a different vote on the entire total package of the Federal standard, and I frankly cannot tell you what this was, but it was 30-some-odd.

Senator HARTKE. I am going to read this to you again. Tell me wherein there is a difference, if there is a difference, between your statement on page 6 which I previously read to you. I think that the interstate conference was sharply divided on this issue, but did vote, and as you said, the vote was 24 to 21, to endorse a Federal benefits standard, and up to 50 percent of the statewide average weekly wage. Now is that not, in substance, the same as this question which is on page 3 of the questionnaire and now in the record, item No. 3, subparagraph A, which reads:

The Conference recommends that the Internal Revenue Code be amended to provide that the weekly benefit amount of any eligible individual for a week of total unemployment shall be in an amount exclusive of allowances with respect to dependents, equal to at least 50 per cent of such individual average weekly wage as determined by the State Agency, to a maximum benefit, weekly benefit, amount which shall be no less than 50 per cent of the State-wide average weekly wage in covered employment.

Mr. HILL. Yes.

Senator HARTKE. All right. How can you come here and say now that vote was 24 to 21, when your questionnaire says, and I read from your questionnaire, "in favor, number of State employment agencies, 34; opposed, 12; not voting, 6?"

Mr. HILL. Well, the reason I say that, Senator, is that when we were debating this issue on the floor there were a lot of different standards that came up, and when the issue of the 50–50 standard came up, it was adopted, as I recall, by a vote of 24 to 21.

Now, when we took the final vote as we went back, we went back then and voted on the package as a whole after the amendments were made—I am sure you are familiar with this procedure—and then came the vote that you are talking about now of 30-some-odd to 12. But the key amendment to put in whether Federal standards were to be accepted or not, and I think every State administrator knows that, was adopted by a vote of 24 to 21. Ultimately, it was endorsed by that vote.

Senator HARTKE. All right.

I follow what you say, but I want to point out exactly what is shown here. This demonstrates the fallacy of attempting to put legislation on the books on the basis of consensus polls because, you see, it depends upon how the question was formulated. Right here within your own group we have a conflict of testimony in which you said sharply divided, and which I would interpret from your own testimony, included in your poll a 34 to 12 item, which is not being sharply divided.

Let me point out still further that concerning the percent of covered workers, the vote was 61 percent in favor and 28 percent opposed; and in percent of covered employers, it was 66 percent in favor and 26 percent opposed.

So now when we say that this item was sharply divided on this issue, it may be sharply divided as far as comment is concerned, but in the questionnaire 60 percent of the group were in favor of a provision which ultimately was not included in the House-passed bill; is that correct?

Mr. HILL. Well, the ultimate vote on this Federal standard was as you have said, and you are correct that this was not included in the House bill.

Senator HARTKE. All right.

Now this, I think we all admit, is one which, according to your statement, is the item which attracted the greatest publicity, evoked the closest study and attention in the development of this measure, and was whether the Federal law should impose Federal weekly minimum standards upon the State.

Here is an item which, under any circumstance, there was a vote which is contrary to that which is in the House-passed bill. Yet you are coming here and saying that this is the consensus agreement of the State administrators.

Mr. HILL. Well, Senator, all I have done is come here and report to you the question which we asked and the answer which we received.

Senator HARTKE. Don't you think in all fairness——

Mr. HILL. To me, I interpret this as an agreement by the States that they want the bill as passed by the House. If you do not agree with that——

Senator HARTKE. What they want are substantial improvements in the unemployment compensation law, and if you had asked them a question, "Do you want improvement in the compensation law?" you would have gotten a favorable response of 100 percent.

Mr. HILL. I think they would have——

Senator HARTKE. It is just like saying, are you in favor of eliminating sin or are you in favor of motherhood. You would have received a 100-percent response in the questionnaire.

Mr. RAUSHENBUSH. Mr. Chairman——

Senator HARTKE. Just a minute. I have a limited amount of time and I want to take all of it I can.

Let us go back to the question of the taxable wage base.

What was the result—and I can shorten this—upon the taxable wage base?

Mr. HILL. You mean, the initial poll on it?

Senator HARTKE. You just give me an explanation of what you think is the result now. I want to know. We have adopted—you have adopted a consensus theory. I want to see how well it satisfies the legislative process with a group who had the privilege of sitting in executive session upon this bill in the House Ways and Means Committee. I want to see how well you protected the interests of the group which you represent.

Mr. HILL. Well, let me say, first of all, I do not have before me the results of the initial poll; I am sorry, I do not have it with me, but certainly I would say to you——

Senator HARTKE. Wait just a minute here.

Mr. RAUSHENBUSH. He has it now.

Mr. HILL. Mr. Raushenbush gave it to me.

The results of the wage base on the taxable wage base, there were 38 State employment security agencies voting in favor and 6 opposed and 8 not voting to the following proposition that the conference recommends that the Federal Unemployment Tax Act be amended to establish a taxable wage base of $3,900 for the calendar year 1967 and for the calendar year 1968 and therefore an amount which would be equal to 70 percent of the national average annual wage in covered employment adjusted to the next highest multiple of $300.

Now, this proposition——

Senator HARTKE. Do you want to give the results of that poll?

Mr. HILL. Pardon? I gave that initially. There were 38 States——

Senator HARTKE. In favor.

Mr. HILL. That voted in favor. There were six that were opposed and eight not voting.

Senator HARTKE. Just for the benefit of the record, a report from the poll shows this is on percent of workers covered, 76 percent in favor to 11 percent opposed. When we come down to the percent of covered employers, it was 82 percent in favor to 8 percent opposed, is that correct?

Mr. HILL. Yes.

Senator HARTKE. Now go ahead.

Senator DOUGLAS. Would the Senator yield for just a minute?

Then do I understand it was the large States which voted both for the increase in benefits, 50 percent, up to 50 percent of average wage, and also on this other point?

Mr. HILL. Senator, we have no idea. The votes on these were secret so I do not know whether they were large States——

Senator DOUGLAS. It could not have been secret because you say 11 States comprised what percentage of the covered employees?

Mr. HILL. You mean in our latest tablation, 11 States——

Senator HARTKE. Those opposed, 11 percent, representing six states opposed.

Senator DOUGLAS. With what percentage of the workers?

Senator HARTKE. Let me just ask this question for the benefit of the record—I think I can straighten it out for the acting chairman here—in opposition to the increase in taxable wage base in the questionnaire which was submitted to them, six States opposed, representing 11 percent of the covered workers, and only 8 percent of covered employers. In this remarkable situation, this provision has been stricken from the bill and is endorsed by this group in the face of this overwhelming vote to the contrary.

Mr. HARDING. Could I respond to that?

Mr. HILL. That provision was never in the bill. This never was in any bill. That was a recommendation of ours which never carried and never got into any legislation.

Senator DOUGLAS. What was your recommendation?

Mr. HILL. Our recommendation was that the Tax Act be amended to establish a wage base of $3,900 for the calendar year of 1967, and for calendar year 1968 and that thereafter it would be an amount

equal to 70 percent of the national average annual wage in covered employment adjusted to the nearest multiple of $300. That was never in any bill. It was simply a recommendation which the Ways and Means Committee promptly rejected.

Senator HARTKE. Most certainly that is an extension beyond that which is called for in the House bill, is that not true?

Mr. HILL. Not immediately, No. This is about what the House bill would produce immediately, but you will notice this is on an escalator and the House rejected the escalator.

Senator HARTKE. That is right.

Mr. HILL. Yes.

Senator HARTKE. In other words, the House bill is a watered down vesrion of this provision.

Mr. RAUSHENBUSH. Not for the next few years, sir.

Senator HARTKE. It is not for the next few years, it does not make any difference how you are going to figure it out. Considering total House bill, it is no more than the House bill in the immediate, is that not true?

Mr. HILL. Yes, that is true.

Mr. BROWN. Senator, as far as calling it watered down——

Senator HARTKE. I did not use the words "watered down." This is your statement. I did not use the statement "watered down." I am using your words.

Mr. BROWN. You just said it.

Senator HARTKE. I said it and I attributed it to its source.

Mr. BROWN. Well, all right. The issue at stake in the House really was that the House decided that a tax law should be related to an absolute value, that was the issue, and that they resolved. They were going to tax absolute values. They were not going to go on unknowns. This was the real issue. The amount of money raised by the $3,900 base, plus the forthcoming $4,200 base, plus the increase from four-tenths to six-tenths in the surtax will produce the same kind of revenue we were trying to get with an escalator unknown.

Senator HARTKE. But the point I am coming back to, what I am trying to find out, is if a majority of the States now have changed their mind since the time this poll was taken until this date, or have you merely given them a Hobson's choice of presenting to them a neat little package tied up with a blue ribbon and said, "Here you are, here is your birthday present. Do you want to take it, or do you want to reject it?"

Mr. BROWN. The State administrators know that this wage base and tax will produce the kind of revenue we were after.

Senator HARTKE. How do you know that they would approve of it if you took a poll in the first instance and did not go back there in the second instance and submit basically the substantive questions rather than the package question?

Mr. BROWN. But they know what this will do.

Senator HARTKE. How do they know. How do I know that they approve of your statement? Did you take a poll?

Mr. BROWN. They are knowledgeable people. They know what this means.

Senator HARTKE. Did you take a poll?

Mr. BROWN. We did not have to take a poll.

Senator HARTKE. What did you take a poll for in the first place then?

Mr. BROWN. Well, when you talk about a first place poll, actually we had a meeting and we voted on each issue at this meeting.

Senator HARTKE. Let me ask you a question: Is this poll supposed to mean anything, or is it just a piece of paper upon which you are going to pass judgment as to what it means?

Mr. BROWN. Well, we think it means something.

Senator HARTKE. Well, if it means something, why does it not mean something today as it did before?

Mr. BROWN. It does.

Senator HARTKE. It means that you have not given the people a real chance. In other words, you come here today as their representative but you have not given them a chance to reverse their position. I am not saying that this is not the opinion of the State administrators, but you gave them a Hobson's choice, take the package or do not take the package. That is all the last question shows according to your questionnaire. If you conducted an individualized, personalized poll on that, we will be glad to listen to that. I will at least.

Mr. RAUSHENBUSH. Mr. Chairman.

Senator DOUGLAS. Mr. Raushenbush.

Mr. RAUSHENBUSH. One brief comment, if I may. At our Phoenix meeting I told the whole group Congress will probably not accept this escalator, they will probably name specific amounts, so they were all on notice of this possibility.

Senator HARTKE. Who did you talk to on the U.S. Senate committee who gave you that opinion?

Mr. RAUSHENBUSH. I was talking about a meeting in Phoenix where all State administrators were on notice.

Senator HARTKE. Yes, you said Congress would not accept this proposal, right. Who did you talk to in the Senate Finance Committee who gave you that opinion to express to those people?

Mr. RAUSHENBUSH. I was merely making a pretty good guess. It turned out that way in the House, did it not?

Senator HARTKE. I am not asking what it turned out to be in the House. I am not in the House of Representatives. I happen to be in the U.S. Senate. I want to know did you talk to me?

Mr. RAUSHENBUSH. No, sir.

Senator HARTKE. Did you talk to any member of this committee about their opinion on this matter?

Mr. RAUSHENBUSH. No, sir.

Senator HARTKE. But you still gave an opinion on that based upon what you surmised, is that right?

Mr. RAUSHENBUSH. It is still a free country. I can give that opinion.

Senator HARTKE. I am not saying that. I do think that in a representative capacity, in all good conscience, that before you make such a statement, you ought to give the basis upon which your statement is ascertained.

Mr. HARDING. Mr. Chairman——

Senator HARTKE. Well, is it the opinion of the interstate conference that the Senate should not exercise its judgment on the House-passed bill.

Mr. RAUSHENBUSH. They are bound to do so.

Senator HARTKE. No, I did not ask whether they were bound to. I just asked you is it the opinion. It is a free country. You can express this opinion and nobody is going to visit you in the middle of the night. Is it the opinion of the international conference that the Senate should not exercise its judgment on the House-passed bill?

Mr. RAUSHENBUSH. They certainly should exercise it, and we have been trying our best to persuade them that when they exercise it, they will be doing a good job of judgment and public policy by adopting the House version because it makes substantial progress and avoids some of the pitfalls we had been opposing.

Senator HARTKE. Is it your opinion that these hearings are unnecessary or unimportant?

Mr. RAUSHENBUSH. No, sir.

Senator HARTKE. Is it your opinion that the Senate should merely proceed to acquiesce in the House action?

Mr. RAUSHENBUSH. Well, that is your form of word. You might endorse it.

Senator HARTKE. I did not ask you that. I mean if you do not want to answer the question, you do not have to. It is a free country.

Mr. RAUSHENBUSH. Maybe I did not understand it.

Senator HARTKE. You did not understand that? I will ask it again.

Is it your opinion that the Senate should merely acquiesce in the House-passed version?

Mr. RAUSHENBUSH. Not unless it is convinced that this is the right thing to do.

Senator HARTKE. All right. That is exactly what I am going to ask you. Do you think that the House-passed version has all the provisions which are necessary and proper and just at this moment?

Mr. RAUSHENBUSH. And desirable.

Senator HARTKE. You think they have all of them.

Mr. RAUSHENBUSH. Well, I think they have done a very good job, and I am afraid that no legislation at all may result.

Senator HARTKE. All right.

Let me ask you then what I think is the real crux of the question: It it now the position of the conference that the 50–50 standard is right and just, or is it the position of the conference that the House provision is right and just?

Mr. HILL. Well, the position of the conference as I interpret the poll is that the House bill is proper as it is, and should be passed as it is.

Senator HARTKE. All right. When did this change occur in regard to the 50–50 statewide average?

Mr. HILL. When the poll was received.

Senator HARTKE. Pardon me?

Mr. HILL. When the poll was received.

Senator HARTKE. A poll in which the question was simply whether they approved of the House bill, or not, is that correct?

Mr. HILL. Correct.

Senator HARTKE. Is this true also of the wider coverage provision of small employers and nonprofit employers?

Mr. HILL. Correct.

Senator HARTKE. In other words, they changed their position on that, too, right?

Mr. HILL. This is true of all of it.

Senator HARTKE. Yes.

Mr. HILL. Let me call your attention——

Senator HARTKE. It is also true about the taxable wage base, that they changed their position on that, too?

Mr. HILL. Yes.

Let me call your attention——

Senator HARTKE. Is there any reason for changing the effective date, which originally was adopted 38 to 6 for the calendar year effective 1967, and now changing that to the effective date of 1969?

Mr. HILL. Well, Senator——

Senator HARTKE. Is that a change?

Mr. HILL. We are changing all of it to correspond to what the House bill has in it. But let me call you attention, if I may, that 3 States out of the 41, 3 States, indicated very clearly as a footnote to their "yes" answer that they did not necessarily indicate that some amendments to this bill would not be either agreeable or in their case may have been something they wanted in the bill.

Senator DOUGLAS. That is very significant because I had understood from the drift of the previous testimony that you wanted the House bill without amendments.

Senator HARTKE. That is right.

Mr. HILL. There were 3 States out of the 41 that answered yes, and this is in my testimony originally and in the record already; there are 3 States, and I now want to refer to them, because this is given. They indicated in response to the poll that they did not want their yes vote to be interpreted necessarily as indicating that they were opposed to some change in this bill.

Senator DOUGLAS. What were those States?

Mr. HILL. I do not know. You see, they—there is no way I can tell you that because the votes on these are secret. All we know is how many States and what percent of covered workers. Now, that can be given to you.

Senator HARTKE. I point out to the chairman, that I cannot conceive—maybe these groups can explain to me—how you can know the percentage of covered workers and just what the percentage of covered workers is, if they have a secret ballot and if you have a numercial vote.

Mr. HILL. Well, it is very simple. We have an executive secretary of the conference who is an employee of the U.S. Department of Labor, and he serves as the executive secretary, and the poll is taken through him, and all the responses go back to him, and he knows and he calculates.

Senator DOUGLAS. What is his name?

Mr. HILL. He is not to respond.

Senator HARTKE. What is his name?

Mr. HILL. Foster, Gerald A. Foster.

Senator DOUGLAS. Is he in the room?

Mr. Foster, I wonder if you would come forward.

Senator BENNETT. Mr. Chairman, at this point for the record I would like to object to the committee using its power to break down the regulations of this association and the relation between the State administrators and the Federal Government by seeking to force a

man who is pledged to secrecy to reveal his secrets for our curiosity. I would just like that in the record.

Senator DOUGLAS. May I ask if the pledge to secrecy is a Federal pledge or a pledge which you took on becoming secretary of this association?

Mr. FOSTER. It is an understanding I had, Senator Douglas, when I became secretary of the association.

Senator DOUGLAS. Who told you that?

Mr. FOSTER. This is in our conference constitution and code, sir.

Senator DOUGLAS. "Our," when you say "our," do you mean the Department of Labor or the association?

Mr. FOSTER. I mean in conference constitution and code.

Senator DOUGLAS. Who pays your salary?

Mr. FOSTER. The Department of Labor, the Bureau of Employment Security.

Senator DOUGLAS. To whom do you owe allegiance, to the Department of Labor and hence the people of the United States, or to the conference?

Mr. FOSTER. Senator Douglas, I work as an employee of the Department of Labor, the Bureau of Employment Security.

I work as a special assistant to the Administrator of the Bureau of Employment Security, but I am assigned, with the full consent of the Department, as the secretary of the Interstate Conference.

A great portion of my work is in connection with their affairs. I also advise the Administrator of the Bureau of Employment Security with respect to State reactions, to various programs, policies, and procedures that the Bureau has under consideration.

Senator DOUGLAS. Senator Hartke, do you wish to ask any questions?

Senator HARTKE. Do you feel that you could not in good conscience tell us the information which I have been asking for here in regard to the breakdowns on what States voted in which fashion?

Mr. FOSTER. I could not in good conscience reveal that information, Senator Hartke.

Senator HARTKE. I am not interested in breaking good conscience. I do raise another serious question here as to whether or not a Federal employee, paid by the Federal Government, using taxpayers' money, by not invoking the executive privilege can still invoke a nongovernmental privilege. I am not interested in trying to break down relations, because I do not think there is at this moment enough that I would want you to divulge making you violate your own personal conscience, but I would think that you might have a little bit of a conscience stricken thought as to whether or not you have been serving the taxpayers in your agreement in the original instance, or whether this was one in which you could not in good conscience answer without serious reservations.

Mr. FOSTER. Senator Hartke, the secretary of the conference has been provided by the Department of Labor since the existence of the conference.

Senator HARTKE. I am not saying anything——

Mr. FOSTER. For 30 odd years.

Senator HARTKE. I did not raise that question. I raised the question as to whether or not you are going to take your orders from the conference or whether you are going to take them from the Federal Government.

Mr. FOSTER. Well, my orders from the Federal Government, sir, have never contravened the orders that I have had from the conference.

Senator HARTKE. Did you ever——

Senator DOUGLAS. But you are now denying to a congressional committee the right to ask questions of you as a Federal employee and invoking a pledge which you took to the Conference of Interstate Unemployment Compensation Administrators. Now, I agree with Senator Hartke, if this is your conscience, we will not push it, but it is an extraordinary situation, and either you or the Department have allowed yourselves to be put in a position where you hold yourselves responsible to a body other than the Federal Government of which you are an employee.

Senator HARTKE. I have no further questions at this time, but I do think the Secretary of Labor, since I did request specifically that labor representatives, Labor Department representatives, be here, I would request that the Secretary of Labor review this matter.

Senator DOUGLAS. Is a representative of the Department of Labor here? Have you listened to his testimony?

Mr. GOODWIN. Robert Goodwin. I am Administrator of the Bureau of Employment Security.

Senator DOUGLAS. You have listened to this testimony?

Mr. GOODWIN. Yes, I have.

Senator DOUGLAS. Will you report this testimony to the Secretary of Labor?

Mr. GOODWIN. Yes, I will.

Senator DOUGLAS. Will you get a reply from him as to whether he regards this as a proper arrangement?

Mr. GOODWIN. Yes. (Information was not completely assembled in time for printed record, but was made a part of the official files of the committee.)

Senator HARTKE. Now then, there was another change which was made, and that is the effective date which was changed from calendar year 1967 to that of the House-passed bill which carried an effective date on the taxable wage base question of 1969, is that not right?

Mr. HILL. Correct.

Senator HARTKE. As I now understand, it is the contention of the conference that this was done because of the leadtime which was necessary for State legislatures, is that correct?

Mr. HILL. That is right.

Senator HARTKE. In other words, are you familiar with the State laws, all of them, in regard to their—do not shake your head until you know what I am going to ask.

Mr. HILL. When you start off with "am I familiar with the State laws," generally my answer is "No." Not on any subject am I familiar with this——

Senator HARTKE. You had better be familiar with your own State laws.

Mr. HILL. I am; but you did not ask that.

Senator HARTKE. But you are representing an executive committee of State administrators of the interstate conference.

Mr. HILL. Yes.

Senator HARTKE. Before you anticipate what I am going to ask you, let me go ahead and ask you.

Are you familiar with the fact that most of the States have anticipatory provisions for matching any increase in the Federal wage base without any legislative action, and that nearly all of those which do not will have legislative sessions in the early part of January of 1967?

Mr. HILL. Well, I knew there were some States that had anticipatory legislation, yes. I did not know how many.

Senator HARTKE. You did not bother to check that out even though you say here now that the reason for this was to provide for the State legislatures to change their laws, even though you do not know whether they need to change their laws or not.

Mr. HILL. Well, I know there are some that would have to.

Senator HARTKE. How many?

Mr. HILL. I do not know, but I am one of them.

Senator HARTKE. Would you be surprised if I told you that Virginia is the only State in the whole Union that we encounter such a problem and they were the only State which would be required to have a special session in the event we had an effective date of 1967, which would not even be covered by either those which have anticipatory provisions or have regular sessions of their legislatures before it would be required to take effect?

Mr. HILL. Well, all I know is I know we are one. If we are the only one, why this is still very persuasive with me.

Senator HARTKE. It indicates again——

Mr. BROWN. Senator, may I add to that point I think you are trying to get at?

Senator HARTKE. Am I wrong in what I said as a matter of fact?

Mr. BROWN. No, but let me add this point for you: one of the determinations that had to be made was the fact that all States' taxing provisions, and their experience rating provisions, are based on the present wage base. This means that when we increase the wage base, the legislators are going to have to re-do, even though they have an automatic provision to accept the new wage base, they are going to have to legislate a whole new set of rates for their employers in their States based on this new higher wage denominator, so there was a great deal of research and legislation that will have to be done in the States to accommodate this new wage base.

Senator HARTKE. You do not think it can be done in a period of a year?

Mr. BROWN. I understood there were a couple of States that had to meet—would not meet in regular session until 1967.

Senator HARTKE. Well now, the truth of it is—and I am giving this to you as a matter of fact—there is only one that happens to be represented by the chairman of the group, but that may have some effect upon the decision, but I am not saying it necessarily does, but the truth of it is there would only be the State of Virginia that would be required to have a special session.

Mr. HILL. Let me ask a question. I do not know, but I am sure you are correct, but I thought there were four or five States who had to meet in that particular year. I did not know we were the only ones who meet in that off year, and I am frankly surprised.

Senator HARTKE. I am not trying to surprise you, but I think you ought to do a good deal more of homework before you come to a congressional committee.

Mr. BROWN. We would like to point out that the Federal surtax was raised by the House bill effective next year because this would not complicate the internal revenue legislation in the State.

Senator HARTKE. All right.

Mr. BROWN. So wherever possible, the revenue increase was brought to bear at the earliest possible date.

Mr. RAUSHENBUSH. Mr. Chairman, may I ask a question of Senator Hartke?

Senator HARTKE. Just a minute. If you have anything in addition to state, I think the record can be open and you can put it in. Just wait a minute here. I mean if you have any statements you want to make, it is all right, but I——

Mr. RAUSHENBUSH. All right, I will make it as a statement. I believe that some States would have to legislate early in 1967, probably retroactively, and adjust their experience rating schedules as well. Is that not true?

Senator HARTKE. Do you want to ask me a question? You are the experts coming in here to testify on behalf of these States. Let me ask you what would be wrong with the 1968 effective date?

Mr. RAUSHENBUSH. It would give more time and notice. One question I was asked specifically during Ways and Means hearings, I think it was in mid-March in an open public hearing, as I recall it, they said would a change in the wage base cause changes in experience rating schedules to be made by a good many States, and I said yes, they would have quite a problem, they would have quite a lot of figures to do, but of course if most of them meet in 1967, maybe they could do it then in anticipation of 1968, but I doubt whether they could do it in the first 2 months of 1967.

Senator HARTKE. Now, let us come back to this triggering provision. Does the conference endorse the triggering provision? You think this is better than a uniform extended benefit period which would not apply except in cases of high unemployment or recession or as somebody said, I think, when the weather gets rough.

Mr. HILL. Well, again I will respond to you that the conference endorses the House provision as a recession-type measure.

Senator HARTKE. Have you ever talked to any of these unemployed people?

Mr. HILL. Have I? Of course I have.

Senator HARTKE. Well, is the weather not pretty rough for a man who is out of work and cannot get a job?

Mr. HILL. I would say yes.

Senator HARTKE. And if the weather is clear and bright for everybody else around him, if he cannot get a job the weather is just as rough for him if there are 5 percent unemployed or if he is the only man who cannot get a job, is that not correct?

Mr. HILL. Correct.

Senator HARTKE. So that the triggering provision really is not based basically upon the needs of the individual, is that true, but rather based upon an economic factor determining what is going to happen as the result of the economic impact upon the Nation?

Mr. HILL. Yes, it is a system devised for putting additional or extension onto the program at a time when the Nation as a whole is obviously experiencing difficulty.

Senator HARTKE. The basic purpose then is not to alleviate the suffering of the individual but to provide for an additional thrust into the economy of purchasing power.

Mr. HILL. Well, I would not say it that way because I think it is to alleviate the individual also. It may have both purposes if you will.

Senator HARTKE. If you are really interested in alleviating the problems of the people, why do you wait until there is a large number of people unemployed? Why would you not have extended benefits for all people?

Mr. HILL. You mean at all times.

Senator HARTKE. At all times.

Mr. HILL. Without limit?

Senator HARTKE. Sure, or with certain limits; say an additional 13 weeks.

Mr. HILL. You get into practical economics in terms of how much, how long you should pay people just because of the fact that they are unemployed.

Senator HARTKE. I want you to know that I do not think that a man should have unemployment as a way of life, and I understand you to say that the administrators are better equipped to administer these things because they are close to the people. If there is any criticism whatsoever of people adopting the so-called unemployment compensation way of life, the thrust of that criticism should not be directed at the Congress, but should be directed at the State administrators; is that true?

Mr. HILL. Well, not if the Congress is going to require us to have programs that we have to pay these people forever.

Senator HARTKE. Now wait a minute.

Mr. HILL. We simply administer the law.

Senator HARTKE. Well, but there has been some talk about people who really do not want to work. They would rather live on unemployment compensation. Is there anything under the sun which prevents the administrators from making an individual assessment that here is a man who is trying to—just using this as an escape from actually going out and working?

Mr. HILL. Most of the States now have laws in which the administrator could do that, yes.

Senator HARTKE. So if there is such a way of life developing, it is not the result of the Federal legislation, is that not true?

Mr. HILL. So far it is not, Senator.

Senator HARTKE. So far it is not, right.

Mr. HILL. So far it is not.

Senator HARTKE. If there is that type of conversation in the street that some people say that those people just want to live on the unemployment compensation rolls, it is not the result of the law, is that true?

Mr. HILL. Not the result of Federal law.

Senator HARTKE. So therefore if it is true, it would have to be the result of something else.

Mr. HILL. That is correct.

Senator HARTKE. And I just draw the observation that people who are in charge of that are the administrators. Do you need additional—wait just a minute—do you need additional qualified and trained personnel over and above that which are presently available to you in this program?

Mr. HILL. Oh, yes.

Senator HARTKE. Is that provided for in this bill?

Mr. HILL. I would like to answer that positively and unqualifiedly, "Yes."

Senator HARTKE. Is this provided for in this bill?

Mr. HILL. No, but I wish it was.

Senator HARTKE. Why did you not recommend it?

Mr. HILL. Well, we have, but we did it with the Appropriations Committee.

Senator HARTKE. Why do you not recommend it today, and I will be the champion for you?

Senator DOUGLAS. Does this pledge meet with the approval of the executive committee?

Mr. HILL. The conference has long sought additional funds for both the Employment Service and UI organization.

Senator DOUGLAS. Does this represent your recommendation?

Mr. HILL. Yes.

Mr. RAUSHENBUSH. A larger appropriation to do a better job, Senator.

Mr. HILL. Yes, sure.

Senator DOUGLAS. Do you recommend it?

Mr. BROWN. Yes.

Senator DOUGLAS. Then you would like to have the House bill amended in this respect.

Mr. BROWN. If it will include a larger appropriation for us, certainly.

Senator HARTKE. Wait a minute, I did not say anything about appropriations. I am not interested only in spending money, that is the trouble now.

Mr. BROWN. But your question was did we need additional personnel to do the job.

Senator DOUGLAS. How can you get more people without more money?

Mr. HILL. I do not know.

Senator HARTKE. I am not opposed to getting more money. I am just opposed to giving them more money without strings attached. I think the whole problem in the welfare administration program—I think there are people who would like to take advantage of these Federal laws, and I am not really overly critical of the State administrators in this regard, who would like to take advantage of the situation and really possibly obtain payments which were not contemplated by the law, and which certainly are not desired by the State administrators, but in order to make these effective you have to have qualified trained personnel, and to that extent I will certainly be more than willing to help you make that correction if you have any suggestions in that regard.

Mr. Chairman, I have no more questions.

Senator DOUGLAS. Yes, Senator Bennett.

Senator BENNETT. Thank you, Mr. Chairman.

Mr. Chairman, when the Secretary appeared, in his statement on page 15 at the top of the page he said this:

A change in the provision for judicial review appears warranted. The provision should follow the customary pattern of making the administrative officials' findings of fact conclusive if supported by substantial evidence. In

addition, the provisions added in 1950, usually referred to as the "Knowland amendments" as an alternative to judicial review, should be modified. Any inconsistencies should be resolved, any unnecessary and complicating provisions should be deleted, and any ambiguities should be clarified.

Does this statement of the Secretary give you any problems?

Mr. HILL. Let me ask Mr. Henry Rothell, of Texas, to respond to this. Mr. Rothell is the counsel to our legislative committee and has worked quite extensively on the judicial review function for it.

Senator BENNETT. Mr. Rothell.

Mr. ROTHELL. Senator, we deliberated and discussed this judicial review provision for quite some time in the House hearing session, and we pointed out to the committee this is something that the interstate conference has tried for years to obtain is judicial review. We have no such provision in the law, and this is an effort to get into this particular program judical review of the Secretary's findings on the conformity and compliance, and we propose that this provision in judicial review to which the Secretary took exception, and that is, and may I quote his statement:

The provision among other things that the finding of fact by the Secretary shall be conclusive unless contrary to the weight of the evidence.

Now, he proposes:

We propose that this provision be changed to provide that the Secretary's findings of fact shall be conclusive if supported by substantial evidence.

This is the rule generally applied in judicial review of administrative action.

This very point was brought up in the Ways and Means hearing. We pointed out that the judicial review here did more than go to the substantial evidence factor because a holding of a State out of conformity or out of compliance would affect the tax rate of every experience rated employer in the State, that it was more than just cutting off of the Federal grant if a State was held out of conformity, which is the result in the other administrative programs. But in this program—and this is the only program where this would be effective—the holding by the Secretary of the State out of conformity would automatically change every employer's experience rate in the State.

For this reason we think we need a stronger judicial review provision in this program than is normally permitted or given the other administrative program, and the Ways and Means Committee agreed with us 100 percent on this particular item.

Senator BENNETT. This is one of the features of the bill as it came from the Ways and Means Committee of which you approve.

Mr. ROTHELL. This is right. We have for years tried to negotiate with the Bureau to come out with a compromise bill. We think that this provision is essential, and we think the matter of the provision as the Ways and Means reported it is far better and essential to a good judicial review bill for the States.

Mr. RAUSHENBUSH. Senator, this is really capital punishment we are talking about, whether the Secretary should have the power to chop off approval of the whole State law or not without judical review on an adequate basis.

Senator BENNETT. Was that the intent of the bill introduced by Congressman Pickle of your State of Texas?

Mr. ROTHELL. Yes, sir.

Senator BENNETT. H.R. 9511.

Mr. ROTHELL. Yes, sir.

Mr. HILL. That was incorporated.

Senator BENNETT. That was incorporated in this bill.

The Secretary of Labor has urged the committee to amend the judicial review provision to make his findings conclusive if they are supported by substantial evidence. The House bill makes his findings conclusive unless they are contrary to the weight of the evidence. What is the difference?

Mr. ROTHELL. There is considerable difference in law, Senator. If his decision must be supported by the weight of the evidence, this would give the court the opportunity to look at all of the facts to determine whether the weight of the evidence supports the Secretary's findings. On most any case there could be some substantial evidence to support his finding, but it would not constitute the weight of the evidence so we think the provision requiring the weight of the evidence is necessary to have a judicial review, and effective judicial review procedure for this program.

Senator BENNETT. The Tax Court over which this committee has jurisdiction makes findings which are also subject to judicial review. Their decisions will be sustained unless it is "clearly erroneous." How does that standard compare with the standard in the House bill, and is there any particular reason why you need a different standard?

Mr. ROTHELL. I am not familiar with the Tax Court, Senator. I think this provision that we have here is one that we worked out after years of studying and negotiation. We think this is one that would give us the kind of judicial review we think is necessary in this program.

Senator BENNETT. You probably answered my question before I asked it, because, as I look at it, a Tax Court decision affects a simple taxpayer, and the action of the Secretary could affect every employer in the State.

Mr. ROTHELL. That is correct.

Senator BENNETT. At least you have testified to that.

The Secretary also recommends that we amend the so-called Knowland amendments to conform to the new provision on judicial review. As I understand it, the Knowland amendments relate to benefits for workers offered jobs when other workers are striking or are locked out or where a person may be required or prohibited from joining a union. How do the Knowland amendments now correlate with the judicial review provision in the House bill? Is there any conflict?

Mr. ROTHELL. This is not any direct conflict. We have changed the bill to avoid the conflict; the Ways and Means Committee did that. There is a provision, or there is a proposal by the Secretary to amend part of the so-called Knowland amendment to delete the language "further administrative or judicial review as provided for under the laws of the State." This is presently the Federal law, and what this actually means is this: We have in all States an individual who is denied benefits or an employer who has a right to appeal, can go through two administrative hearings with the State agency and then can go to court. If he does not complete his administrative procedure, he does not use the administrative procedure, because it is administrative remedy; he cannot go to court. Under the present provision we have in the law we just have to—we are required to have

the opportunity for him to go into court, and if he has gone to court and the court has made some decision, then the Secretary can review it. But if we remove this provision, an individual would not be required to exhaust his remedy with the State. He could let his time limit lapse in the State and go directly to the Secretary, and take it up without having exhausted the administrative remedy in the State or go to the State court with the matter. We feel that this should be left in the law, that it should not be deleted so that the individual in the State would exhaust his State remedy, go to the State court if he had an action in court and then if there is any further action required, the matter could be taken up by the Secretary.

But we think any shortcutting of this process would in many instances cause an individual to not take his administrative remedy in the State and go directly to the Secretary.

Senator BENNETT. This could put a very heavy burden on the office of the Secretary.

Mr. ROTHELL. Very definitely, as well as call for numerous hearings by the State.

Senator BENNETT. The Secretary informed the committee that he had a number of amendments he was going to propose to the bill now before us, and it was hoped that we would have printed copies of these amendments here this morning. We have not. They have just come in. Have you got the page? I am reading on the bottom of page 6. I will skip the first paragraph because it says—it reflects no change in substance, and the second paragraph—I will wait for you, Mr. Chairman, have you found it? It is six lines up from the bottom of the page:

The proposed changes to the second sentence of section 3304(c) are designed (1) to make it clear that the compliance referred to is with the provisions of section 3304(a)(5), the so-called labor standards provision, and (2) to eliminate the present ambiguity as to whether the Secretary may act on a State's application or interpretation of the labor standards provision in State law that was not appealed to the highest State court. The second change, however, assures that no action may be taken by the Secretary until an application or interpretation of State law is final. Thus the Secretary may not act while a case is pending review within the State or the period available to obtain such review has not yet expired.

Do you like this provision, or do you feel that this particular proposed amendment should not be adopted, or have you not had time to review it?

Mr. ROTHELL. This is the point to which I have been speaking, Senator. This provision, if you will look at the top of page 7.

The second change, however, assures that no action may be taken by the Secretary until an application or interpretation of State law is final.

Now, the application of State law can become final by the individual, the claimant, or the employer, whoever has appealed, failing to appeal within the time limit. If he does not appeal within the 10 days or 12 days, whatever the State law may say, then the State law administrative procedure is final. He had the privilege or the opportunity to appeal to the higher administrative body and then to the State court, but the individual involved has not exercised this privilege. Now this provision here would say that whether or not the individual exercises this privilege, it can be taken up by the Secretary thus cutting off the entire administrative hearing or the State court ruling on this matter in the State.

Senator BENNETT. Because of the way the language falls in the bill, it is a little difficult to interpret out of context.

Mr. ROTHELL. Yes, sir.

Senator BENNETT. And I wanted to be completely sure that this is, in fact, the language which you feel will correct the situation to which you object.

Mr. ROTHELL. Yes, sir; this matter was brought up in the Ways and Means Committee hearing. We discussed it there. We objected to it there and the Ways and Means Committee agreed with us that this particular change was not desirable.

Senator BENNETT. That is all, Mr. Chairman, thank you.

Senator DOUGLAS. Thank you.

Have you seen this very excellent manual prepared by the staff of the Finance Committee?

Mr. RAUSHENBUSH. Not until this morning, Senator.

Senator DOUGLAS. Do you have it before you?

Mr. HILL. Yes.

Senator DOUGLAS. Would you look at page 360, the percentage of wages taxable under State UI laws? Am I correct in understanding that so far as Federal provisions are concerned, that the $3,000 limit on taxable wages has continued unchanged since 1935?

Mr. RAUSHENBUSH. Nineteen hundred and thirty-nine, Senator.

Senator DOUGLAS. Nineteen hundred and thirty-nine.

Mr. RAUSHENBUSH. It was changed by Congress in 1939.

Senator DOUGLAS. And that some 18 States have increased the amounts.

Mr. RAUSHENBUSH. That is correct.

Senator DOUGLAS. These, with the exception of a few States, are almost all increased to $3,600.

Mr. RAUSHENBUSH. That is the general figure.

Senator DOUGLAS. I would like to ask Mr. Vail here, do these percentages of coverage include the State—those covered under both Federal and State provisions or Federal provisions only?

Mr. VAIL. These are Federal and State provisions.

Senator DOUGLAS. They are combined.

Mr. VAIL. Yes, sir. These represent wages paid in covered employment in the States.

Senator DOUGLAS. So that the figures seem to indicate—and I have great confidence in our staff—that in 1938, 98 percent of wages paid out were taxable under the Federal and State provisions; that as the percentages have remained constant on a Federal basis and have increased only slowly on a State basis, the increase in average earnings has been so great that the percentage of wages covered has diminished from 98 to 56. Do you accept those figures as substantially correct?

Mr. RAUSHENBUSH. Senator, I think—yes, substantially. I think the change would not have been made by Congress in 1939 if you had then been present to tell them that where it may be 98 percent now of wages, if wages rise it will be a lesser and lesser percentage.

Senator DOUGLAS. I was present as a member of the advisory committee.

Mr. RAUSHENBUSH. Yes, but not in the Congress.

Senator DOUGLAS. And we so advised them informally.

Mr. RAUSHENBUSH. But not in the Congress.

Senator DOUGLAS. But my advice was not taken.

Now, I have asked the staff to prepare estimates of the percentage of wages taxable at various bases in 1968, with an assumption of a normal wage increase from 1966 to 1968. They inform me that a base of $3,900 would only cover 62 percent of taxable wages. Do you think that is substantially accurate?

Mr. HILL. Probably.

Senator DOUGLAS. Well, now, is not this provision of a $3,900 taxable base in 1969 a very modest provision? Does it fully cover the erosion of the tax base that has occurred because of the increase in wages with very little increase in the taxable base itself?

Mr. RAUSHENBUSH. Well, if I may speak to that briefly, I think it would be quite an improvement in many States which have not increased their wage base.

Senator DOUGLAS. It would be an improvement without question.

Mr. RAUSHENBUSH. And it would be a major change actually when you think of a jump from $3,000 to $3,900. Actually, Senator, the States have not limited their benefits in relation to the $3,000. I mean we take account of gross wages in figuring weekly benefits, and even total entitlement, so we have disregarded, in effect, this very limiting tax base.

Some States have had to recognize that they were not getting enough contribution income. About 36 of them raised their maximum contribution rates above the 2.7 standard tax credit level. Eighteen of them raised their wage base. Even Wisconsin, which has been a fairly solvent State in this field, with pretty good benefits compared to many, has gone to a $3,600 base. But we felt this was very adequate for the time being, and I think the $3,900 a couple of years from now, and then moving on to $4,200 in 1971, would do a very good job for us not only in terms of more adequate Federal administrative financing, it would also beef up the financing of benefit programs in a great many States. We think it is a very adequate provision at this time, though we hasten to say by 1975 the situation may look different.

Senator DOUGLAS. By 1972, it would certainly look different.

Mr. RAUSHENBUSH. Yes, perhaps.

Senator DOUGLAS. Now, on the 1972 figure, on the basis of 1968 wages, only 65 percent of the taxable wages would be covered at $4,200, probably less, because you would have the upward drift from 1968 to 1972 continuing, which would lower the percentage.

Now, you may say you compensate for this by a higher rate of benefits. But is it not true that benefits, as a percentage of average wages, have declined from the intended one-half which was the original figure, one-half, to around 30 percent?

Mr. RAUSHENBUSH. Well, Senator, this is not borne out by the actual benefit schedules as a rule. I think this is, perhaps, a confusion between average benefit payments compared to the wages of all covered workers.

Now, as you realize, often the people who are drawing benefits are lower paid workers, the ones who are the most apt to be laid off. So that the comparison between average weekly benefit checks and the wages of covered workers is not an adequate, fair comparison.

Senator DOUGLAS. I was referring to average weekly benefits as compared to average weekly covered wages, not maximum benefits as compared to average weekly——

Mr. RAUSHENBUSH. This was the point I was just trying to talk to, that when you look at the average check that is paid to claimants, and claimants are often the low-paid workers, so the average check is often lower than the total average wage of all covered workers, which includes the high-skilled people who work the year around.

The difficulty—this comparison is very commonly made because we don't have better figures available, but it is not quite a fair comparison.

Senator DOUGLAS. What was the original position of the conference on the wages taxable, did you hold to $3,900 throughout or did you have a more liberal recommendation?

Mr. RAUSHENBUSH. Well, shall I speak to that briefly?

Senator DOUGLAS. Sure.

Mr. RAUSHENBUSH. At Phoenix, which was at the close of January, a 2-day meeting, we talked this question, among others, and the conference finally said, "Let us recommend to the Congress a $3,900 figure to be effective"—let me see, what year did we say, 1966 or 1967?

Senator DOUGLAS. 1967.

Mr. RAUSHENBUSH. 1967, which was rushing it even a little, perhaps, but $3,900, and then go to an escalator provision which would be 70 percent, not 100 percent—that is not at all necessary—but 70 percent of the average weekly wage of all covered workers in a preceding year, adjusted to a multiple of $300.

Senator DOUGLAS. In practice that would be $4,200.

Mr. RAUSHENBUSH. That would be $4,200 in about 3 years or thereabouts.

Senator DOUGLAS. And the House Ways and Means Committee provision—would not go to $3,900 until 1969, and to $4,200 until 1972.

Mr. RAUSHENBUSH. Yes. But then there was one——

Senator DOUGLAS. Isn't that a pretty rigid provision, not as generous as your original recommendation.

Mr. RAUSHENBUSH. Well, except for one other thing, that the Ways and Means Committee adjusted the net Federal tax rate, which is not subject to offset or credit, the net Federal credit from four-tenths to six-tenths—in 8282, in the companion measure, it was fifty-two one-hundredths instead of six-tenths.

Senator DOUGLAS. That was primarily for administrative purposes, not for benefit purposes.

Mr. RAUSHENBUSH. It was a combination; that is generally true.

Senator DOUGLAS. Primarily administrative and primarily to assist your departments to hire more employees at higher salaries which, I take it, you are not opposed to.

Mr. RAUSHENBUSH. No, not vigorously, but there was also a benefit-cost financing in there, too, because the share of extended benefits was to be financed fom this higher net Federal tax take.

Senator DOUGLAS. Now, that brings in some question on the duration of benefits. We have a table here somewhere giving the duration. In general, the overwhelming duration is 26 weeks, isn't that correct?

Mr. RAUSHENBUSH. Correct.

Senator DOUGLAS. A few States, I think your own is one. Beyond that, I think you have 34 weeks.

Mr. RAUSHENBUSH. We go to 34, Utah goes to 36. There are a scattering of States.

Senator DOUGLAS. A relatively small number.

Now, suppose you have prolonged unemployment. Suppose we were to have another depression like the great depression or another pronounced recession, and you have large numbers of people who exhaust standard benefits. Don't you think there should be a provision for emergency benefits under those conditions?

Mr. RAUSHENBUSH. We have favored such a provision, Senator, for a number of years.

Senator DOUGLAS. Have you really?

Mr. RAUSHENBUSH. Extended benefits for recession periods. I testified somewhat earlier, I think, in your absence, that after Congress had acted in 1958 and, again, in 1961, to say that under recession conditions it is legitimate to extend benefits for those people who have exhausted their normal State benefits. Conditions are tough generally, we ought to have a program like we had in 1961, but we ought to put it on the books in advance. We had a committee which studied this matter for a couple of years.

Senator DOUGLAS. For many years your group opposed this.

Mr. RAUSHENBUSH. No.

Senator DOUGLAS. Oh, yes, in the early 1950's you opposed it.

Mr. RAUSHENBUSH. This is contrary to my recollection.

Senator DOUGLAS. Now I come into this situation intermittently, but I remember coming into it in the middle 1950's, and there was very strong opposition to emergency benefits federally prescribed.

Mr. RAUSHENBUSH. Well, I am not sure I remember this particular go-around, but at least we have become more educated since 1958 and 1961.

Senator DOUGLAS. Good. We are moving.

Mr. RAUSHENBUSH. We are making progress.

Senator DOUGLAS. That is fine.

Do you feel that this is an unemployment factor outside of the control of the individual enterprise, the prolonged unemployment beyond 26 weeks, which is caused by social conditions outside the individual enterprise and, therefore, not susceptible to the merit rating or individual employer reserve?

Mr. RAUSHENBUSH. We are willing to leave that decision to each State. We prefer to leave it there, but we think there is a difference as you get into prolonged periods of unemployment, and this is why we think it is also legitimate for the Federal Government to share the costs at 50 percent.

Senator DOUGLAS. Now, we are really making progress because I have been trying to impress this on the view of the people from Wisconsin for over 30 years.

Mr. RAUSHENBUSH. Well, you finally made a dent, Senator.

Senator DOUGLAS. Now, we are beginning to get somewhere.

Mr. RAUSHENBUSH. Yes, sir. I remember some of your early testimony.

Senator DOUGLAS. So you would not oppose, I take it, a provision for Federal sharing of the costs of extended benefits.

Mr. RAUSHENBUSH. We are in favor of the House provision in this respect.

Senator DOUGLAS. Does the gentleman from Wisconsin speak the minds of the group?

Mr. HILL. Yes. This is the conference position. We favor the House provision which does have in it sharing 50–50.

Senator DOUGLAS. Would you favor exclusive Federal support of extended benefits?

Mr. RAUSHENBUSH. That is different.

Mr. HILL. I would say, no, we have no poll indicating that.

Senator DOUGLAS. How much?

Mr. RAUSHENBUSH. Fifty percent.

Mr. HILL. Fifty percent.

Senator DOUGLAS. Even the causes of the prolonged unemployment are nationwide and are not the fault of an individual State? Take Pennsylvania, for instance, which is primarily a durable goods, capital goods, coal-mining State, very badly hit; West Virginia somewhat of a similar nature, or depression of pronounced recession breaks out, unemployment is high, standard benefits are exhausted. Should we have emergency benefits chargeable to the individual enterprise?

They are burdened with something over which they have no control, the individual enterprise is not taxed, and there is no other provision. The workers suffer. If this prolonged unemployment results from national causes why shouldn't the cost be nationally met?

Mr. RAUSHENBUSH. Maybe there are State causes, too, and you could carry your argument to the point where world-wide conditions also affect things.

Senator DOUGLAS. Well, we have no jurisdiction over other countries.

Mr. RAUSHENBUSH. Yes.

Senator DOUGLAS. We have no jurisdiction over Great Britain or over France. We have no control over General de Gaulle pulling gold out of the United States and precipitating a financial crisis.

Mr. RAUSHENBUSH. You are right, Senator.

Senator DOUGLAS. But we do have control over the United States—limited.

Mr. RAUSHENBUSH. Limited.

Mr. BROWN. Senator, I would like to respond in terms of Pennsylvania. Perhaps you are not aware that we did already enact an extended benefits program on our own account.

Senator DOUGLAS. Under Governor Lawrence?

Mr. BROWN. Under Governor Scranton.

Senator DOUGLAS. Also under Governor Lawrence.

Mr. BROWN. No, sir.

Senator DOUGLAS. Well, I congratulate Governor Scranton.

Mr. BROWN. I think it was most interesting that the State decided to use its own resources to do this. I think this is something——

Senator DOUGLAS. That is commendable. But I think it is requiring the States to bear a burden which is not legitimately theirs and, as a matter of fact, seven States, plus Puerto Rico, have done this. I am happy that my own State of Illinois is one. I feel this is a burden that is nationally caused and, therefore, the cost should not be locally borne.

Mr. RAUSHENBUSH. Not exclusively.

Senator DOUGLASS. Not primarily.

Mr. BROWN. Well, we think this 50–50 concept keeps balance for the program. In other words, if we are going to be responsible for expending 50 percent State money in this extended period, I think we are going to be far more responsible in doing it than just passing on the 100 percent Federal money.

Senator DOUGLAS. May I ask a question about coverage. The Secretary of Labor testified 2 days ago, was it not, and on page 6 of his testimony he gave the House coverage amounting to an additional 3½ million workers. You had a somewhat more liberal provision. The House covered employers of one or more for 20 weeks or wages paid of $1,500 or more in the calendar quarter, that was the House language.

As I understand it, you recommend coverage of one or more if an employer had a $300 payroll in a quarter, is that correct?

Mr. RAUSHENBUSH. That is correct.

Senator DOUGLAS. Now, the Secretary recommended that for our consideration. What position do you take on your earlier recommendation?

Mr. HILL. Well, at this point, at this juncture, we revert to the poll that we most recently had taken which indicates that the State administrators would like to see the House version passed as it was.

Senator DOUGLAS. In other words, whenever the House Ways and Means Committee diminished the benefits of coverage from the recommendations you made, you retreat from your earlier position and adopt the position of the House Ways and Means Committee; is that correct?

Mr. HILL. In effect, we have done just that.

Mr. HARDING. Can I answer that?

Senator DOUGLAS. Why was not your earlier judgment correct? Why do you substitute the judgment of the House Ways and Means Committee for your own judgment? I have always found this group in the past to fight improvements in the measure. Now, you are beginning to reform, but when your reformation proceeds to a greater degree than the Ways and Means Committee do it, you falter in your virtue. Why not continue in the course of virtue?

Mr. HILL. Well, first of all, Senator, I would say we are not totally an unvirtuous group. I am afraid that some of us here, or some of the administrators here, were in the committee when they talked about coverage, and I think there were reasons why this committee changed the $300 to $1,500.

Senator DOUGLAS. Whenever the committee alters your recommendation, you change your mind, is that right?

Mr. HILL. Well, not necessarily.

Senator DOUGLAS. Then you do not want us to revert to your earlier and, in my opinion, superior judgment. You insist that we must follow the House Ways and Means Committee and not your earlier improved behavior.

Mr. HILL. That we had not really considered, that we had not thought of, some problems, maybe if we had thought of at Phoenix we might have acted differently in the first place.

Curt, were you there when they discussed this $300 to $1,500 change?

Mr. HARDING. I was there at that time, and I would like to make this observation.

We, the States, made our recommendation to the House Ways and Means Committee. Most of us have had a great amount of experience

in working with State legislative bodies and trying to get our recommendations adopted.

We found out through the years that they take our recommendations and the legislative bodies use their judgment as to what they would like to have and what we have recommended.

Now, our recommendations—and we held to them and we wanted these things accepted, and that was what was before us when we made our recommendations.

Now, at a later date this legislative body gave us another figure, and the question we asked now—and I think we took one position at the time in accordance with the facts and the situation that was available to us at that time, and the second time we took the position in accordance with the time and the situation that it was at that time, and the second time, after we got half a bill——

Senator DOUGLAS. After they had whittled down your earlier and more liberal recommendations, then you backed away from them.

Mr. HARDING. Well, we did not back away from them.

Senator BENNETT. Can you refer to some of the changed conditions they called to your attention in that discussion?

Mr. BROWN. One of the problems we ran into, Senator, was the interpretation that the Internal Revenue Service said they would have to apply in determining liability.

Now, Pennsylvania is a State that covers one or more at any time, but we apply the basic issue of whether or not a person is in casual employment, is he in an employer-employee relationship. If it is in the form of a kind of a contractual job he is going to do, we say, well, he is not an employee and we do not tax, even though it is supposedly one employee.

That, perhaps, going to this kind of a provision as far as the Federal tax is concerned, would not impose internal revenue on the small entrepreneur, and maybe the States could solve the problems below that level and, of course, more and more States are moving toward coverage of one or more at any time.

Senator DOUGLAS. Now, what are your recommendations with respect to farmworkers? These are the workers, I suppose, most neglected, particularly the migratory workers. What position do you take with respect to farmworkers?

Mr. COFFMAN. Let me talk to that a moment. This, Senator, was a matter of great concern. I think, without any disagreement whatsoever, we would all say that this is a group of people who need some help.

Senator DOUGLAS. Certainly. You admit that.

Mr. COFFMAN. As you suggested.

Senator DOUGLAS. Or rather, you assert that.

Mr. COFFMAN. That they are the worse off of any group. But I think the question to be decided—and we tried to decide it from our standpoint—was whether or not unemployment insurance is an answer to their problems.

Senator DOUGLAS. Not a complete answer, of course not. It is a question of whether it helps.

Mr. COFFMAN. There are several things about it. In the first place, the seasonality factor is one that is great. As you know, unemployment insurance is based on a risk, a risk of unempoyment. I would

point out to you that in the case of the migrant farmworker this is not an unknown risk because he is idle at certain periods of the year every year.

Senator DOUGLAS. Well, I have always been dubious whether in the general system of unemployment insurance you should have full protection against seasonal employment which can be anticipated. But no such distinction is made in any law that I know of. Seasonal unemployment is covered, and if it is covered for factory workers, why not cover it for people who are in a much worse condition; namely, migratory farmworkers.

Mr. COFFMAN. A second factor——

Senator DOUGLAS. That is, you are drawing a distinction which might be valid if applied to the whole system, but it is not applied to the whole system and, therefore, why should you apply it to the group which, on the whole, probably has the worst conditions and lowest annual wages in the country.

Mr. COFFMAN. I think another factor that affected our position and, as you know, our group took the position opposing including farmworkers.

Senator DOUGLAS. Yes. That is what I thought.

Mr. COFFMAN. Is all of the information available to us—and I readily agree that there is not a wealth of information in this area—it seems to indicate pretty clearly that farmworkers as a group would not be self-supporting financially. That is to say, that the moneys paid by growers, their employers, wouldn't be of sufficient substance to meet the costs of the unemployment during these periods.

Senator DOUGLAS. The administraion had a very modest proposal to extend coverage to farmers who report at least 50 workers for old-age insurance, disability insurance, but only those workers who had wages of at least $300 in a calendar quarter. This is more than you recommend. It is less than I would like to see because they exempt migrant workers, and I would like to, if I could, get migrant workers included.

Mr. COFFMAN. I had not seen that proposal until yesterday so I am really not prepared to comment on it.

Senator DOUGLAS. Does anybody else wish to comment?

Mr. RAUSHENBUSH. I think sheer cost is probably the biggest deterrent—cost. I mean, how much would the benefits cost? They might cost 40 percent of the amount of wages, and you would never get that kind of contribution rate.

Senator DOUGLAS. It is difficult because migratory workers move out from one State to another. This is one of the weaknesses of a State system.

Mr. RAUSHENBUSH. Well, no. I think a national system would have to figure that this was a major cost and to consider whether general revenues should finance it.

Senator DOUGLAS. You would not be opposed to general revenues for farmworkers?

Mr. RAUSHENBUSH. Well, at least I think it would be a serious question whether you should not do something different than try to collect from any farmer.

Senator DOUGLAS. Any individual State.

Mr. RAUSHENBUSH. Or farm operator as heavy a contribution as you would have to get for this particular type of work.

Senator DOUGLAS. You would favor Federal bearing of the cost rather than State bearing of the cost?

Mr. RAUSHENBUSH. Well, this might be a question. We have not really thought this through, but I think the cost is the big consideration.

Senator DOUGLAS. Well, I agree. The administrative problems are very great, and yet these poor devils suffer more than any other group. They have been forgotten.

Mr. RAUSHENBUSH. I think they are the forgotten people.

Senator DOUGLAS. That is right.

Mr. BROWN. Even in agricultural processing, Senator, I have firms in my State who cost us every year 20 to 28 percent of their payroll, and yet we can only collect, our maximum rate of 4 percent, so there are kinds of insurable risks, if you are talking insurance, that ought to be taken care of in some other way.

Senator DOUGLAS. What other way?

Mr. BROWN. Well, through some other kind of general program.

Senator DOUGLAS. Would you be opposed to Federal bearing of the costs?

Mr. BROWN. No, I would not in that area.

Senator DOUGLAS. Would you?

Mr. HILL. I do not know what kind of program it might be; I wouldn't want to say blanketwise that I would endorse any kind of Federal program in this area.

Senator BENNETT. Mr. Chairman, when these people move out of employment aren't they, in effect, available for existing welfare, which is help provided?

Mr. BROWN. Some of them have problems on residence.

Senator DOUGLAS. Which is inadequate, humiliating, uncertain.

Mr. BROWN. Their availability, of course, is a great question during these off seasons. Some of them go back in where there is no availability possible.

Senator DOUGLAS. Would you agree with this, this is a group of people who fall between the various categories of assistance and have great human wants——

Mr. BROWN. Yes.

Senator DOUGLAS (continuing). Which neither State nor Federal Government is meeting, and which constitutes not merely a State problem, but a national problem.

Mr. RAUSHENBUSH. We understand Senator Williams has been working on this problem, and various proposals he has proposed but basically your assumption is correct.

Senator DOUGLAS. Those are the only questions I have.

Senator HARTKE. I think we can have the secrecy unveiled, before we stop, if we can get a statement from the Secretary of Labor.

Senator DOUGLAS. I understand Mr. Foster wants to make a statement. I want to make it clear there is no compulsion upon him by this committee to make a statement.

Senator HARTKE. Very definitely.

Senator DOUGLAS. If you wish to make a voluntary statement, I would be glad to entertain it. Let the record show that we respect your conscientious right not to answer even though we think it is unusual and improper.

Mr. GOODWIN. Mr. Chairman, you had requested earlier that I report to Secretary Wirtz on the questions that were raised by you and members of the committee concerning the secret poll. I want to report that I have talked to Secretary Wirtz. He asked me to report to the committee, that he did not know that the poll was conducted secretly; that he does not approve of a poll of this kind being on a secret basis, and that he will take the matter up immediately from the standpoint of the Department of Labor's interest.

Senator DOUGLAS. Are you now ready to testify in response to Senator Hartke's question or do you say that you won't testify until you get further advice from the Secretary?

Mr. GOODWIN. I did not know that this question was involved in terms of the questions I put to the Secretary. I did not put that specific question to him, and I would not be prepared to make a further statement until we have——

Senator DOUGLAS. I do not wish to turn the screws on you, but let me say this: Do I understand that you still refuse to testify in response to Senator Hartke's questions until you have further advices from the Secretary?

Mr. GOODWIN. Let me clarify one point. We do not have the information, I have never seen it, and no one except Mr. Foster, so far as I know, has it.

Senator DOUGLAS. This is Mr. Goodwin. Is Mr. Foster here? Will Mr. Foster please take the stand.

You have heard any questions to Mr. Goodwin?

Mr. FOSTER. Yes.

Senator HARTKE. What I want to know, you heard the statement?

Mr. FOSTER. I am not sure I know the statement you refer to.

Senator HARTKE. Well, in light of the statement from the Secretary of Labor, made by Mr. Goodwin, do you still feel that you cannot, in good conscience, answer the question which I previously submitted to you concerning this secret poll?

Mr. FOSTER. Yes, sir.

Senator DOUGLAS. What was the position?

Senator HARTKE. Mr. Chairman, he says, no, he will not testify. I think it is highly irregular. I think it is very unforunate. I think that it is certainly without authority of any sort whatsoever. At the same time, I am not interested in forcing this man to violate his own conscience, but I would ask him to examine his conscience as to whether or not he feels he is violating his conscience as a Federal employee representing the taxpayers of the United States.

Mr. FOSTER. May I make a statement, Senator Douglas——

Senator DOUGLAS. Yes.

Mr. FOSTER (continuing). To Senator Hartke?

I was assigned to this job, Senator Hartke, by the Department which knew full well what the job entailed.

Now, I am a longtime career Federal employee. I have been in the Federal Government for about 30 years. If the Department chooses to assign me to a different position they are certainly at liberty to do so, and I will do everything I can to properly discharge the obligation of the position to which I am assigned.

But, knowing what the situation was when I was assigned to the position, I certainly think that I could not, in good conscience, then reveal the secretness of this poll at this time.

Senator HARTKE. Let me ask you this question: In your assignment, were you assigned a specific duty of keeping in confidence the polls taken by this conference?

Mr. FOSTER. There was no specific assignment in that respect, Senator Hartke.

Senator HARTKE. Was there an unspecific assignment in that respect?

Mr. FOSTER. Yes, sir. There was certainly known to the Bureau of Employment Security and to the Department of Labor the fact that this conference had a constitution and code. It has been printed for many years, and clearly that constitution and code set forth the fact that these polls are secret, and to be revealed only upon the State, the individual State, indicating that it wishes its vote to be revealed.

Senator DOUGLAS. Apparently, the Secretary of Labor has stated through Mr. Goodwin that he does not think these polls should be secret, and the question I want to ask in view of this impromptu ruling by the Secretary of Labor is: Do you still feel that you should not answer Senator Hartke's questions?

Mr. FOSTER. Yes, Senator Douglas, I do. I think if the Secretary directs differently from here on out, I think this is——

Senator DOUGLAS. Don't you interpret Mr. Goodwin's statement that he has directed you to do differently?

Mr. FOSTER. Sir?

Senator DOUGLAS. Don't you feel that Mr. Goodwin's statement directed you to do differently?

Mr. FOSTER. No.

Mr. GOODWIN. I think that is correct, Mr. Chairman. The Secretary said he proposed to look into this matter immediately, but he did not take any position on this particular point.

Senator DOUGLAS. I would suggest that Senator Hartke prepare a written question and submit it to Mr. Foster and that the Department of Labor make a reply, and if Mr. Foster disagrees with the Department of Labor, let him so indicate.

(The reply from the Department of Labor will be found on p. 145.)

Senator BENNETT. Mr. Chairman, I would just like to make this observation. It seems to me that this involves a basic relationship between the Department of Labor and this group of commissioners, of which Mr. Foster has no part, and that the Secretary and the commissioners must resolve that relationship before Mr. Foster can be set free to break the relationship in the making of which he had no part.

Senator DOUGLAS. I do not believe that a private party can impose restrictions and extend executive privilege or privilege going beyond executive privilege, to a Federal employee working for a non-Federal agency or assigned to a non-Federal agency. That is neither here nor there. I will tentatively rule that Senator Hartke is privileged to submit the question, and that we would ask, since the Secretary has promised an immediate answer, that a reply be made within 10 days.

Senator HARTKE. I certainly will do that, but in relation to the statement made by the Senator from Utah, I would like to say that I recall when the question of executive privilege was invoked when the President himself indicated that he did not want it invoked and had relinquished it, and the member at that time was being considered

for a Cabinet position. It was the central issue on the question at that time as to whether he was to be confirmed, and in which the member was not subsequently confirmed, but rejected in a confirmation by the Senate.

I think this is a very important matter and I do not think that the statement by the Senator from Utah would at all be controlling, and I just want to register my dissent to it.

Senator DOUGLAS. I may say I think the investigations of Congressman Moss, of California, and the subsequent and recent action by the House certainly recommend a narrowing of executive privilege, and lessens the secrecy which in the past Government officials have been able to throw around their actions.

Senator BENNETT. Mr. Chairman, I would just like to make one other comment, and again I am just expressing my own interpretation of this situation. Mr. Foster was assigned by the Department to become a servant of this group, and certain limitations were put on his service when he went to work for the group.

Now, there are many people who are on the Federal payroll who are assigned to non-Federal groups, and I agree with you that this must be resolved, and I think the Secretary must have time to resolve it, and if I were the Secretary I would not give a final answer until I had had a chance to review the code and constitution of the interstate conference and to discuss the whole affair with the State employment commissioners.

Senator DOUGLAS. We will give him 10 days.

Mr. BROWN. May I ask this question, whether or not the States do have privy on this in terms of confidentiality?

Senator DOUGLAS. I never thought that States had the executive privilege in testifying before a Federal body. I never thought so.

Senator BENNETT. Can you force the Governor of a State to testify?

Senator DOUGLAS. Are these men Governors?

Mr. BROWN. No. But we are acting for our Governor.

Senator DOUGLAS. How far down do you go?

Mr. BROWN. We are acting for our Governors, and I will say this, that the votes we have been taking in the conference generally reflect the attitude of our administration, and when we have done this we have not done it on the contemplation that it was going to be published.

Senator DOUGLAS. I am not a lawyer. Perhaps you could do it if you paid for the services of an executive secretary and he was your agent. But when you take a Federal official at a salary paid by the Federal Government and impose restrictions upon him which Federal agency does not wish to have imposed——

Mr. BROWN. I do not mean to be facetious——

Senator DOUGLAS. That is something different.

Mr. BROWN. I do not mean to be facetious, but you are paying our salaries.

Mr. HILL. Yes, the only money we have is Federal.

Senator DOUGLAS. I thought you claimed independence.

Mr. RAUSHENBUSH. We do.

Senator DOUGLAS. If you were Federal employees, we would be quite rigorous in our questioning.

Mr. RAUSHENBUSH. You have.

Mr. GOODWIN. Mr. Chairman, may I say by way of explanation this present arrangement has been in effect since, I think, 1957, back a long time ago.

Senator DOUGLAS. I was going to ask when this began.

Mr. GOODWIN. Well, it has not really been reviewed, and what the Secretary is proposing to do now is to take a careful and close look at it right away.

Senator DOUGLAS. I did not wish to be accused of being partisan in inquiring when it began, but since you have testified voluntarily it began in 1957, this is important for the record. We had the same problem, of course, with the so-called Business Council.

Senator BENNETT. Except in the Business Council, is it not an unofficial body?

Senator DOUGLAS. I think that is right.

Senator BENNETT. Unpaid. This man is a paid employee, and I am interested to know whether he is a paid employee among other paid employees.

Mr. RAUSHENBUSH. We are State employees.

Senator BENNETT. Also.

Mr. RAUSHENBUSH. State employees.

Senator DOUGLAS. Should they not become Federal employees, but State employees?

Mr. RAUSHENBUSH. Although the money used to pay out salaries is granted to the State.

Senator BENNETT. It filters through.

Mr. RAUSHENBUSH. Which, in turn, pays us at State salary rates, not Federal.

Senator BENNETT. Mr. Foster is directly on the Federal payroll.

Mr. HILL. Right.

Senator HARTKE. Has any one of your—or has your conference given any thought to the economic effect of the tax increase which is occasioned by this bill, which would amount to nearly $3 billion in the next 6 years?

Mr. RAUSHENBUSH. We certainly have considered this, Senator, at length, and the Ways and Means Committee considered it at length and asked us questions about it in public hearings and the like.

We say there should not be so drastic an increase as was proposed by the original administration bill; namely, to jump the textile wage base from $3,000 up to $5,600, and then on to $6,600. We said there was no necessary connection between the unemployment tax base and the social security tax base; that there were many differences between the two taxes, including experience rating, tax credits, and the like. But we did feel that we had a couple of different jobs to do here, and I think this was the general consensus on the House side, namely, that the taxable wage base should no longer remain at $3,000 where it was put in 1939, that it should be raised.

We felt it should not be so drastically raised as to have a major impact on the American economy; that rather you ought to do an adequate job, but not an excessive job.

In connection with the change in the Federal tax rates and the net Federal tax take from four-tenths to six-tenths, that this was necessary not only for adequate administrative financing, because the tax take has fallen short of the necessary appropriations the last year or

so, but also necessary to gain more Federal tax take in order to finance the Federal share of the proposed extended benefits program and recession.

So we were all over that ground as, indeed, the House side considered it at great length. I know I listened to some of the questions on it, and they asked Bureau experts to give them figures and the like.

Senator HARTKE. You do not consider the increase of approximately $3 billion for the next 6 years as excessive?

Mr. RAUSHENBUSH. Well, we are—may I inquire, Senator, are you talking about the yield from the six-tenths, plus the increase in the tax base?

Senator HARTKE. It takes into account both.

Mr. RAUSHENBUSH. This is the combined in a period of 6 years, did you say?

Senator HARTKE. Yes.

Mr. RAUSHENBUSH. No. In the 6-year period we think it is necessary because the Federal extended benefit program's share might cost a considerable portion.

Senator HARTKE. All right. Thank you.

Thank you, Mr. Chairman.

Mr. RAUSHENBUSH. May I say you have been a very patient committee.

Senator BENNETT. Mr. Chairman, Senator Hartke said he had no further questions.

Senator DOUGLAS. Thank you very much, gentlemen. I merely urge you to remember the words of Euripides in one of his plays translated by Gilbert Murray, "For some may grow to soon weary and some swerve to other paths setting before the right the faint, far-off image of delights. Many of the delights underneath the sun."

I urge you to revert to your earlier positions of virtue——

Mr. RAUSHENBUSH. But only where they are more liberal.

Senator DOUGLAS. And not allow yourselves to be swayed by the prestige of the House Ways and Means Committee. Thank you very much.

Those translations of Euripides are very good even in Victorian language. Thank you.

Gentlemen, thank you very much.

Mrs. Hackel, we are very happy to welcome you. Please come forward. I appreciate your coming down here to testify. I am glad to see that women are now participating in the administration of this act, and it is not purely a masculine affair.

STATEMENT OF STELLA B. HACKEL, COMMISSIONER OF EMPLOYMENT SECURITY, STATE OF VERMONT

Mrs. HACKEL. Thank you. May I proceed?

Senator DOUGLAS. Yes.

Senator BENNETT. Mr. Chairman, I suggest that her statement be included in the record as though read, and then she may summarize it.

Mrs. HACKEL. Thank you, Senator. This statement has to do with, as you know, H.R. 15119. My position is that even though in its present form H.R. 15119 would provide major improvements, there is no question about that, I think there are several areas where further

action ought to be taken and amendments ought to be made in the Senate.

In particular, I am supporting some minimum Federal benefit standards and, in addition, a stronger extended benefit program in this country. Those are the areas——

Senator BENNETT. In terms of people or in terms of duration of time?

Mrs. HACKEL. In terms of people and duration of time, an extra 26 weeks, and to individually trigger rather than depend upon recession periods as it is stated in H.R. 15119.

Senator BENNETT. An extra 26 weeks is 52 weeks.

Mrs. HACKEL. It would be 52 weeks in all. Twenty-six weeks in addition to a State program of 26 weeks.

I am also going to support the standard that if you have 26 weeks of standard, you should get 26 weeks in the State and an additional 26 weeks of extended benefits for those individuals who cannot secure employment, who are genuinely seeking employment, regardless of what the general economic conditions of the country or a particular State are.

Senator DOUGLAS. You are not for the triggering in the bill?

Mrs. HACKEL. That is right. I want it to trigger to each person, whatever his particular situation is.

Our major position here today in support of these Federal standards is the absolute necessity for them. It is my position, and I have no wish to diminish the prerogatives of State government, I do not want federalization except in areas where there is a need that only the National Government can meet, and I think this is an area.

What I did in this speech is indicated by comparing Vermont and Texas and Virginia, the differences of the amount of taxes that our employers pay as compared to their employers, and the differences in our benefit programs, and my position is that it is totally unjust to give Texas employers, who pay, I think it is, a half percent on total wages on the average, a tax credit of 2.7 percent, at the same time that you are giving the Vermont employers, who pay 1.5 percent, I think it is, in total wages, the same tax credit of 2.7 unless the Texas program meets certain minimum standards of what the majority thinking is as to what a reasonably adequate program is.

Senator DOUGLAS. What was that?

Mrs. HACKEL. Vermont pays on total wages an average cost, 1965, of 1½ percent on its total wages. Texas pays a half percent. All right. This would be fine with me if Texas' program was adequate, but it is not fair when the Texas program, when they legislate very restrictive laws, and then they get off scot free both ways with the Federal Government and with their State taxes.

Senator BENNETT. Maybe you should move to Texas and become the administrator of Texas.

Mrs. HACKEL. I do not think they will let me in.

Senator DOUGLAS. Raise the standards of Texas so that it will not drag down Vermont.

Senator BENNETT. She would be the one to raise this nationally.

Mrs. HACKEL. If you think Texas would have me, I don't think so after this speech.

In any event, I was using Virginia and Texas because it is so obvious, I think, if you will turn to page 4, you will see what our duration

provisions are as compared to Texas and Virginia. If you compare our maximum weekly benefit amounts at the top of page 5 and if you compare our disqualifications, you will note ours run 2 to 9 weeks; misconduct 6 to 12 weeks. Texas is running 1 to 26 weeks, and Virginia, the duration of unemployment plus 30 days' work. That is for a voluntary quit. I mean a lady quits because she lost her babysitter, and the duration is the duration of unemployment plus 30 days' work. Misconduct or refusal to accept suitable work, on all three of these issues the disqualification is extremely severe.

It is extremely disastrous, I state here, and I believe this to be so, in terms of high-level unemployment when some people are trying to get work and cannot get it.

Senator BENNETT. Are you suggesting we should have a completely uniform Federal program all over the United States?

Mrs. HACKEL. No.

Senator BENNETT. That is the only way you can force Texas to——

Mrs. HACKEL. No. I just want a bare floor, minimum standards, that is all I am insisting on.

Senator BENNETT. All right.

Mrs. HACKEL. That would at least be basically fair to the State of Vermont. If we want to go above, all right. But once reasonable men agree on what a reasonable floor is, then any State that wants to go above the floor, knowing that it will cost their employers more, fine, but at least, let us have a decent floor here.

Then I go into the cost rates here, which I have indicated. Now, our insured unemployment rate, which is page 6, our insured unemployment rate in Vermont has been one of the highest in the country, as perhaps you know, up to a few months ago, but what we are doing there is we are paying out benefits. People come in and file claims because they know they can get benefits. We do not have a severally restricted program, and people do not come in and report a respectably low unemployment rate.

In Vermont, we are not interested in doing that in our State. We are not interested in concealing our unemployment there. We want to help the unemployed worker.

In the last few months we have run about average with the rest of the country. I think our possible recent uninsured employment was 1.7 percent, and the country's is 1.7 percent, so it does indicate you can have a broad and humane broad coverage program and still, if economic conditions are right, have low unemployment in the State. It does not mean that because you are going to have a broad coverage everybody is going to not work.

Now, we are convinced here in Vermont and I discussed this with Senator Aiken, and he believes that American workers want to earn the money to support themselves and their families. I am just as much convinced about it. We both agree this might be a situation where a few out of a hundred that don't, but most of them want to, and they do not want to come in and file for unemployment benefits and answer personal questions like, "How much did you make last week?" And, "Who did you go to see?" and apply for work here, and these are, under any other circumstances, questions we would consider an invasion of privacy.

I do not think our American workers enjoy this, and most workers want to earn their money.

Now, what I really want to submit, of course, and I indicate on page 7 that if my opinions could prevail on this bill, I would support most of the provisions of H.R. 8282, but that is patently impracticable, and I certainly am not suggesting that here today, but I think we ought to have an effective long-range program of benefits for workers who cannot find employment, and I do not think we ought to penalize them for an act that resulted in a discharge or a quit.

OK, you do not want to work at one particular job, that is understandable, and maybe you quit. All right. But you cannot penalize them forever, and it may be that some of these workers who are having extreme difficulty getting employment are simply not acceptable to employers. They can come in and for some reason or another the personality is not pleasing, and you can have the finest of economic conditions, but it would be someone that you, or you or I, would not hire.

I can have a perfectly good secretary come in, except she talks all the time, and you know you are getting a clue to her personality. You call her former employer, and the former employer says, "Yes, she talks all the time. We told her, she had a fight with somebody else and we said, 'All right, you can quit'." So she is a voluntary quit person. I won't hire that person and neither would anyone else, so there are individuals within this system who can have extreme difficulty in securing employment even under good times, and I think if you gave them an extra 26 weeks, a total of 52 weeks would not be excessive.

As far as I am concerned, I would prefer that the unemployment insurance program remain in effect for an adequate period of time so that people can draw benefits on the basis of their working experience rather than become welfare recipients. I think it is better for the American workers of this country to have someone believe in them, that they can get another job. So I think that the period should be long enough.

Now, in regard to the benefit amounts, duration, and disqualification, I go into specifically what I would like to see, and it is very similar to H.R. 8282, the maximum weeks of employment necessary to be eligible for 26 weeks of State benefits not to exceed 20 weeks; that the weekly benefit amount be 50 percent of the claimant's average weekly wage, up to a maximum eventually of 66⅔ percent of the State average wage.

Senator DOUGLAS. Sixty-six and two-thirds?

Mrs. HACKEL. Right, not of their wage but of the State average wage, I am sorry.

Senator DOUGLAS. Fifty percent, up to 66⅔.

Mrs. HACKEL. That is right. In the original H.R. 8282 bill, I am in complete support of that for the reason that you have high wage earners, and in our society they buy these refrigerators, and so on, and you are committed to all these expenses, insurance, and to try to get along on one-third or less of what your wages were is an extremely difficult thing to do, to say nothing about the fact that you certainly are not maintaining purchasing power that way either when you keep their benefits so very low.

For instance, in Texas the maximum is $37. So a man making $150 a week is living on $37 a week. Now, that is not reasonable, it is not to

me, anyway. So I think it should go up to 66⅔ percent of the State average wage.

In Vermont only 60 percent of our claimants get one-half of their wages, so there are 40 percent of them that are losing by that ceiling of 50 percent, and Vermont is a liberal State, but we cannot go ahead and legislate, I do not think, although we may be considering the 66⅔ percent, because our trust fund is so low anyway, and our taxes are so high.

Senator DOUGLAS. Further increases would put your employers at a competitive disadvantage.

Mrs. HACKEL. That is right, and the Federal Government is going to have to help us out so we can do something reasonable, so that we do not legislate our employers out of the competitive market.

Then, the uniform duration of benefits should be a minimum of 26 weeks for claimants with at least 20 weeks of sufficient employment. Once reasonable men agree on a proper eligibility requirement as to what labor attachment means, if you say it is 20 weeks, then they should have a full range of benefits for an adequate period of time.

Now, if some States want to say that somebody in the labor force for 3 weeks, as some of them do, with high quarter wage States—you know you can earn $1,000 for 2 weeks and come into this program—Vermont does not permit it—that is all right, although I do not think that is a genuine attachment to the labor market, and I do not think they need to be available for unemployment insurance.

Senator BENNETT. I come from a State where they have true seasonal workers. Housewives who go out 2 or 3 weeks in the summertime and peel tomatoes, and when the tomato canning crop season is over they go back home, and if you fasten us to 20 weeks, those people won't qualify.

Mrs. HACKEL. This is a floor. You can have less than 20 weeks. All I am suggesting is 20 weeks. If you have 20 weeks, then you can get 26 weeks of the benefits, and this is just a floor, but it permits a State to do exactly what you are doing, to qualify these people.

Senator BENNETT. For less than 26 weeks of benefits?

Mrs. HACKEL. Yes. I think what I am suggesting—I know what I am suggesting anyway, is that for claimants with at least 20 weeks of employment, which I consider to be a fair test of attachment to the labor market, get their full 26 weeks, and no fooling around about that, no cutting it down, no cancellation or reduction of benefits because they quit for some reason or other, or any other reason. Give them their full 26 weeks if they are genuinely attached, and I say 20 weeks is genuinely attached.

If there are less weeks than that, if someone else feels it is less genuinely attached and wants to give them less benefits, I have no objection.

All right. Then that question of disqualification, this is my next point, except for fraud, conviction of a crime, or labor dispute, be limited to 6 weeks succeeding the week in which the disqualifying act occurred.

As I have said earlier, you may have quit a job or even committed an act that resulted in being discharged from a job, but you should not be penalized over and over again. The test then is once you come back into the labor market, after you voluntarily quit, are you really

able and available for work, and that goes to the administration of the program. I know this is a difficult matter to make a decision on because it is subjective whether someone is able and available for work, but you should not just eliminate everybody, and these disqualification clauses that eliminate for the duration of employment plus 30 days' work tend to do this for some individuals.

You see, I am more concerned about the individuals. Well, I am not more concerned, I am concerned about individuals in this program.

Senator DOUGLAS. In other words, termination for just cause could be penalized for 6 weeks.

Mrs. HACKEL. Even termination with just cause, any disqualification.

Senator DOUGLAS. I am thinking of voluntary quits without——

Mrs. HACKEL. Yes; that is right; that is right.

Senator DOUGLAS. And discharge is for cause only, symbolized by the 6 weeks.

Mrs. HACKEL. That is right.

Senator DOUGLAS. Refusal of suitable employment, would be penalized by 6 weeks.

Mrs. HACKEL. Correct.

Seantor DOUGLAS. There is a problem here that you always want to check with respect to encouraging malingering.

Mrs. HACKEL. I know, and where you have to get to this is in the administration of the law. As I proceed further with this, on page 11, there is no question but that workers who have voluntarily become—who are voluntarily unemployed, should be weeded out of the program. This program is not designed to take care of workers who are either unwilling to work or physically unable to work.

Senator DOUGLAS. Do you think the employment offices do enough with respect to this problem?

Mrs. HACKEL. Let me say this much, in Vermont, we separated the employment service from the unemployment compensation, not physically, the offices, but the administration from the top down, so that we can watch very closely what has been done in the local offices.

In addition, what we did, we decentralized the decision on these cases. It used to all be done at a State central office, and they would get these few little lines written up in the local office and make a decision on it. Obviously, you cannot make a decision that way. The decisions are made in the local offices, and they go straight on through, and we watch them very carefully. Our decisionmakers and factfinders, these are crucial, crucial in the administration of the program.

Senator DOUGLAS. In the three northern New England States, you have a search for individual responsibility.

Mrs. HACKEL. Yes, that is true. We have good workers in the State of Vermont. That is true, but nevertheless——

Senator DOUGLAS. You have a higher search for individual responsibility than in almost any section of the country. Of course, the Senator will stand up and fight for Utah.

Senator BENNETT. I stand and fight for Utah.

Senator DOUGLAS. I think in the New England section of Vermont, New Hampshire, and Maine.

Mrs. HACKEL. In all fairness to the larger States, perhaps it is simpler to manage this in a smaller State also. It does not mean it can-

not be done in the larger States if you have enough qualified personnel to do it. It could be done.

Senator DOUGLAS. And decentralization.

Mrs. HACKEL. Decentralization. Naturally, going up for appeals of factfinding decisions.

Senator DOUGLAS. But the decision to be made locally originally.

Mrs. HACKEL. Absolutely.

Senator BENNETT. That just about covers it.

Mrs. HACKEL. I think it does, Senator. Right. My final point is I think if this bill is passed as it was proposed in the House, I do not think it will come up again for a congressional action for several years.

Senator DOUGLAS. And we had better do a good job now.

Mrs. HACKEL. Right, Senator. Thank you very much.

Senator DOUGLAS. You have given some very good testimony.

(The prepared statement of Mrs. Hackel follows:)

STATEMENT OF STELLA B. HACKEL, COMMISSIONER OF EMPLOYMENT SECURITY, STATE OF VERMONT

Chairman Long and gentlemen of the Committee. I appreciate very much this opportunity to appear before the Committee to urge favorable consideration of H.R. 15119, after amendment to include important provisions now omitted.

There is no question but that, even in its present form H.R. 15119 would provide major improvements in the federal-state unemployment insurance program. Particularly significant are the provisions extending coverage to employers of one or more; prohibiting cancellation of wage credits or denial or reduction of benefits by reason of certain disqualifying acts or circumstances; and prohibiting the denial of benefits for workers in training or the denial or reduction of benefits for interstate claimants. The financing provisions are a definite improvement over existing law, and so also is the extended benefits program, so far as it goes, although it leaves much to be desired.

Having acknowledged that H.R. 15119 does represent a major improvement in our unemployment insurance program, it must now be said that this bill still falls short of providing a completely effective and equitable program. Amending provisions are, I believe, necessary, if we are to provide effective economic security for our working people and to assure equity as between all wage earners involuntarily unemployed, regardless of state of residency. In addition, such provisions are necessary to correct tax inequities as between employers among the several states, whereby employers in states of broad and humane coverage are put to competitive disadvantage.

I speak in particular to the need for minimum federal benefit standards regarding benefit amount, duration of benefits, and coverage eligibility, and to the need to strengthen the provisions in H.R. 15119 relating to extended benefits. It is in these areas where the Committee ought to consider further improvements.

There is no question but that federal standards in the above particulars would restrict the area within which the states can operate. While I am respectful of the states as sovereign entities, and do not wish to see their prerogatives diminished, nevertheless we must be prepared to accept some degree of federalization where there exists a need that only the national government can satisfy. I am convinced that the need for greater uniformity in our unemployment insurance program requires that the federal government legislate minimum federal benefits standards. It simply is not possible for a state to provide an effective program for its working people without putting its employers to an unfair competitive disadvantage with employers in states with less effective programs. Only the federal government can act to correct this inequity.

In Vermont our program includes uniform duration of 26 weeks, together with extended benefits for an additional 13 weeks in times of high level unemployment. In our state the benefit amount is 50% of the claimant's average wages up to a maximum of 50% of the average wages in the state in covered employment. Here we do not permit the double dip, and at the same time we do not cancel wage credits or reduce benefits for disqualifying acts. We do

not deny benefits to a worker taking an approved training course; we know that can be the best means of getting him back into the labor force and paying taxes again. We do not reduce benefits to a claimant just because he resides in another state; he needs money to live on there, too. We do not deduct retirees' pension payments from benefits or cancel their benefit right; we know how difficult it is for a 65-year-old worker to get suitable employment. It is our position that the disqualification period is not intended to punish anyone, and we do not use it to penalize forever a wage earner who is unable or even unwilling to work at one particular job.

Unfortunately, however, we have a serious problem. Our wage taxes are high as compared to other states, and our trust fund is low. That is the direct result of the concern for our working people of the Vermont legislature and steps taken by it to provide a relatively effective program for them.

It is not Vermont that needs to be reminded by federal standards of our duties and obligations to working people unfortunate enought to be unemployed and unable to secure work. It is Vermont and other states in this position that need to be protected by federal standards, which not only would ensure a minimum of adequate protection for workers but at the same time preclude such unfair interstate tax competition as evidenced by comparing Vermont with, for example, Texas and Virginia.

I note that the Employment Security administrators in those two states were among the witnesses representing the majority view of the Interstate Conference of Employment Security Agencies at the hearings before the Ways and Means Committee of the House of Representatives, supporting elimination of federal standards. Let us consider the average tax on total wages in these states, as compared with that of Vermont.

In 1965 the average tax on total wages in Vermont was 1.5%. In Virginia it was 0.4%, and in Texas 0.5%. As a corollary, the Trust Fund in Vermont on December 31, 1965 stood at 1.06% times the highest 12 month benefit cost rate in the last ten years, as compared to Virginia at 4.0 times and Texas at 2.57 times. A multiple of 1.5 times the highest cost rate is considered by actuaries to be a relatively safe Trust Fund.

Now let us compare the benefit amount, duration and disqualification provisions of these three states.

1. Duration

Vermont: Law provides for a uniform 26 weeks duration plus an additional 13 weeks in periods of high level unemployment.
Texas: Variable duration ranging from less than 11 (10+) weeks to 26 weeks.
Virginia: Variable duration ranging from 12 to 26 weeks.

2. Maximum weekly benefit amount

Vermont: $45.00.
Texas: $37.00.
Virginia: $36.00.

3. Disqualifications

Vermont:
Voluntary quit: 2 to 9 weeks, except for illness (1 to 9 weeks).
Misconduct: 6 to 12 weeks.
Refusal to accept suitable work: 6 weeks.
There is postponement of benefits, but no reduction or cancellation of benefit rights or wage credits.

Texas:
Voluntary quit: 1 to 26 weeks.
Misconduct: 1 to 26 weeks.
Refusal to accept suitable work: 1 to 13 weeks.
Benefits are reduced or cancelled for a number of weeks equal to the disqualification.

Virginia:
Voluntary quit: Duration of unemployment plus 30 days work.
Misconduct: Duration of unemployment plus 30 days work.
Refusal to accept suitable work: Duration of unemployment plus 30 days work.
There is no reduction or cancellation of benefit rights or wage credits. However, in Virginia, if a disqualified claimant cannot secure at least 30 days employment, he forfeits all rights to unemployment insurance. These provisions are especially disastrous in times of high level unemployment.

In 1965 Vermont's benefit costs amounted to 1.13% of total wages, Texas' benefit cost rate was .46% and Virginia's, 26%. During the same year our Vermont employers paid taxes on $3600 of taxable wages, with a minimum-maximum tax rate ranging from 1.1% to 4.1%. Both Texas and Virginia employers paid a minimum-maximum of .1% to 2.7% on a $3000 taxable wage base.

The insured unemployment rate in Vermont has been one of the highest in the country, up to a few months ago. One reason for our high unemployment rate may be the fact that we pay benefits on an equitable basis and in reasonable amounts. Our people file for claims because they can receive benefits. As a result tthey raise the unemployment rate to where it accurately should be. Vermont does not employ the device used in some states of legislating a severely restrictive program of benefit payments, duration and disqualification, so as to discourage the filing of claims, and then report a respectably low unemployment rate. In Vermont, we are not interested in concealing our unemployment, but rather in genuinely meeting the needs of our unemployed.

Fortunately, in the last few months our unemployment rates have been low for us, and average as compared to the rest of the country. It appears evident that in a period of high level employment and in the warm weather season, even with an enlightened and humane unemployment insurance program, we can have a low rate of unemployment in this state. We remain convinced that workers, the vast majority of them, will work if they can secure suitable jobs. American workers want to earn the money necessary to support themselves and their families. It is no pleasure to be unemployed and filing every week for unemployment benefits, and to answer questions that under any other circumstances would be considered an invasion of privacy.

If my opinions could prevail on this bill, I would modify it to include most of the provisions of the old H.R. 8282. Such a hope is patently impractical. But, at the least, I would like to see an effective insurance program for the long-term unemployed and hard-to-place workers, with an additional twenty-six weeks of benefits. The guaranteed income concept is gaining support across the country. Perhaps there would be less need for an outright gift program if we had an adequate nationwide system of extended unemployment insurance benefits, which would preserve the personal dignity of a working man and encourage him to remain in the labor market rather than become a welfare recipient.

Such a program must trigger as to each individual, and not merely in times of general recession. In this country we have always considered the human rights of an individual as being of superior quality to that of the group, except under unusual circumstances. Even under the very best of economic conditions throughout the country or a state, some individuals within the system can have extreme difficulty in securing employment. Unwillingness or inability to work are problems which this program should not and does not attempt to meet. But an adequate program is necessary for those individuals who genuinely seek employment and are physically able to work, but who meet employer resistance and fail to secure employment for a long period of time. The unemployment insurance program is designed for all workers who are unemployed through no fault of their own. This includes those whose capabilities or personalities are not pleasing to prospective employers, so long as they are genuinely seeking employment.

Insurance protection for a total of 52 weeks of unemployment is not excessive. Of course, adequate financing would need to be provided, with a higher tax base and tax rate than that proposed in the present bill. A higher tax base approach, as compared to that of a higher tax rate, would appear more equitable as between covered employers in high wage or low wage industries, in relation to unemployment taxes as a proportion of total payroll.

In regard to benefit amounts, duration and disqualifications, I would like to urge the adoption of minimum federal standards as a condition for giving full federal tax credit of 2.7% for reduced unemployment insurance rates. It is my position that it is totally unjust to give to a Texas employer who, on the average, pays a tax of .5% of total wages to the Texas Trust Fund, a federal tax rate credit of 2.7%, the same tax credit given to a Vermont employer, who pays an average tax on total wages of 1.4%, unless the provisions in Texas relating to benefit amount, duration and disqualifications meet a minmum standard universally applied and designed to establish a truly effective insurance program.

In particular, I urge amendment in the Senate of the proposed bill so as to include the following requirements:

1. That the maximum weeks of employment necessary to be eligible for 26 weeks of state benefits not exceed 20 weeks at a reasonable wage within a one year base period, or equivalent. Such a requirement would appear to be a fair and just test of attachment to the labor market, not only in Vermont, where we have such a provision, but also in the other states as well.

2. That the weekly benefit amount be 50% of the claimant's average weekly wage, up to a maximum, eventually, of 66⅔% of the state average wage. A low maximum limitation penalizes the wage earner at the higher income level, often the primary wage earner with dependents. His economic commitments in this society are based upon full earnings. To reduce his wage replacement to perhaps one-third or less of the earnings he has counted upon to meet his financial obligations is, from the viewpoint of economic stability purchased with maintained buying power, poor economics. In Vermont our benefits are 50% of the claimant's average weekly wage, up to a maximum of 50% of the State average wage. Although already one of the highest maximums in the country, it should be higher. But, as I have stated, our tax rates are high and our Trust Fund is low. We do not want to legislate our employers out of the competitive market. For that reason we need a federal standard on this matter.

3. That the uniform duration of benefits in the state program be a minimum of 26 weeks, for claimants with at least 20 weeks of sufficient employment. Once reasonable men agree on a proper eligibility requirement of weeks of employment to test attachment to the labor market, then a worker is either attached or he is not attached. Assuming he is attached, he is entitled to full scale benefits for an adequate period of time so as to enable him to secure employment commensurate with his skills and former wages. For the worker who wants to work but who has unusual difficulty in securing employment, twenty-six weeks is little enough grace period before he must further materially depress his standard of living and that of his family.

4. That disqualification, except for fraud, conviction of crime, or labor dispute, be limited to six weeks succeeding the week in which the disqualifying act occurred. While the original unemployment for which a voluntary quit or discharged claimant is disqualified may be due to his own act, we cannot penalize him forever because he cannot or will not work at one particular job. There comes a time when his unemployment is due to general economic conditions or even to lack of ability to secure employer acceptance. If we agree that it is not a proper purpose in disqualifying a worker to punish him, then we should not impose an unlimited or excessive disqualifying period for one act that resulted in a quit or discharge. This amendment would limit the application of the disqualification, but not the causes therefore, which would remain within the legislative and administrative judgments of the states.

There is no question but that workers who are voluntarily unemployed should be weeded out of the program and denied benefits. However, under severely restrictive laws that eliminate broad categories of workers, the strength and genuineness of attachment to the labor force of any particular individual apparently is immaterial.

What is needed in this program is effective administration at the state level, together with substantial improvement in local office factfinding and decisioning operations, in order to weed out improper claims. It is easier for the administrators in the states, who have the responsibility for administering the program, to function under broadly restrictive laws that exclude everyone in a group. However, that is exceedingly unfair to individuals in the group who are qualified and eligible by reason of proven attachment to the labor force and genuine effort to secure reemployment. If federal standards are needed to ensure equal treatment for all workers regardless of state of residency, then federal standards we must have. The protection from abuses in the program would then depend upon the quality of administration in the states, and this is entirely within state control. If the states would improve their administration of these laws, they could have no valid objection to the minimum standards above referred to. It is a combination of just laws and good administration that is essential to an adequate unemployment insurance program.

It must be recognized that the proposed bill is the result of long and careful study by experts in the field, after serious effort to compromise diverse but sincere opinions on the issue of the extent to which a particular state ought to be free to establish an unemployment insurance program, regardless of its effect on other states or whether or not it meets the social needs of its people.

It may be that, if the proposed bill is passed in its present form, the entire matter of the unemployment insurance program in this country will not again receive the serious attention of Congress for several years. Therefore, it is vitally important that major improvements necessary, but now omitted from the proposed bill, be fully considered and adopted at this time.

Mr. Chairman and gentlemen, I thank you for your consideration and for permitting me to make this presentation.

Senator DOUGLAS. I will now adjourn this meeting until Monday morning at 9 o'clock.

(Whereupon, at 12:50 p.m., the committee adjourned, to reconvene at 9 a.m., on Monday, July 18, 1966.)

UNEMPLOYMENT INSURANCE AMENDMENTS OF 1966

MONDAY, JULY 18, 1966

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

The committee met, pursuant to recess, at 9:40 a.m., room 2221, New Senate Office Building, Senator Herman E. Talmadge presiding.

Present: Senators Talmadge, Hartke, and Williams.

Also present: Tom Vail, chief counsel.

Senator TALMADGE. The hearing will come to order.

Our witnesses this morning generally have special situations they wish to discuss with the committee. The special situations are not so much concerned with the question of Federal standards or the level of the benefits so much as they are with questions of coverage and exclusions from coverage.

Our first witness this morning is Dr. Robert J. Bernard, representing the Association of Independent California Colleges & Universities.

Dr. Bernard, will you step forward and take the stand and proceed.

STATEMENT OF DR. ROBERT J. BERNARD, EXECUTIVE DIRECTOR AND CHAIRMAN OF THE BOARD OF TRUSTEES OF PITZER COLLEGE, OF THE CLAREMONT COLLEGES, REPRESENTING ASSOCIATION OF INDEPENDENT CALIFORNIA COLLEGES & UNIVERSITIES, ACCOMPANIED BY CHARLES F. FORBES, CHIEF COUNSEL

Dr. BERNARD. Thank you, Senator Talmadge.

My name is Robert J. Bernard of Claremont, Calif.

I am the executive director of the Association of Independent California Colleges & Universities and chairman of the board of trustees of Pitzer College, the six institutions in the Claremont group of colleges at Claremont, Calif.

You have before you, in addition to a longer statement, a two-page statement which I would like to present at this time.

The Association of Independent California Colleges & Universities, representing 49 accredited 4-year institutions, urges Congress to evaluate compulsory coverage under the unemployment insurance law in terms of the financial impact on the Nation's colleges and universities. Operating costs are only partially covered by the tuition which is already formidable, and with rising costs of higher education and an enormous increase in the number of college sudents to be served, it is not surprising that our independent insti-

tutions confront serious financial difficulties. Hence, we believe that every added cost needs to be very carefully weighed before it is imposed.

You have also before you, members of the committee, a guidebook of the independent institutions, and on the pages in that guidebook you will find the tuition charge on the amount of costs per student. The amount of costs per student is, with one exception, very much above the tuition charge. It runs as high as three or four times its tuition charge and is usually at least twice the tuition charge.

If, however, the benefits to be provided are believed by the Congress to be a justifiable diversion of funds which would otherwise be used for educational purposes such as faculty salaries, scholarships, books, scientific equipment, and necessary operating expenses, this association would respectfully submit the following suggestions concerning H.R. 15119.

May I interpolate here on this observation that when we speak of diverting funds that an institution might use for scholarships we are considering a very important part of every college's responsibility, and we cannot get nearly enough money for the scholarships that are needed.

For example, in the State of California there were recently awarded 2,600 State scholarships, and there were over 22,000 applications for the 2,600 scholarships.

Now, I would like to go to the first point of the memorandum. We believe that student spouses should be excluded from coverage. Spouses are usually employed to help the student through college, and jobs in college libraries and offices are often developed for such spouses as an integral part of the student aid program. When the student graduates and he and his spouse leave the campus, he is usually employed and assumes the financial obligations of the family. After the college has done its part in supplying the spouse a job while the student is in college, it would hardly seem appropriate for the college also to have to bear an added expense for unemployment compensation after the family leaves college and the husband is employed.

2. The exclusion from coverage contained in section 104(b) relating to persons in a principal administrative capacity should be more clearly defined so that proper guidelines can be drawn for State action. We recommend language which would define principal administrative capacity in terms similar to those employed in section 711(b)(6) of the California Unemployment Insurance Code which, for example, refers to the exclusion of deans, counselors, registrars, and similar personnel. Under the present wording of the bill, a head librarian is excluded, but a reference librarian, periodicals librarian, government documents librarian, and similar major personnel with professional training and background and permanence of employment would not be excluded. The same would be true of bursars and accountants in a college business office. We believe it is essential that the language of this section be more fully developed.

3. Section 104(b) should exclude from coverage service performed by professional individuals such as physicians, dentists, etc., with respect to employees of colleges and universities in health centers or clinics. An exclusion is in the legislation for similar employees of nonprofit hospitals. The college doctors in the health service, the dis-

pensaries, and the infirmaries which colleges usually maintain are a part of the permanent professional staff and should be excluded.

4. Covered employees of State institutions of higher education, as well as covered employees of private voluntary colleges and universities, should be treated identically. We feel that there should be no discrimination between the State institutions and the independent nonprofit colleges and universities in the matter of coverage. Both public and independent institutions employ the same categories of employees to serve their institutions, and they should be treated alike, as is provided for in the present bill.

5. The special financing provisions relating to compensation benefits which are made available to nonprofit institutions should protect the institutions from a requirement to pay for benefits for employees whose unemployment is caused by other than the nonprofit institution. We warmly approve the provision in the bill which undertakes to provide that colleges and universities shall be required to meet only those unemployment compensation costs which arise from their own unemployment experience and record. But California, as in many other States, provides that the benefits payable are computed from the base period of employment, which is a 12-month period of employment occurring approximately 15 months prior to the inception of a valid claim. The benefits paid are charged against the reserve account of the base period employer irrespective of who the employer is at the time the actual unemployment occurs. For example, the employee of a nonprofit institution may voluntarily terminate for a more lucrative position in industry, work for a period of time, and be terminated by the subsequent employer, but the benefit payments would be charged to the nonprofit institution.

A more detailed analysis of the position of the association and further reasons for the points set forth above, which I have briefly summarized are contained in its written statement on file with your distinguished committee, and I would respectfully ask that it be included in the record.

Senator TALMADGE. Without objection, it will be made a part of the record.

Dr. BERNARD. Thank you, sir.

(The prepared statement referred to follows:)

STATEMENT OF THE ASSOCIATION OF INDEPENDENT CALIFORNIA COLLEGES AND UNIVERSITIES

The Association of Independent California Colleges and Universities represents a membership of almost fifty private nonprofit colleges and universities, being all of the accredited four-year universities and colleges in the State of California. Each of these universities and colleges would be significantly affected if the provisions of H.R. 15119 relating to coverage of certain employees of institutions of higher education is enacted. At the present time in all but one of the institutions represented by this Association the operating costs per student far exceed the tuition charges, some by as much as three or four times. The imposition of an obligation to provide and pay for unemployment compensation benefits, whether it be by a tax or by the special provisions for financing, will undoubtedly further broaden the gap between operating costs and revenue, and to this extent funds will be committed to purposes other than the primary function of such institutions.

The independent voluntary colleges and universities are presently performing an essential function, and it has been estimated that they save the state taxpayers many millions of dollars in providing and operating facilities for higher education. A program which contemplates a charge against the funds of these

institutions must be properly evaluated so that the area of greatest need is adequately met with a minimum diversion of funds from the primary educational purposes.

Initially the California institutions of higher education were unalterably opposed to the concept of providing coverage for the employees of such institutions in that the demonstrated need for such coverage in no way equaled or outweighted the financial detriment to such institutions which would have resulted from the enactment of the legislation as originally proposed.

The provisions relating to coverage of employees of nonprofit institutions contained in H.R. 15119 have to a great extent ameliorated numerous of the problems created by its predecessor, H.R. 8282, and has significantly reduced the anticipated economic impact upon colleges and universities. The fact remains, however, that with the enactment of such legislation, funds that would otherwise be committed to educational purposes must be used to fulfill the obligations under the Unemployment Insurance Law. Once again, it is urged that Congress equate the value of the benefits with the cost to educational institutions in terms of diverting funds from a primary educational purpose to determine the wisdom of establishing a national policy requiring coverage.

If there is to be unemployment insurance coverage for certain employees of institutions of higher education, there are various provisions in H.R. 15119 that need clarification, as well as particular areas which require change to provide the needed coverage without unnecessarily detracting from the ability of the institutions to perform their essential function.

This Association addresses its statement to the following provisions of H.R. 15119:

(1) Section 104(b) requires state law coverage of certain service performed for nonprofit organizations, and various classifications of employees of such institutions have been excluded from coverage. It is the position of this Association that in addition to those employees who have been excluded from coverage, students' spouses should also be excluded.

(2) The provisions of Section 104(b) state that the requirements for coverage shall not apply to service performed "(4) in the case of an institution of higher education, or by an individual employed in an instructional, research, or principal administrative capacity;". A clarification of the term "principal administrative capacity" is desirable.

(3) Section 104(b) excludes from coverage service performed by an individual in a professional capacity such as physician, dentist, osteopath, chiropractor, etc., when such service is performed in the case of a hospital. This exclusion should be broadened to cover similar types of professional personnel performing services in institutions of higher education.

(4) By requiring coverage for employees of state institutions of higher education performing substantially similar functions as voluntary institutions, H.R. 15119 has avoided a serious discrimination against the private voluntary colleges and universities. If in the review of this legislation it is decided the state colleges and universities are to be excluded, the same treatment should apply to the independent sector.

(5) The provisions of H.R. 15119 contained in Section 104(b) authorizing nonprofit organizations an option to reimburse the state for actual amounts of compensation attributable under the state law to included service in endorsed. Provision, however, should be made so that colleges and universities would not be penalized under state law by electing this option and being charged for benefits paid for unemployment not directly caused by such institutions.

This statement now addresses itself to a detailed discussion of the foregoing points:

(1) The exclusion from coverage of students' spouses

The present law excludes from coverage students in the employ of schools, colleges or universities if service is performed by one who is enrolled and is regularly attending classes at such college or university. Historically, colleges and universities have provided students, in need of financial assistance, various opportunities to earn additional funds to permit them to continue their education. Recently and as part of such assistance programs, employment opportunities have been extended to students' spouses. Inevitably at the conclusion of the student's collegiate education both the student and spouse move elsewhere to obtain gainful employment, and unless excluded from coverage the student's spouse may qualify for unemployment compensation benefits. Since the employment offered is, to a large extent, a means of assistance to deserving students, it is recom-

mended that students' spouses be excluded as are students, so that colleges and universities engaging in such practices would not be penalized or required to exclude such personnel from employment for fear of the additional cost involved in connection with the payment of benefits.

(2) Clarification of principal administrative capacity

The exclusion from coverage of service performed by an individual in a principal administrative capacity should be clarified to establish appropriate guidelines for the various states in implementing plans to qualify under the federal legislation. The report issued by the House Ways and Means Committee at page 36 purports to define this inclusion as follows:

"Paragraph (4) also excludes services performed by an individual employed in a principal administrative capacity. This would exclude not only the officers of the institution such as the president and the board of directors but also other individuals who do not have titles as officers of the institution but who serve in a principal administrative capacity, such as the business manager, chief librarian, etc. The exclusions under paragraph (4) apply whether the institution of higher education is a nonprofit or a State institution."

The foregoing definition, although helpful, does not adequately define many of the areas of employment which may fall within or without the exclusion. The California Legislature, in adopting legislation providing for elective coverage of various persons employed by similar institutions, defines the type of employment to be excluded as follows:

"Service performed as a professor, associate professor, lecturer, graduate assistant or research assistant, teacher, instructor, vocational instructor, counselor, activities adviser, dean of a college, dean, associate dean, laboratory technician, librarian, president, vice president, registrar or other member of the faculty or teaching or administrative staff performing similar service to these categories." [§ 711(b)(6) Unemployment Insurance Code—California]

We would support the inclusion of a similar definition either in the legislation or in the committee report.

(3) Service performed by professional persons such as physicians, dentists, osteopaths and chiropractors in the employ of a college should be excluded from coverage

Many colleges and universities maintain health centers or clinics which do not of necessity qualify as hospitals and in which various services are rendered to the students, employees, and in some cases members of the faculty. Since H.R. 15119 would exclude such services from coverage had they been performed in a nonprofit hospital (see § 104(b)), we see no reason why such coverage should not also be excluded by similar professional personnel in the employ of a college or university.

(5) Compensation benefits should be charged against colleges and universities only for unemployment directly caused by such institutions of higher learning

In the unemployment insurance laws of many states, a formula has been adopted for the method of determining compensation benefits and the designation of the employer's account to be charged for the payment of such benefits. California, as in many other states, provides that the benefits payable are computed from the base period of employment, which is a 12-month period of employment occurring approximately 15 months prior to the giving rise of a valid claim. The benefits paid are charged against the reserve account of the base period employer irrespective of who the employer is at the time the actual unemployment occurs. It is therefore conceivable that an employee of a nonprofit institution would voluntarily terminate to accept a more gainful position with industry, work for a period of time and be terminated by the subsequent employer, and the benefit payments would be chargeable to the nonprofit institution.

The reason to include special means of financing the benefits for nonprofit organization employees is set forth in the report issued by the House Ways and Means Committee at page 9, which reads as follows:

"It appears that these organizations may have somewhat less than the average risk of unemployment. While it seems appropriate that certain of their workers should have protection against unemployment your committee believes it is also appropriate that these organizations should not be required to share in the costs of providing benefits to workers in profit-making enterprises. Under the reim-

bursement method, a nonprofit organization whose workers experience no compensated unemployment in a year would have no unemployment insurance costs for that year."

If the true intent of the cost reimbursement method is to provide only for employees of such institutions who become unemployed by such institutions, then the intent of Congress is not served by existing state laws adopting the aforementioned concept concerning determination of benefits as well as charging of the employer's account.

This Association would support a provision in H.R. 15119 restricting unemployment compensation benefits to be paid to persons unemployed only as a result of the actions of the nonprofit organization employer.

CONCLUSION

The need for institutions of higher education has been demonstrated to be continually increasing, and there is no indication that the future will change this course. The California colleges and universities strongly urge Congress to evaluate, in light of the need, a national policy requiring coverage of certain employees of institutions of higher education, and if in its wisdom Congress determines that such coverage is necessary, then to give favorable consideration to the recommendations contained in this statement.

Senator TALMADGE. Doctor, if you do not charge the experience table to the base period employer who would you charge it to?

Dr. BERNARD. Well, I think Mr. Forbes, Mr. Charles F. Forbes, our chief counsel, could answer that question as a technical matter, Mr. Chairman.

Senator TALMADGE. Would you care to answer it, Mr. Forbes?

Mr. FORBES. I will endeavor to answer it.

It is my understanding that in situations in which a base period employer is not chargeable with the benefits paid, at least the reserve account is not chargeable with the benefits, it goes into a pooled fund, so to speak. I would suggest that in this case benefits to such employee be paid from the pooled fund in lieu of charging it directly to the account of the nonprofit institution.

Senator TALMADGE. Would you charge any part of it to any of the other base period employers?

Mr. FORBES. Well, it is my understanding that a part of the unemployment insurance fund is used for this purpose to take care of the payment of unemployment insurance claims which are not chargeable to or directly to an employer's account.

Senator TALMADGE. Thank you, Dr. Bernard and Mr. Forbes. At this point in the record, I would like to insert a letter from the Federation of Independent Illinois Colleges and Universities, signed by Milburn P. Akers, who endorse in toto the statement of the Association of Independent California Colleges and Universities.

(The letter referred to follows:)

THE FEDERATION OF INDEPENDENT ILLINOIS COLLEGES AND UNIVERSITIES,
Chicago, Ill., July 19, 1966.

Mr. TOM VAIL,
Counsel, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR SIR: The Executive Committee of The Federation of Independent Illinois Colleges and Universities, which consists of the 43 independent institutions listed on this letterhead, has directed me to inform the Senate Finance Committee that it endorses in toto the statement on H.R. 15119 submitted to the Committee by the Association of Independent California Colleges and Universities.

The California statement fully reflects the attitude of the Federation of Independent Illinois Colleges and Universities, and we would appreciate it if you would have such agreement noted in your Committee record.

Sincerely yours,

MILBURN P. AKERS,
Executive Director.

Senator TALMADGE. The next witness is Mr. William R. Consedine, director of the legal department, National Catholic Welfare Conference.

STATEMENT OF WILLIAM R. CONSEDINE, DIRECTOR, LEGAL DEPARTMENT, NATIONAL CATHOLIC WELFARE CONFERENCE

Mr. CONSEDINE. Thank you, Senator. Your note probably does not reflect the fact that I am substituting for Monsignor Higgins, who was unable to be here today, but to rearrange the committee's schedule of witnesses to accommodate him would have been a bit of a task, and we did not want to impose further on either the committee or its staff.

I have a statement that I would like to submit for the record, Senator, and I will be very glad to summarize it for you.

Senator TALMADGE. Without objection, the statement will be included in the record.

You may proceed to summarize it.

Mr. CONSEDINE. I am appearing in behalf of the—not only the National Catholic Welfare Conference, department of social action, but also its bureau of health and hospitals, its department of education, the National Conference of Catholic Charities, and the National Catholic Cemetery Conference.

Attached to my statement is a list of the types of organizations, nonprofit organizations, that these respective groups operate.

The first few pages of my statement, Senator, are merely an expression of pleasure over the fact that the House committee accomplished in a very realistic way the twin objectives of covering the employees of nonprofit organizations but, at the same time, recognizing their unique employment experiences and the vast differences between a nonprofit organization and an organization operated for profit, and we agree with the Secretary of Labor, Mr. Wirtz, that the House has achieved an ingenious method of accomplishing this coverage.

We have but three suggestions to make.

The House committee report notes that the exclusion of a church would also exclude a divinity school preparing students for the ministry. The intention of the committee is clear. The committee also excluded ministers and members of religious orders when services are in the course of their religious duties.

We feel certain the committee also intended to exclude the novitiates and houses of study for the training of candidates studying to become members of religious orders.

We note this with the suggestion that the intention be made clear.

We believe also that the provisions of section 122(a) which permits a State to assign reduced rates but not less than 1 percent to newly covered employees until time sufficient to achieve an experience rating is again prudent recognition of the special circumstances involved.

It would also seem desirable to provide that any nonprofit organization which elects coverage rather than the option of self-insurance be

permitted to acquire a determination of its experience rating on a 12-consecutive-calendar-month period only, rather than a 36-consecutive-calendar-month period normally required.

There is precedent for this suggestion in Public Law 87-705. It would also be compatible with congressional determination that these organizations have a far lower average risk of unemployment. States are now free to require only 1 year of contribution by members at the maximum rate before they obtain eligibility to an experience rating and contribute thereafter a reduced rate.

The House of Representatives Report No. 2358 of the 87th Congress, 2d session, notes that 20 States now permit all employers to achieve an experience rating in a 12-consecutive-calendar-month period. The exercise of this authorization is now permissible, but because of the unique employment experience of nonprofits already recognized by Congress, it would be better were the Congress also to make clear that this preferred treatment ought to be accorded the nonprofits both for a 12-month period and at the 1 percent rate, irrespective of what the State deems the better treatment for profitmaking organizations.

Now, we have but one other suggestion. We would agree with Dr. Bernard, the preceding witness, that some provision should be made to exempt the working spouse of an enrolled student, simply because that working relationship is more related to the commitment of the student than to the working spouse.

In sum, then, with this modest request for clarification respecting houses of study for religious, and the suggestion to exclude working spouses of enrolled students, and the one respecting a firm 12-month experience rating period at minimum rates for nonprofits electing coverage, we otherwise, so far as the bill relates to nonprofit organizations, endorse the bill and commend it to your consideration.

Senator TALMADGE. Thank you very much, Mr. Consedine.

(The prepared statement of Mr. Consedine follows:)

STATEMENT OF WILLIAM R. CONSEDINE, DIRECTOR, LEGAL DEPARTMENT, NATIONAL CATHOLIC WELFARE CONFERENCE

In behalf of the Social Action Department of the National Catholic Welfare Conference, Washington, D.C., I request this statement be made a part of the record of these hearings. This statement also represents the views of the NCWC Bureau of Health and Hospitals, the NCWC Department of Education, the National Conference of Catholic Charities, and the National Catholic Cemetery Conference. It is also submitted in their behalf. Attached, as an appendix to my prepared testimony, is a partial listing of the church-related nonprofit activities which are being carried on under the auspices of these organizations.

We have no hesitancy in supporting the general objectives of H.R. 15119 to improve the unemployment insurance program, to extend its protection to more workers, and to assure that it is fulfilling its intended role. Our direct presentation, however, will be limited, as it ought to be, to those sections of the bill which pertain to the coverage of the services of employees of nonprofit organizations. In principle, we favored the coverage of such services of employees in our testimony to the House Committee on Ways and Means. But we pointed out that the labor and economic conditions which characterize the nonprofit organizations are so substantially different from those which relate to profit-making organizations that the federal government in extending unemployment insurance to nonprofit groups should take these differences into consideration. Most other nonprofit organizations expressed the same views. We are most pleased that the House Committee responded to this testimony in most practical terms. Accordingly, we enthusiastically support the bill under consideration.

The provisions of the bill that make state law coverage a requirement for tax credit under the Federal Unemployment Tax Act but alternatively permit in lieu of contributions "a form of self-insurance" for nonprofit organizations is a

prudent method of accomplishing the twin objectives of providing coverage of their employees and at the same time achieving recognition that the operations of these organizations are wholly unlike those of a conventional business or industrial enterprise operated for profit. These benefit-reimbursement provisions for the service covered additionally avoid inequities that would have flowed inevitably were the nonprofits subject to the same conditions as other employing profit-making organizations—inequities that would have imposed financial burdens on those least capable of meeting them and for unemployment circumstances wholly unrelated to their own employment experience.

The House Committee noted that nonprofit employees have less than the average risk of unemployment. It has provided protection for certain employees but under the reimbursement formula has protected the nonprofits from sharing in the costs of providing benefits to workers in profit-making enterprises and at the same time not involving destruction of the insurance concept of unemployment insurance.

If the option for "self-insurance" is exercised by a nonprofit organization, then both federal and state taxes become irrelevant. The House Committee recognized this by providing for exemption from taxes under these circumstances. It also provides an exemption from federal taxes for nonprofit organizations, even if the option is not exercised. This too is realistic recognition that the purposes of these taxes are not related to the employment experience of the employees concerned.

The bill also provides for exclusion of certain services of nonprofit organizations. States are free to exclude these services of the nonprofits. A line was drawn, however, as to certain other services performed by church-related organizations. The line seems to us both practical and on the whole clear. We have but two comments.

The Committee report notes that the exclusion of a church would also exclude a divinity school preparing "students for the ministry." The intention of the Committee is clear. The Committee also excluded "ministers and members of religious orders" "when services are in the course of their religious duties." We feel certain the Committee also intended to exclude the novitiates and houses of study for the training of candidates studying to become members of religious orders. We note this with the suggestion that the intention be made clear.

We believe the provision of Section 122(a) which permits a state to assign reduced rates but not less than 1% to newly covered employees until time sufficient to achieve an experience rating is again prudent recognition of the special circumstances involved.

It would also seem desirable to provide that any nonprofit organization which elects coverage rather than the option of self-insurance be permitted to acquire a determination of its experience rating on a 12-consecutive-calendar-month period only, rather than a 36-consecutive-calendar-month period normally required. There is precedent for this suggestion in P.L. 87-705 (9/27/62). It would also be compatible with Congressional determination that these organizations have a far lower average risk of unemployment. States are now free to require only one year of contribution by employers at the maximum rate before they obtain eligibility to an experience rating and contribute thereafter a reduced rate. House of Representatives Report No. 2358, 87th Congress 2d Session, states that in 1962, 20 states permitted all employers to achieve an experience rating in a 12-consecutive-calendar-month. The exercise of this authorization is now permissible, but because of the unique employment experience of nonprofits already recognized by Congress, it would be better were the Congress also to make clear that this preferred treatment ought be accorded the nonprofits both for the 12-month period and at the 1% rate, irrespective of what the state deems the better treatment for profit-making organizations. As pointed out by both the Senate and the House Committees on the District of Columbia, the nonprofit organizations must pass on the financial burden of increased additional costs to those who pay for services. (House Report, supra; Senate Report No. 2054, 87th Congress, 2d Session.) In combination, the diminution of the services contributed to public purposes by the nonprofits and the demonstrated differences in employment experience contrasted with profit-making organizations strongly justifies the proposal to permit nonprofits electing coverage to acquire at the minimum rate a determination of experience with the first 12 months of coverage.

We have one final suggestion. The bill provides for exclusion of certain services performed for institutions of higher education. We would suggest that one additional category of service be added to the list to provide for the exclusion of the working spouse of an enrolled student. Normally, such employ-

ment on the staff of a college is temporary in nature and related more to the student's commitments than to aspects of regular employment.

In sum, with this modest request for clarification respecting houses of study for religious and the suggestion to exclude working spouses of enrolled students and the one respecting a firm 12-months experience rating period at minimum rates for nonprofits electing coverage, we otherwise heartily endorse the bill.

APPENDIX

A PARTIAL LISTING OF CHURCH-RELATED NONPROFIT ACTIVITIES

Churches
Rectories
Seminaries
Convents and monasteries
Elementary and secondary schools
Colleges and universities
Cemeteries
Orphanages
Pay cost centers
Homes for the aged (Little Sisters of the Poor)
Family counseling and guidance centers
Settlement houses
Protective institutions
Specialized schools
Youth centers
Specialized child-caring homes
Nursing and convalescent homes
Hospitals
Diagnostic units
Sanctoria for invalids
Summer camps and community centers
Church administrative units
Lepresaria

Senator TALMADGE. The next witness today is Mr. Gibson Kingren, Kaiser Foundation Health Plan, Inc.

You may proceed at your pleasure, Mr. Kingren.

STATEMENT OF GIBSON KINGREN, KAISER FOUNDATION HEALTH PLAN, INC.

Mr. KINGREN. Mr. Chairman and members of the committee, my name is Gibson Kingren. I am appearing on behalf of the Kaiser Foundation Health Plan which conducts the largest prepaid comprehensive group practice health care program in the United States.

At present our program provides most of the hospital and medical care services for approximately 1,400,000 persons through 15 hospital-based medical centers and 22 outpatient clinics. These facilities are located in the metropolitan areas of San Francisco, Sacramento, and Los Angeles, Calif.; Portland, Oreg.; and Honolulu, Hawaii.

Hospital services to health plan members are provided primarily by 15 self-supporting Kaiser Foundation hospitals. These nonprofit hospitals which serve the general community as well as the prepaid health plan membership have more than 2,850 licensed beds and employ over 5,000 persons with an annual payroll of $25 million. 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 104 of H.R. 15119 which brings most employees of tax-exempt nonprofit organizations under unemployment insurance coverage and requires the States to give each such organization the option of reimbursing the State for unemployment compensation claims paid on its behalf, in lieu of paying the normal employment taxes required by State law.

The primary reasons for our support are as follows: First, we believe that section 104 represents a sound compromise between two valid

policy objectives—(1) that the benefits of unemployment insurance should be available to all employees who need such protection, and (2) that nonprofit organizations performing significant public services should use their financial resources for such public services.

Second, we believe that section 104 represents a vast improvement over present law which makes unemployment insurance coverage optional in the case of nonprofit organizations but requires organizations which voluntarily elect coverage to pay the same rates and build up the same reserves as other employers.

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 continue to be exempt under section 104, we see no valid vasis 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 in 1959 we elected voluntary coverage under the California unemployment insurance law.

PROPOSED CLARIFICATION OF SECTION 104

We supported the principles expressed in section 104 before the House Ways and Means Committee, and the section generally reflects our position. However, we direct the committee's attention to an important consideration. Section 104 clearly establishes that nonprofit organizations will have a choice between reimbursing the State for unemployment compensation benefits paid in their behalf or paying contributions under the employment tax provisions of State law. We are advised that Federal law might permit the transfer to the cost reimbursement method of reserves created by those nonprofit organizations which have voluntarily provided unemployment compensation or have been required to do so by State law; however, we suggest that a clarifying amendment would assist the States materially in carrying out the objectives of this section.

To achieve this objective an appropriate amendment should be prepared by the Department of Labor which would make it clear that the intent of Congress is for the States to permit existing reserves credited to a nonprofit organization to be applied on behalf of that organization if it elects the reimbursement method of financing unemployment compensation.

SUPPORTING ARGUMENT

Section 104 of H.R. 15119 does not expressly provide that nonprofit organizations covered under the State unemployment insurance programs may change from a compulsory tax basis to a cost reimbursement basis and transfer their accumulated reserves from the tax base method to the reimbursement method. However, this transfer of reserves should be permitted; otherwise those nonprofit organizations which were farsighted and interested enough in the welfare of their employees to have joined the unemployment insurance system on a voluntary basis would be forced to forgo the alternative method of

financing authorized by section 104, or to sacrifice their reserve balances. Such result surely is not intended.

To require nonprofit organizations to give up their accumulated reserves to the unemployment insurance system when they transfer to a reimbursement basis would in effect require such organizations to make a substantial contribution on behalf of profitmaking enterprises. This would be inconsistent with the public policy expressed in section 104.

Nonprofit organizations already participating in the unemployment insurance system have created reserve balances by making payments under the State unemployment tax schedule in an amount greater than the benefits paid out in their behalf by the system. This money was accumulated for purposes of paying future unemployment insurance claims covering employment by the nonprofit organization. To accomplish this purpose such reserves should be available to meet the costs of nonprofit employers that elect the reimbursement method of participation.

This matter is of great concern to the California Hospital Association as many of its nonprofit hospital members have voluntarily assumed the payment of unemployment insurance on behalf of their employees. The California Hospital Association has authorized me to state that it fully supports our position that section 104 should be amended to express the congressional intent that the States should provide that existing reserves credited to a nonprofit organization may be used by that organization if it elects the reimbursement method of financing unemployment compensation.

RECOGNITION OF RELATED LEGISLATION

Legislation was enacted in 1961 in California to permit cost-reimbursement or other nonreserve financing of unemployment insurance by nonprofit organizations voluntarily electing to cover their employees. This legislation has not been implemented because of questions regarding conformity with Federal law. Enactment of section 104 will permit implementation of the California legislation.

Moreover, section 104 is in accord with the philosophy expressed by Congress in permitting special tax treatment for tax-exempt nonprofit organizations in the District of Columbia. This followed legislation making unemployment insurance mandatory for such organizations within the District. H.R. 2788, 87th Congress, clearly recognizes that special financial treatment for nonprofit organizations is desirable in order to minimize the financial impact of unemployment insurance on nonprofit organizations.

SUMMARY

We urge this committee to approve section 104 of H.R. 15119 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 adoption of an appropriate amendment to make it clear that nonprofit organizations already participating in the unemployment insurance program may have their accumulated reserves applied to meet the costs of the reimbursement option. This amendment would remove the inequities to certain nonprofit organizations which

either came into the system voluntarily or were covered by State law, and would give each nonprofit organization an equal opportunity to choose the financing method best suited to its needs as intended by section 104.

Thank you for the opportunity to present our views on section 104 of H.R. 15119. In addition, I am authorized to advise the committee that the California Hospital Association, the Group Health Association of America, Washington, D.C., and the Health Insurance Plan of New York support section 104 and the suggested clarification regarding existing reserve balances.

Senator TALMADGE. Mr. Kingren, how would your suggestion work in the States where they have pooled fund laws, they have no separate reserves, as I understand it?

Mr. KINGREN. In discussing this matter with the Labor Security people, they pointed out that there are a variety of ways in which unemployment insurance is financed. It was their concept—let me amend that statement. My request of them was can an appropriate amendment be drawn which would treat all States equally under this provision and be equitable to nonprofit organizations, and the comment was that they thought it could. I am not familiar enough with the laws in each of the States to make a categorical statement on how it should be done.

However, the number of States which have nonprofit organizations participating in unemployment insurance under the State laws is rather limited. My guess is that not more than 50 percent of the States have this provision, have these organizations participating now.

There are, I believe, about 10 States which actually forbid nonprofit organizations from participating under unemployment insurance. I am not sure that I have answered completely your question, but in summary the Department of Employment——

Senator TALMADGE. How would you handle negative balances?

Mr. KINGREN. It seems to me that we must be fair about this. First, I do not believe that an organization that has a negative balance is going to want to transfer to the added cost method because they obviously have an adverse employment record or they would not have a negative balance.

This section 104 provides for an alternate choice, and I believe that those organizations would probably stay with the tax method and would not want to transfer. Hence I believe that this issue would not come up.

However, if it does come up, I do not believe it would be out of character or inconsistent with the philosophy of 104 to require these organizations to make up the deficiency in their balance so they are at least even with the board before they transfer to the added cost method of financing.

Senator TALMADGE. Thank you.

Any questions, Senator Williams?

Senator Hartke?

Thank you very much, Mr. Kingren.

The next witness is Mr. Leonard E. McChesney, Lake Carriers' Association of Cleveland, Ohio.

STATEMENT OF LEONARD E. McCHESNEY, ASSISTANT SECRETARY AND MANAGER OF INSURANCE, HANNA MINING CO., REPRESENTING LAKE CARRIERS' ASSOCIATION

Mr. McCHESNEY. Mr. Chairman, my name is Leonard F. McChesney.

I am assistant secretary and manager of insurance of Hanna Mining Co., Cleveland, Ohio.

My appearance here is on behalf of the Lake Carriers' Association of which Hanna Mining Co. is a member.

Lake Carriers' Association is an organization of vessel companies engaged in the transportation of bulk commodities between ports on the Great Lakes. In all, the association has 25 members owning or operating a total of 212 merchant vessels under U.S. flag. The vessels enrolled in the association aggregate more than 1,703,610 gross tons of shipping and constitute better than 98 percent of all commercial vessels under American flag now engaged in trade and commerce on the Great Lakes.

I shall summarize the statement which we have furnished the committee, and I request that the statement in full be included in the record for the committee's consideration.

Senator TALMADGE. Without objection the statement will be inserted in the record and you may summarize it.

Mr. McCHESNEY. Since 1943, Lake Carriers' Association has maintained a special unemployment compensation study committee. Since the committee's inception I have served as chairman.

ELIMINATION OF SECTION 123 URGED

My appearance here on behalf of Lake Carriers' Association relates solely to section 123 of H.R. 15119, the Unemployment Insurance Amendments of 1966 as passed by the House.

Section 123 would amend section 3305 of the Internal Revenue Code of 1954 in such a manner as to empower the Secretary of Labor to deny to maritime employers (as well as other employers in whom the Federal Government has a special jurisdictional interest) the tax credit against the Federal unemployment tax for amounts paid into a State unemployment compensation fund should the Secretary of Labor find that the unemployment compensation law of such State is inconsistent with any one or more of the conditions set forth in section 3305(f). Lake Carriers' Association strongly urges the elimination of section 123, because it would impose a drastic and unwarranted penalty on Great Lakes vessel operators and would operate unfairly against Great Lakes seamen. Section 123 has no practical application to any employers except Great Lakes vessel operators in the State of Ohio, as will hereafter be shown.

THE STATED PURPOSE OF SECTION 123

When the unemployment insurance amendments were originally introduced in the House (H.R. 8282), the explanatory statement prepared by the Department of Labor stated, with respect to section 123 (then sec. 206 of H.R. 8282), pages 23–24, that while, as a matter of

Federal law, States were given permission to levy unemployment taxes on maritime employment, specific conditions were prescribed in order to preclude discriminatory treatment of either maritime employers or maritime workers. It was then asserted that one State was failing to provide seamen equal protection and this failure affects a substantial proportion of the seamen engaged in Great Lakes shipping. It then asserted in justification of the proposed section that no State should be given authority to collect unemployment taxes from maritime employers under conditions which violate the nondiscriminatory requirements of Federal law.

When the Secretary of Labor, Hon. W. Willard Wirtz, testified before the House Committee on Ways and Means, he was asked specifically the State to which the explanatory statement referred and the precise manner in which the law of such State was discriminatory as against Great Lakes seamen. The Secretary replied that the law of the State of Ohio treats maritime workers differently from the way it treats other seasonal workers in two respects. Stated Secretary Wirtz:

> There are two differences. One is the use of a 40-week definition of "seasonal employment" in this industry as compared with a 36-week definition in all others. And secondly, that the seaman must, under the present situation, work more time outside this particular employment to become entitled to ordinary unemployment insurance than is true of other seasonal workers.

Such being the stated purpose of section 123, we urge that such section be eliminated for the reason that the arguments advanced by the Secretary of Labor are not valid and Ohio law is in no way discriminatory against seamen. Indeed, if anything, it favors seamen. In substance, we maintain that the alleged shortcomings of the Ohio law in devising an unemployment compensation system as it applies to Great Lakes seamen, do not in fact exist.

Since 1946, the Department of Labor has been trying to secure from Congress the authority granted by section 123 with respect to vessel operators on the Great Lakes. In 1946, the Department contended that the Ohio law was discriminatory because it did not provide for a combination of wage credits in the case of seamen but allowed such combination in all other cases. Congress thereupon amended the law to require the seamen be allowed to combine seasonal and nonseasonal wage credits, and Ohio changed its law accordingly. The next major assault by the Department upon the Ohio law took place in 1961, when the Department recommended a provision similar to section 123 with respect to vessel operators on the Great Lakes. The administration's unemployment compensation reform bill in 1963 contained no provision dealing with this subject matter but the provision reappeared in 1965, and it is pursuant to the 1965 recommendations that section 123 is included in the bill. We wish to emphasize that insofar as Great Lakes vessel operators are concerned, the Ohio law has remained in effect unchanged for the last 18 years. A real discrimination would not have been permitted to continue in effect for so long a period by Congress.

My statement thereupon sets forth the provisions of the Ohio law. Briefly, Ohio establishes a 40-week season for Great Lakes navigation beginning with the fourth Sunday in March and limits payment of unemployment compensation benefits to seamen within the season. The law specifically provides that if an individual's employment consists of both employment on a vessel and with shoreside employers, his wage

credits may be combined, but if more than 50 percent of such individual's total weeks of employment during his base period is as a seaman, his eligibility for benefits is limited to the 40-week navigation season.

We then discussed the existing requirements of the Federal law. Section 3305(f) of the 1954 Internal Revenue Code authorized the legislature of any State in which a vessel operator maintains his operating office and from which his vessels are regularly managed and controlled, to require such operator to make contributions to its unemployment fund, notwithstanding that the services of the seamen on such vessels were not performed entirely within the State. Granting this permission, Congress provided that:

> The permission granted by this subsection is subject to the condition that such service shall be treated, for purposes of wage credits given employees, like other services subject to such State unemployment compensation law performed for such person in such State * * *.

In explaining this provision, this committee in its report to the Senate, said:

> The committee believe, therefore, it would be inadvisable to lay down a blanket prohibition against discrimination or to attempt to fix standards for the benefit of seamen. There has been included in the bill, however, a provision which enunciates the principle of no discrimination as compared with other employees of the same employer as regards wage credits (S. Rept. 1862, 78th Cong. 2d sess.).

The committee also had this to say in this same report:

> The provision is not intended to preclude treating certain maritime service, notably that on the Great Lakes, as seasonal employment, and denying compensation based on such service for unemployment occurring outside the season, if this is done on terms comparable to those applied to other seasonal occupations in the State.

From this we conclude that it is abundantly clear that while a maritime employer is required to treat seamen employees in the same manner as his other employees as regards wage credits, this does not mean that the employer is precluded from treating seamen employees as seasonal, even though the employer's other employees—that is, shoreside personnel—may be nonseasonal.

We then show that a 40-week season for Great Lakes seamen, coupled with a maximum season of 36 weeks in any other occupation, does not result in a discrimination against seamen, particularly where there is no evidence that any seasonal industry in Ohio is unable to qualify as a seasonal industry by reason of the 36-weeks limitation. We contend it is immaterial whether the duration of operation of the seasonal industry is specified in law or is fixed administratively, so long as the duration specified is reasonable and in accordance with the facts. We then set forth the facts upon the basis of which the Ohio Legislature specified a 40-week season for Great Lakes navigation.

The other reason advanced by the Secretary of Labor for contending that Ohio law discriminates against seamen was that seamen were not treated as favorably as shoreside employees in the matter of combination of wage credits. We deny that this was ever the case under Ohio law, and show that in any event, it cannot possibly be the case at the present time, because we point out that at the present time seamen are the only employees in Ohio who are permitted to combine seasonal and nonseasonal wage credits. This was decided by the Ohio Board of Review last year in the case of *In re Claim of Ned F. Babcock, et al.* The decision in this case is appended to our statement.

Thus, seamen have a distinct advantage over other seasonal employees in Ohio, and the alleged discrimination against seamen arising out of the combination of wage credits does not exist.

Our statement then asserts that the enactment of section 123 would place a serious burden on Ohio, as well as the vessel operators in Ohio, should the Secretary of Labor attempt to establish discrimination against seamen, and this is particularly so where, as we have shown, discrimination does not in fact exist.

Reference is then made to the debate of the bill on the floor of the House, where the chairman of the Ways and Means Committee stated that the committee made do decision whatever concerning the alleged discrimination against maritime employees, and that what the committee was attempting to do was supply an enforcement provision which is now lacking in the law in those cases in which it might be determined that discrimination did in fact exist. Our statement then further showed that if section 123 should be enacted, it might be construed us requiring that seamen be deprived of the advantage they now have of being able to combine seasonal and nonseasonal wage credits, so that they will be treated in the same manner as other seasonal employees in Ohio. The Lake Carriers contend that if section 123 were so construed, this would be unfair to seamen.

We then point out certain additional factors which demonstrate that the seasonal nature of Great Lakes navigation should not be eliminated. We show that the average weekly wage for Great Lakes seamen in 1964—and this means total wages divided by 52 weeks, which includes the 12 weeks during the winter when the Great Lakes seaman receives nothing—was $188.43 as compared with the average weekly wage of all covered employment in Ohio of $115.63. In fact, the average weekly wage for Great Lakes seamen is, with one minor exception, higher than the average weekly wage in any other industry in Ohio, and in no other State do average weekly earnings exceed those of the Great Lakes vessel industry. During the 40-week season, a Great Lakes seaman devotes about the same amount of time to his job as does a shoreside employee working 52 weeks. The main difference is that most shoreside employees are not asked to work Saturdays, Sundays, and holidays, while Great Lakes seamen work all days during the season but are not required to work at all during the 12-week winter interval. The seaman's leisure time, therefore, comes to him in one 12-week stretch, while the leisure time of shoreside workers comes 2 days each week throughout the entire year. Indeed, if the contentions of the Secretary about the 40-week season were valid, and the seasonal nature of the industry eliminated, it would be somewhat like paying unemployment benefits for Saturdays, Sundays, and holidays, to a shoreside worker with a full-time job.

We then show that if the restriction on payment of benefits to Great Lakes seamen were removed, the total benefits paid to seamen under Ohio law would exceed $3.48 million a year with the maximum employers' contribution being only one-seventh of that amount. This would result in the Great Lakes navigation industry being subsidized by every other industry in Ohio.

Finally, we urge that if section 123 is retained in the bill, the judicial review provisions of the bill be broadened to authorize maritime employers to initiate review proceedings, because it is the maritime employers who are the real parties in interest.

Mr. Chairman, that completes my testimony, and I thank you for the privilege of appearing before the committee.

(The prepared statement of Mr. McChesney follows:)

STATEMENT OF LEONARD E. MCCHESNEY, APPEARING ON BEHALF OF LAKE CARRIERS' ASSOCIATION

My name is Leonard E. McChesney. I am Assistant Secretary and Manager of Insurance of the Hanna Mining Company, 100 Erieview Plaza, Cleveland, Ohio. My appearance here is on behalf of Lake Carriers' Association, of which Hanna Mining Company is a member.

Lake Carriers' Association is an organization of vessel companies engaged in the transportation of bulk commodities between ports on the Great Lakes. In all, the Association has 25 members owning or operating a total of 212 merchant vessels under United States flag. The vessels enrolled in the Association aggregate more than 1,703,610 gross tons of shipping and constitute better than 98% of all commercial vessels under American flag now engaged in trade and commerce on the Great Lakes.

Since 1943, Lake Carriers' Association has maintained a special Unemployment Compensation Study Committee. Since the Committee's inception I have served as Chairman.

ELIMINATION OF SECTION 123 URGED

My appearance here on behalf of Lake Carriers' Association relates solely to Section 123 of H.R. 15119, the "Unemployment Insurance Amendments of 1966" as passed by the House. Section 123 would amend Section 3305 of the Internal Revenue Code of 1954 in such a manner as to empower the Secretary of Labor to deny to maritime employers (as well as other employers in whom the Federal Government has a special jurisdictional interest) the tax credit against the Federal unemployment tax for amounts paid into a state unemployment compensation fund should the Secretary of Labor find that the unemployment compensation law of such state is inconsistent with any one or more of the conditions set forth in Section 3305(f). Lake Carriers' Association strongly urges the elimination of Section 123, because it would impose a drastic and unwarranted penalty on Great Lakes vessel operators and would operate unfairly against Great Lakes seamen. Section 123 has no practical application to any employers except Great Lakes vessel operators in the State of Ohio, as will hereafter be shown.

THE STATED PURPOSE OF SECTION 123

When the "Unemployment Insurance Amendments" were originally introduced in the House (H.R. 8282), the explanatory statement prepared by the Departmentof Labor stated, with respect to Section 123 (then Section 206 of H.R. 8282), pages 23–24, that while, as a matter of Federal law, states were given permission to levy unemployment taxes on maritime employment, specific conditions were prescribed in order to preclude discriminatory treatment of either maritime employers or maritime workers. It was then asserted that one state was failing to provide seamen equal protection and this failure affects a substantial proportion of the seamen engaged in Great Lakes shipping. It then asserted in justification of the proposed Section that no state should be given authority to collect unemployment taxes from maritime employers under conditions which violate the nondiscriminatory requirements of Federal law.

When the Secretary of Labor, the Hon. W. Willard Wirtz, testified before the House Committee on Ways and Means, he was asked specifically the state to which the explanatory statement referred and the precise manner in which the law of such state was discriminatory as against Great Lakes seamen. The Secretary replied that the law of the State of Ohio treats maritime workers differently from the way it treats other seasonal workers in two respects. Stated Secretary Wirtz:

"There are two differences. One is the use of a 40 week definition of 'seasonal employment' in this industry as compared with a 36 week definition in all others. And secondly, that the seaman must, under the present situation, work more time outside this particular employment to become entitled to ordinary unemployment insurance than is true of other seasonal workers."

Such being the stated purpose of Section 123, we urge that such section be eliminated for the reason that the arguments advanced by the Secretary of

Labor are not valid and Ohio law is in no way discriminatory against seamen. Indeed, if anything, it favors seamen. In substance, we maintain that the alleged shortcomings of the Ohio law in devising an unemployment compensation system as it applies to Great Lakes seamen, do not in fact exist.

THE EXISTING PROVISIONS OF OHIO LAW WITH RESPECT TO SEAMEN

Ohio law declares that employment as a seaman on an American vessel operating on the Great Lakes shall be deemed to be seasonal employment and such season shall consist of the 40 calendar week period beginning with the fourth Sunday in March. Thus the Legislature of Ohio has defined the Great Lakes navigation season and limited the payment of unemployment compensation benefits to seamen to the season as thus defined. Nevertheless, the Ohio Legislature has also provided that, with respect to an individual whose employment consists of both employment on a vessel and with shoreside employers, such wage credits may be combined, but if more than 50% of such individual's total weeks of employment during his base period is as a seaman, his eligibility for benefits is limited to the navigation season. The specific provisions of Ohio law are as follows:

"§ 4141.33 SEASONAL EMPLOYMENT

* * * * * * *

"(B) Notwithstanding division (A) of this section, employment as a seaman on an American vessel operating on the Great Lakes shall be deemed to be seasonal employment, and such sason shall consist of the forty calendar week period beginning with the fourth Sunday of March. With respect to an individual whose employment consists exclusively of employment as a seaman on such vessel, excepting a vessel engaged in harbor towing or river and harbor improvement work, the right to benefits arising out of service performed in such seasonal employment shall be confined to weeks of unemployment occuring in such period of forty weeks and the administrator, in accordance with division (A) of this section, shall determine the proportionate number of weeks of employment and earnings required to qualify for benefit rights and the proportionate number of weeks for which benefits may be paid. If the individual is receiving benefits at the end of such period, there shall be a suspension of the payment of benefits until the following fourth Sunday of March upon which date, if such individual is still unemployed, the payment of benefits shall resume and continue until the full forty week period has expired since such individual first filed a valid application for determination of benefit rights.

"(C) With respect to an individual whose employment consists both of employment on a vessel as provided in division (B) of this section and with any other employers subject to section 4141.01 to 4141.46, inclusive, of the Revised Code, the eligibility requirements and benefit rights shall be the same in all respects as those of an individual whose employment consists exclusively of employment with such other employers; provided if more than fifty per cent of such individual's total weeks of employment during his base period consists of employment as a seaman on such a vessel, his eligibility requirement and benefit rights shall be determined according to division (B) of this section."

As will be hereinafter shown, these provisions are not in the least inconsistent with Federal law.

EXISTING REQUIREMENTS OF FEDERAL LAW

On May 24, 1943, the United States Supreme Court decided *Standard Dredging Corporation* v. *Murphy*, 319 U.S. 306. That case held that the provisions of the Federal Social Security Act, exempting from the federal tax thereby imposed the employers of persons employed as officers or members of the crews of vessels on navigable waters of the United States, did not operate to exempt such employers from state unemployment insurance laws. Thereafter the Congress enacted into law the Social Security Act amendments of 1946. Among other things, Section 301 of the Act (now Section 3305(f) 1954 I.R.C.), authorized the Legislature of any state in which a person maintains the operating office, from which the operations of an American vessel operating on navigable waters within or within and without the United States are ordinarily and regularly supervised, managed, directed and controlled, to require such person and the officers and members of the crew of such vessel to make contributions to its unemployment fund to the same extent and with the same effect as though such service were performed entirely within such state.

In thus granting permission to the states to bring seamen under their unemployment compensation laws, the Congress specifically provided that:

"The permission granted by this subsection is subject to the condition that such service shall be treated, for purposes of wage credits given employees, like other services subject to such state unemployment compensation law *performed for such person in such state* * * *" (1954 I.R.C. § 3305(f)).

In explanation of the above provision, the Senate Finance Committee, in favorably reporting the bill to the Congress, stated that:

"The Committee believes, therefore, it would be inadvisable to lay down a blanket prohibition against discrimination or to attempt to fix standards for the benefit of seamen. There has been included in the bill, however, a provision which enunciates the principle of no discrimination *as compared with other employees of the same employer as regards wage credits.*" (Senate Report No. 1862, 78th Congress, Second Session).

After thus commenting on the nature of the permission granted to the states, the Senate Finance Committee added:

"The provision is not intended to preclude treating certain maritime service, notably that on the Great Lakes, as seasonal employment, and denying compensation based on such service for unemployment occurring outside the season, if this is done on terms comparable to those applied to other seasonal occupations in the state." (Senate Report No. 1862, 79th Congress, Second Session).

Thus it is abundantly clear that, while a maritime employer is required to treat seamen employees in the same manner as his other employees as regards wage credits, this does not mean that the employer is precluded from treating seamen employees as seasonal, even though the employer's other employees, i.e., shoreside personnel, may be non-seasonal. The Senate Finance Committee did say, however, that if certain maritime services are treated as seasonal employment it must be done on terms comparable to those applied to other seasonal occupations in the state.

It is now proposed to examine the objections of the Secretary of Labor to Ohio law in light of the specific requirements of Federal law and when this analysis is completed we believe all will be convinced that the alleged discrimination against seamen does not exist.

THE DEFINING OF THE NAVIGATION SEASON BY STATUTE IS NOT DISCRIMINATORY

The Secretary of Labor has singled out maritime employers generally and the Ohio law in particular as being unfair, simply because Ohio law specifies employment of Great Lakes seamen to be seasonal and defines the Great Lakes navigation season as a period of 40 weeks beginning with the fourth Sunday in March of each year, as compared with, in the words of the Secretary, "a 36 week definition in all others" (i.e., other industries). The Secretary is clearly in error in stating that a "36 week definition" applies to all other industries. What Ohio law does is to authorize the Administrator to fix the various seasons for the various seasonal industries but prevents him from fixing any season longer than 36 weeks. This authority existed in Ohio law long before the seaman provision was enacted fixing by law the Great Lakes navigation season at 40 weeks. Ohio, of course, could have provided that the duration of all seasonal employment would be determined administratively not to be in excess of 40 weeks and the Ohio unemployment compensation Administrator could have fixed 40 weeks as the Great Lakes navigation season, 30 weeks for those employed in professional baseball, 31 weeks for those employed in horse racing, 12 weeks for those employed in canning, etc. Under such circumstances, the Secretary of Labor could have no basis for charging that the Ohio law is discriminatory even though the season for each such operation is distinctly different. If the laws of Ohio are held by this Committee to be discriminatory because they themselves specify a 40-week season for Great Lakes vessel operations but delegate to the Administrator the function of prescribing the duration of the season for other operations, this Committee will denigrate not only legislative power in Ohio but legislative power everywhere. Arizona, for example, by legislation specifies a 43-week season for resorts and dude ranches, Arkansas a 36-week season for food freezing, cotton and rice warehousing and baseball. In the states of Colorado, Delaware, Indiana, Iowa, Minnesota, Virginia, West Virginia and Wisconsin, the season specified by legislation for the canning industry ranges anywhere from 24 weeks to 40 weeks. Obviously, it is immaterial whether the duration of the operation of a seasonal industry is specified in law or administratively, so long as the duration specified is seasonable and in accordance with the facts.

The Lakes' shipping season is susceptible of precise definition and the Ohio Legislature logically saw fit to define it. It did so, however, only after a careful search of the records covering the opening and closing dates of Great Lakes navigation over a period of 50 years. Weather conditions make Great Lakes navigation wholly impractical during the winter and the average opening and closing dates indicate that normal navigation usually commences about April 15 and terminates in early December. Thus, the navigation season approximates 240 days or about 35 weeks. In addition, it is necessary that the ships be fitted out preparatory to sailing in the spring and that work incidental to laying the vessel up for the winter be performed after the final trip in the fall. In the aggregate, these tasks ordinarily consume approximately 30 days or about four weeks. Thus, Ohio law is consistent in every respect to actual industry conditions. The facts as to the seasonal character of Great Lakes operations were fully known to the Ohio Legislature and there was no reason for delegating discretionary authority to an administrative agency to determine the length of the Great Lakes navigation season. Normally, state Legislatures, like the Congress, guard their legislative powers judiciously. This is the first attack we know of on either a state or Federal law on the grounds that the Legislature failed to delegate its authority to an administrative agency.

Why is it discriminatory for the Legislature to fix the duration of the Great Lakes navigation season at 40 weeks and authorize the administrator to fix the duration of all other seasonal industries for a period of operation of less than 36 weeks, particularly when there is no evidence of any industry in Ohio that is unable to qualify as a seasonal industry because of the "less than 36 weeks" maximum limit for seasonable industries? We believe that Ohio law does not discriminate against seamen because of the defined 40 weeks in the navigation season.

OHIO LAW DOES NOT DISCRIMINATE AGAINST SEAMEN BY PERMITTING OTHER SEASONAL EMPLOYEES TO COMBINE WAGE CREDITS

The Secretary of Labor baldly asserted that seamen must, under Ohio law, work more time outside the navigation season to become entitled to ordinary employment insurance benefits than is true of other seasonal workers. Such is neither fact nor law in Ohio. The only provision of Ohio law which permits the combining of seasonal and non-seasonal wage credits is in the case of seamen, the only limitation on such combination being that if more than 50% of the individual's total weeks of employment during his base period consists of employment as a seaman, his eligibility for benefits is limited to the navigation season. For several years the Ohio administrator did, by administrative ruling, permit seasonal and non-seasonal wage credit to be combined so that if an individual accumulated more than 20 weeks of employment he was allowed benefits outside of the season. It has since been held in Ohio, however, that in permitting the combination of such wage credits the Ohio administrator exceeded his authority and, as a matter of law, seasonal and non-seasonal wage credit cannot be combined in Ohio except in the case of seamen. The administrative decision allowing the combining of shoreside seasonal and non-seasonal wage credits was overruled by the Board of Review in the case of *In re Claim of Ned F. Babcock, et al.*, Appeals Docket No. 349302-M-1-BR. The decision of the Board of Review is set forth in full at the end of this statement. In this instance the employer, Northern Ohio Sugar Company, objected to a ruling of the administrator allowing the payment of benefits outside the season based upon the combination of seasonal weeks and wages with non-seasonal weeks and wages. Said the Board of Review:

"The sixth paragraph of the Journal Entry permits a valid application based on any combination of seasonal and non-seasonal weeks exceeding 20 weeks, computed as an ordinary claim and payable for unemployment outside the season, the only limitation being that claims outside the season are charged to the non-seasonal employer and in the season, charged to the seasonal employer. However, the weekly benefit amount and duration of benefits are increased for any claim by the addition of the seasonal weeks and wages and, to the extent of this increase in weekly benefit amount and duration of benefits, violate the purpose of the original determination of seasonal employment.

"By reason of the employer's liability under this sixth paragraph, he is, with only minor possible differences, liable as widely as a non-seasonal employer and in addition has the burden of paying seasonal claims in the season based on 7 to 17 weeks which the ordinary non-seasonal employer is entirely free of. Any

construction of the language of the statute which so subverts its purpose cannot be proper. This statute is clear and unequivocal. It permits seasonal or non-seasonal claims or one in place of the other. It does not provide for combining of the weeks of qualification and earnings in the two types of claim as has been done here. Section (C) of 4141.33, Revised Code of Ohio, does permit such combination in the claims of seamen, but in such combination, all of the claim is seasonal if more than 50% of the base period weeks are seasonal and the claimant can then claim only in the season. In addition, this is a specially legislated section limited only to seamen claims and does not give the Administrator authority to apply it to general claims. The sixth paragraph of the Administrator's Journal Entry is improper and assumes powers not granted under Section 4141.33(A), Revised Code of Ohio. It furthermore violates this clear provisions of that section which provides only for seasonal claims *in place of* regular claims." (Referee's underlining).

The result of the Board of Review's ruling is that in Ohio only seamen are now permitted to combine seasonal and non-seasonal wage credits under specific statutory provision, while shoreside seasonal employees are not permitted such combination. This gives seamen a distinct advantage over other seasonal shoreside employees in Ohio and, of course, the alleged discrimination arising out of the combination of wage credits which the Secretary of Labor asserts violates Federal law does not, in fact, exist. Obviously, therefore, Section 123 of H.R. 15119 should be eliminated for want of the reasons upon which it is based.

THE SIGNIFICANCE OF SECTION 123 TO OHIO

Ohio, from which the majority of American flag Great Lakes shipping is regularly supervised, managed, directed and controlled, has provided the necessary unemployment compensation coverage for Great Lakes seamen. It has defined such employment as seasonal in accordance with the findings of this Committee that Federal law was not intended to preclude the treating of such employment as seasonal. The Secretary of Labor, in his testimony before the House Ways and Means Committee, readily conceded that the employment of seamen on the Great Lakes is seasonal. As previously indicated, Ohio law does not discriminate against seamen in the matter of the combination of seasonal and non-seasonal wage credits. Thus Section 123 as presently constituted is based on mistaken assumptions of law and should be stricken from the bill. Undoubtedly, enactment of this section will place a serious burden on Ohio should the Secretary of Labor attempt to establish the alleged discrimination.

It is true that H.R. 15119 provides for appellate review of any decision of the Secretary of Labor in this regard. We do not believe it equitable to put the State of Ohio to the burden of seeking costly appellate review when it has already been amply demonstrated that the basis for authorizing the Secretary of Labor to disqualify maritime employers from receiving the Federal unemployment tax credit does not exist.

THE HOUSE WAYS AND MEANS COMMITTEE REFUSED TO FIND OHIO LAW DISCRIMINATORY

During the testimony on H.R. 8282, which evenutally led to House passage of H.R. 15119, considerable testimony was offered concerning the attitude of the Department of Labor over the years toward the State of Ohio as to whether or not, with respect to maritime employers, it is complying with Federal law. During debate of the bill on the floor of the House, the Hon. Wilbur D. Mills, Chairman of the Ways and Means Committee, stated that his Committee made no decision whatsoever concerning the alleged discrimination against maritime employees. What the Committee attempted to do was to supply an enforcement provision which is now lacking in the law in those cases in which it might be determined that discrimination existed (Congressonal Record, Wednesday, June 22, 1966, Line 112, No. 102, page 13286). It has already been demonstrated, however, that such discrimination does not exist in Ohio law, first, because the objection to the Ohio Legislature's defining the navigation season is not valid and secondly, because the Board of Review has ruled that shoreside seasonal and non-seasonal wage credits cannot be combined under Ohio law. This means that if Section 123 is enacted, it might be construed as requiring that seamen be deprived of the advantage of combining seasonal and non-seasonal wage credits so that they will be treated in the same manner as other seasonal employees in

Ohio. If Section 123 is so construed, it would be operating unfairly in the case of seamen and depriving them of existing benefits, which is an added reason for its elimination.

ADDITIONAL FACTORS PROVE ABSENCE OF DISCRIMINATION UNDER OHIO LAW

Additional factors attest to the absence of discrimination against Great Lakes seamen. The Federal Government has long recognized the special problems facing certain seasonal industries in connection with the payment of unemployment compensation benefits. A bulletin issued by the Social Security Board in 1938 summarizes some of the reasons for imposing seasonal restrictions on the payment of unemployment compensation benefits. These are (1) seasonal unemployment is predictable and certain each year; (2) high wage rates compensate seasonal employees for their periods of unemployment; and (3) benefits paid to seasonal workers during the off season amount to subsidization of seasonal industries and encourage seasonal operation. This criteria for treating an industry as seasonal is particularly applicable to Great Lakes vessel operation.

First, the seasonal nature of employment in the Great Lakes vessel industry is predictable and certain each year. The fact that Great Lakes vessel operations are seasonal is well known. This seasonal characteristic cannot be substantially altered by human desire or business requirements. Vessel operators have long recognized that if efficient complements of officers and crews are to be available from year to year, it is necessary that these men be compensated on a basis which will provide rates during a 40-week navigation period substantially equal to those which shore industry offers during the calendar year. The records of employment longevity and the number of men annually seeking work aboard Great Lakes vessels demonstrates the general effectiveness of this program.

Secondly, the high wage rates paid Great Lakes seamen compensate these employees for the 12 weeks each year they are unemployed because of the end of the Great Lakes shipping season. A man employed the full 40-week season on a Great Lakes vessel works as many as or more hours in those 40 weeks than the shoreside employee does in 52 weeks. He earns more in those 40 weeks than a shoreside employee earns in 52 weeks. To illustrate, the average weekly wage for Great Lakes seamen (total wages divided by 52, i.e., including the 12 weeks during the winter when the Great Lakes seaman receives nothing) in 1964 (the last year for which Ohio figures are available) was $188.43. The average weekly shoreside wage for all covered employment in Ohio was $115.63. The average weekly wage of $188.43 for Great Lakes seamen is, with one minor exception, higher than the average weekly wage in any other industry in Ohio. In no other state do average weekly earnings exceed those of the Great Lakes vessel industry. Beyond this, however, while employed on Great Lakes vessels seamen are furnished board and lodging without charge to them. In terms of total income, particularly for seamen without families, board and lodging represents a significant addition. By its very nature, vessel employment requires long periods away from home and consequently it is more attractive to young men without family attachments. A recent survey covering individuals employed in unlicensed ratings on Great Lakes vessels indicated that 67.9% of such seamen were unmarried.

As we previously pointed out, Great Lakes seamen, while working only 40 weeks a year, devote about the same amount of time to their jobs as do shoreside employees working 52 weeks. The main difference is that most shoreside employees are not asked to work Saturdays, Sundays and holidays throughout the full year, while Great Lakes seamen work all days during the season but are not required to work at all during the 12-week winter interval. The seaman's leisure time, therefore, comes to him in one 12-week stretch while the leisure time of shoreside workers comes two days each week throughout the entire year. How foolish it would seem were a legislative proposal advanced to pay unemployment benefits for Saturdays, Sundays and holidays to a shoreside worker with a full-time job. Yet that, in effect, is what is being now proposed for Great Lakes seamen.

Thirdly, benefits paid to Great Lakes seamen during the off season would amount to subsidization of a seasonal industry. When the Ohio unemployment compensation law was originally extended to seamen, many shoreside employers advocated that the industry be treated as seasonal. These employers contended that the payment of benefits to Great Lakes seamen during the winter or closed season of navigation would result in a marked disparity between benefits to

seamen and contributions from their employers. Seamen, it was said, would constitute a drain on the total unemployment insurance fund and the Great Lakes vessel industry would, in effect, be subsidized by shore employers.

Our studies indicate that Ohio unemployment compensation taxes if paid into the reserve fund at the maximum rate of 2.7% heretofore provided by Ohio law would approximate $498,000 annually. Assuming that 90% of eligible employees would make application for benefits during the winter or closed season of navigation, our analysis shows that payments from the fund during the 12-week winter season alone would aggregate approximately $2.0 million, or a ratio of benefits to contributions of about 5.8 to 1. This computation makes no provision for benefits paid out during the 40-week navigation season. Based on recent experience, it can be anticipated that the total benefits payable to Great Lakes seamen were the seasonal restriction removed from Ohio law would exceed $3.48 million, with the maximum employers' contributions being 1/7 of that amount. Such a situation would certainly draw heavily on the reserve fund accumulated from the contributions of all employers and would constitute an outright subsidy to a group of employees whose average annual wage, with one minor exception, is already the highest in the state.

The Great Lakes maritime industry wants to pay its own way. It can do so, however, only if the seasonal provisions of Ohio law relating to Great Lakes seamen are preserved, and certainly there is every reason for doing so. Great Lakes seamen are familiar with the seasonal character of the Great Lakes shipping industry and recognize that such employment is not available during the winter months. There is absolutely no economic justification for paying benefits to seamen during the winter or closed season of navigation inasmuch as the shipping season is susceptible of precise definition and the compensation received by Great Lakes seamen for such period is in excess of most shoreside wages paid in Ohio for a full year of employment.

Finally, if Section 123 is retained, we earnestly urge that the judicial review provisions of the bill be broadened to authorize maritime employers to initiate review proceedings. The denial of the Federal unemployment tax credit to maritime employers would not affect the contributions required of such employers under state law. Thus the state, in effect, would have no monetary stake in seeking judicial review of a determination by the Secretary of Labor denying to maritime employers the credit against the Federal unemployment tax. In such a proceeding the real adverse parties would be the Secretary of Labor and maritime employers, and the judicial review provisions of the bill should be amended to reflect this fact. We believe a better solution to be, however, the elimination of Section 123.

Appeals Docket No. 349302-M-1

STATE OF OHIO BOARD OF REVIEW

BUREAU OF UNEMPLOYMENT COMPENSATION

COLUMBUS, OHIO

In re claim of: NED F. BABCOCK, ET AL, 2611 North Main Street, Findlay, Ohio. Employer: NORTHERN OHIO SUGAR COMPANY, Box 89, Findlay, Ohio.

(S.S. No. 272-22-8666)

CORRECTED DECISION

By decisions on reconsideration of various dates between February 18, 1965, and March 30, 1965, the Administrator allowed applications for determinations of benefit rights on a non-seasonal basis for each of these claimants on the ground that claimants were following the same type of work for this employer both in and outside the season provided in the determination of this industry as seasonal. He further assessed charges against this employer based on the combination of seasonal weeks and wages with non-seasonal weeks and wages and allowed such applications as non-seasonal.

On various dates between February 24, 1965, and April 2, 1965, the employer filed timely appeals to the Board of Review.

Hearing on the appeals was had on July 23, 1965, at Findlay, Ohio, after due notice given to all parties of time, place and date.

Appearances: Six of the claimants appeared in person and all of the claimants were represented by Mr. George Freeman, President, Local 293. Northern Ohio

Sugar Company was represented by L. F. Coon, cashier, and Mr. Robert Dose, of E. I. Evans & Company.

FINDINGS OF FACT

On April 11, 1963, in Case Number 214812, in the Common Pleas Court of Franklin County, Ohio, in an action between Northern Ohio Sugar Company and Donald B. Leach, Administrator, Bureau of Unemployment Compensation, the Court found that Northern Ohio Sugar Company is a seasonal employer in the 17 week period beginning the third Sunday in September in each year with respect to the processing of sugar beets into sugar. The Entry in that case reversed the decision of the Administrator of July 18, 1962, and allowed the application for seasonal employment dated September 2, 1960, and left the seasonal period and other details to be determined by the Administrator in conformity with its Journal Entry and the Ohio Unemployment Compensation Law. This Entry was approved by Northern Ohio Sugar Company, William B. Saxbe, Attorney-General and attorneys for Donald B. Leach, Administrator, Bureau of Unemployment Compensation.

Thereafter, the Administrator, on August 20, 1963, issued his Journal Entry, reciting the action of the Common Pleas Court and affirming the seasonal employment in this industry with a seasonal period of 17 weeks beginning the third Sunday in September of each year with respect to the processing of sugar beets into sugar. He amended this Journal Entry on November 4, 1963, and in the Amended Entry, in the third paragraph, excluded from the operation of the seasonal limitation, "the service of any individual whose nature of employment may be performed during all or a part of the season and outside the season." He further, in the fifth paragraph, set up a provision which limited the right to benefits to such period of 17 weeks in the season in any case where claimant had more than 50% of his base period earnings in the seasonal period set out. He set up the qualifications for a seasonal claim to be 7 weeks of work in the base period with earnings of at least $140.00 and a benefit year of 9 times the weekly benefit amount plus an additional week for any 2 credit weeks worked beyond 7 weeks in the season. This qualification is in place of the normal requirement for a non-seasonal claim of 20 weeks of work in the base period and earnings of at least $400.00.

In paragraph 6 of this Order, he set up permission for a claimant to combine seasonal and non-seasonal employment aggregating more than 20 weeks; to provide that such a claimant would be eligible for benefits outside the season. In such case, charges for benefits paid during the season were charged to the seasonal employer and all other benefits were charged to the non-seasonal employer. This Order was not appealed.

The evidence at the present hearing establishes that Northern Ohio Sugar Company operates two plants: one at Fremont, Ohio, and another at Findley, Ohio. These plants are concerned only with the making of beet sugar in the season and, outside the season, with the maintenance of the plant and the warehousing and handling of the sugar products for sale. Sugar beets, following their harvest, which date is determined by the growing season in Ohio, must be processed within a very short time or they will spoil. The testimony in the instant hearing clearly establishes that the work performed by all of these claimants during the season is entirely different from the work performed by these same claimants for Northern Ohio Sugar Company outside the season. The normal complement in each of the plants outside the season is from 50 to 60 employees. During the season, each plant employs as many as 200 people. Most of the claimants outside of the season, which the company calls the "Campaign," work in general laborer classifications. During the season they each have a specifically designated job having to do with the reduction of the beets to juice and the reduction of the juice to sugar. None of the classifications occupied by any of these claimants during the season could be followed outside the season as that type of work is not performed outside the season.

In all of these claims, the Administrator has combined seasonal and non-seasonal weeks and wages and has charged Northern Ohio Sugar Company as though no seasonal applications had been made, making no separation as to charges for seasonal work as different from non-seasonal and has used the seasonal credits where possible to add to the credit weeks of the claimant although, in some cases, the claimant has sufficient non-seasonal credit weeks to establish a valid application without use of the seasonal weeks. On none of these claims, has the Administrator restricted the liability of the employer or the rights of the claimant by reason of the fact that part of the work was seasonal.

REASON

Issue: Validity of application—charges to employer—seasonal employment.

Section 4141.33 (A), Revised Code of Ohio, provides:

"Seasonal employment means employment in an occupation in an industry which because of climatic conditions or because of the seasonal nature of such employment it is customary to operate only during regularly recurring periods of less than thirty-six weeks in any consecutive fifty-two weeks. Any employer who claims to have seasonal employment may file with the administrator of the bureau of unemployment compensation a written application for classification of such employment as seasonal. Whenever in any employment it is customary to operate because of climatic conditions or because of the seasonal nature of such employment only during regularly recurring periods of less than thirty-six weeks duration, benefits shall be payable only during the longest seasonal periods which the best practice of such industry will reasonably permit. The administrator shall ascertain and determine, or redetermine, after investigation and due notice, such seasonal periods for each such seasonal employment. Until such determination by the administrator, no employment shall be deemed seasonal. When the administrator has determined such seasonal periods, he shall also fix the proportionate number of weeks of employment and earnings required to qualify for benefit rights in place of the weeks of employment and earnings requirement stipulated in division (R) of section 4141.01 and section 4141.30 of the Revised Code, and the proportionate number of weeks for which benefits may be paid. The administrator may adopt rules and regulations for implementation of this section."

The Administrator has allowed these applications as non-seasonal applications on the ground that the claimants performed work of a nature that could be performed during all or a part of the season and outside of the season in this industry. In doing so, he has relied on the third paragraph of his Amended Order, "Employer's Exhibit #1," in this hearing .

The evidence clearly shows however that the work of each of these claimants was severable in nature as to its seasonal and non-seasonal employment. The seasonal work could only be performed in the season and the non-seasonal, which was performed outside the season, was such as might have been performed both in and out of the season but was available only outside the season with this employer. Claimants were engaged during the season in the making of sugar in various jobs which could only be performed during that period when the crop was available and could not have been performed at any other time of the year. The season of the industry is determined by the availability of the beets and by the fact that the product, until it is made into sugar will spoil and must be made into sugar in this season.

The testimony will establish that the seasonal work performed by the claimants was not highly skilled; could be taught in a day or two, but the fact that it was not unique or highly skilled does not remove it from the classification of seasonal work. It is seasonal not only because of the nature of the work but because of the time when it must be performed. The work performed by these claimants outside the season dealt with storage, warehousing and handling for sale of the product which had become stabilized and this work could be performed at any time in the year for this or other employers who had the finished product available.

It is therefore clear that the Administrator has not followed in these determinations the third paragraph of his own Order. The exclusion of these claimants from the seasonal order on the basis used in the decisions on reconsideration was improper.

In addition to this error of the Administrator, it appears that his determinations are improper on another ground.

The sole, apparent reason for the seasonal statute in the law was to give protection to a seasonal employer who, because of the limited nature of his work, could offer regular work only during the season and should be charged only for unemployment during that period. The effect of the seasonal order therefore should be to leave the seasonal employer in a protected status and not as liable as the regular employer under non-seasonal employment classifications.

The work of this employer is seasonal in 17 weeks in each year; in 35 weeks he furnishes some non-seasonal work. Like all non-seasonal employers, he is liable for claims to any individual who works in 20 or more weeks in the non-

seasonal period of the 35 weeks, and a maximum claim may be perfected against him on a regular basis by working 32 of the 35 non-seasonal weeks.

He is also liable to any individual on a seasonal claim who works in 7 or more weeks in the 17 week period of the season. This is a liability the ordinary non-seasonal employer does not bear.

By the Administrator's Journal Entry, the seasonal employer is also liable for an additional type of claim which vitiates entirely any protection he might gain by the Court's decision that he is a seasonal employer.

The sixth paragraph of the Journal Entry permits a valid application based on any combination of seasonal and non-seasonal weeks exceeding 20 weeks, computed as an ordinary claim and payable for unemployment outside the season, the only limitation being that claims outside the season are charged to the non-seasonal employer and in the season, charged to the seasonal employer. However, the weekly benefit amount and duration of benefits are increased for any claim by the addition of the seasonal weeks and wages and, to the extent of this increase in weekly benefit amount and duration of benefits, violate the purpose of the original determination of seasonal employment.

By reason of the employer's liability under this sixth paragraph, he is, with only minor possible differences, liable as widely as a non-seasonal employer and in addition has the burden of paying seasonal claims in the season based on 7 to 17 weeks which the ordinary non-seasonal employer is entirely free of. Any construction of the language of the statute which so subverts its purpose cannot be proper. This statute is clear and unequivocal. It permits seasonal or non-seasonal claims or one in place of the other. It does not provide for combining of the weeks of qualification and earnings in the two types of claim as has been done here. Section (C) of 4141.33, Revised Code of Ohio, does permit such combination in the claims of seamen, but in such combination, all of the claim is seasonal if more than 50% of the base period weeks are seasonal and the claimant can then claim only in the season. In addition, this is a specially legislated section limited only to seamen claims and does not give the Administrator authority to apply it to general claims. The sixth paragraph of the Administrator's Journal Entry is improper and assumes powers not granted under Section 4141.33(A), Revised Code of Ohio. It furthermore violates the clear provisions of that section which provides only for seasonal claims *in place of* regular claims. (Referee's italic.)

The validity of the Journal Entry in paragraph 6 is not aided by the fact that it was not appealed and thus became final. Paragraph 6 of the Journal Entry assumed powers not granted and such unauthorized action can never become final. To hold otherwise would be to confirm in the Administrator the power of legislation.

DECISION

Decisions on reconsideration of various dates between February 18, 1965, and March 30, 1965, allowing applications on a non-seasonal basis are hereby modified as follows:

* Ned F. Babcock, seasonal claim basic weekly amount, $42.00; dependency allowance, $6.00; weekly benefit amount, $48.00; duration 9 weeks. Total potential charge is $576.00, all to Northern Ohio Sugar Company.

John R. Bame, non-seasonal claim; basic weekly amount, $32.00; dependents allowance, $3.00; weekly benefit amount, $35.00; duration 23 weeks. Potential charge to Northern Ohio Sugar Company is $832.00. Potential charge to Hancock Brick & Tile is $70.00.

* Carl O. Butler, seasonal claim: basic weekly amount, $42.00; dependents allowance, none; weekly benefit amount, $42.00; duration 9 weeks. Total potential charge is $504.00, all to Northern Ohio Sugar Company.

* Norman Callaway, seasonal claim; basic weekly amount, $36.00; dependents allowance, $11.00; weekly benefit amount, $47.00; duration 9 weeks. Total potential charge is $517.00, all to Northern Ohio Sugar Company.

* Dennis J. Dorman, seasonal claim; basic weekly amount, $42.00; dependents allowance, none; weekly benefit amount, $42.00; duration 9 weeks. Total potential charge is $462.00, all to Northern Ohio Sugar Company.

* Alfonso Flores, seasonal claim; basic weekly amount, $42.00; dependents allowance, $11.00; weekly benefit amount, $53.00; duration 9 weeks. Total potential charge is $636.00, all to Northern Ohio Sugar Company.

Ralph T. Gallegos, non-seasonal claim; basic weekly amount, $33.00; dependents allowance, $8.00; weekly benefit amount, $41.00. Total potential charge is $943.00, all to Northern Ohio Sugar Company.

Joe Gutierrez, non-seasonal claim; basic weekly amount, $40.00; dependents allowance, $11.00; weekly benefit amount, $51.00; duration 22 weeks. Total potential charge is $1122.00 to Northern Ohio Sugar Company. Total potential charge to Shady Grove Driving Range is $75.00.

* Francisco Hernandez, seasonal claim; basic weekly amount, $42.00; dependents allowance, none; weekly benefit amount, $42.00; duration 9 weeks. Total potential charge is $462.00, all to Northern Ohio Sugar Company.

* Harold E. Hodapp, seasonal claim; basic weekly amount, $42.00; dependents allowance, none; weekly benefit amount, $42.00; duration 9 weeks. Total potential charge is $462.00, all to Northern Ohio Sugar Company.

* Floyd McCann, seasonal claim; basic weekly amount, $42.00; dependents allowance, none; weekly benefit amount, $42.00; duration 9 weeks. Total potential carge is $462.00, all to Northern Ohio Sugar Company.

Albert Miller, non-seasonal claim; basic weekly amount, $35.00; dependents allowance $6.00; weekly benefit amount, $36.00; duration 24 weeks. Total potential charge is $864.00, all to Northern Ohio Sugar Company.

Ralph W. Rose, non-seasonal claim; basic weekly amount, $30.00; dependents allowance, $6.00; weekly benefit amount, $48.00; duration 9 weeks. Total potential charge is $864.00, all to the Northern Ohio Sugar Company.

Jose Ramos Tellez, seasonal claim; basic weekly amount, $42.00; dependents allowance, $6.00; weekly benefit amount, $48.00; duration 9 weeks. Total potential charge is $567.00, all to Northern Ohio Sugar Company.

JAMES P. MELLOTT, *Referee.*

Senator TALMADGE. Any questions, Senator Williams?

Senator WILLIAMS. No questions.

Senator TALMADGE. Thank you very much, Mr. McChesney.

At this point I will insert in the record a letter from the United Steelworkers of America, signed by Frank N. Hoffmann, legislative director, and the statement of Joseph P. Molony, vice president of the United Steelworkers of America, in which they support this particular section of the bill.

I will also insert at this point the statement of Frank W. King, president, Ohio AFL-CIO, who wishes to be associated with the statements of the Ohio Manufacturers Association and the Lake Carriers' Association.

(The letter and statements referred to follow:)

UNITED STEELWORKERS OF AMERICA,
Washington, D.C., July 14, 1966.

HON. RUSSELL B. LONG,
U.S. Senator,
Washington, D.C.

DEAR SENATOR: In behalf of the United Steelworkers of America, we would like to express our interest in the present consideration of H.R. 15119, Unemployment Insurance Amendments of 1966.

We have a special interest in Title I, Section 123(j) "Denial Of Credits In Certain Cases", as we represent in collective bargaining 3,500 seamen on the Great Lakes in the shipping industry. Due to the Ohio State Compensation Law, a large number of our members living and sailing out of Ohio are ineligible to draw unemployment compensation. This section would remedy that injustice. We respectfully request your support to hold this section as it now appears in the Bill.

We also believe the Bill would be meaningless without a provision for federal standards.

We respectfully request your support in behalf of our membership.

With kindest personal regards, I beg to remain

Sincerely,

FRANK N. HOFFMANN,
Legislative Director.

STATEMENT OF JOSEPH P. MOLONY, VICE PRESIDENT, UNITED STEELWORKERS OF AMERICA

(Note: Exhibits mentioned in this prepared statement are in the committee files.)

Mr. Chairman, we appreciate this opportunity to file a statement with this distinguished Committee and thank you for the opportunity accorded us. We do not propose to concentrate on the details of the bill, as previous witnesses appearing before you have covered the important points. We support the position as outlined by the AFL-CIO and the Industrial Union Department, AFL-CIO, who testified before this Committee. Our testimony will be limited to the section pertaining to maritime employees, Title I, Section 123(j) of the bill.

SUMMARY OF COMMENTS

Item 1. Discrimination against Great Lakes Seamen by the Ohio Unemployment Compensation Law.

Item 2. Certain seasonal workers not subject to discrimination.

Item 3. Ship-owners' base operations in Ohio to elude high payroll taxes.

Item 4. Seamen prefer to work in winter months if jobs are available.

Item 5. Seamen's wages irrelevant to the issue.

Item 6. A change in the law would not unfairly subsidize seamen not residing in the State of Ohio.

Item 7. Resolution to Maritime Trades Department AFL-CIO.

SUMMARY OF RECOMMENDATIONS

Item 1. H.R. 15119 should be passed in its entirely with Federal Standards—Eliminate harsh and restrictive disqualifying provisions of State laws—Permit benefits to be paid for a sufficient period of time.

Item 2. Failing passage as recommended in Item 1, a measure should be formulated and passed nullifying discrimination against seamen in State unemployment compensation acts.

ITEM 1

Employment on vessels plying the Great Lakes is considered "seasonal." This is because the Lakes freeze in December and are not navigable until the end of March. Most, but not all, ships are laid-up (immobilized) and crews are sent home. The Ohio Unemployment Compensation Law states that these crews are ineligible for unemployment compensation during this lay-off unless it falls within a forty week period beginning with the fourth Sunday of March, Ohio Revised Code § 4141.33(B). Ohio is the only State on the Lakes which has such a provision. The Ohio legislature has refused to act on this inequity. Bills such as Exhibit A have been introduced at every General Assembly since the year 1946. What is really alarming is the fact that the State of Ohio will not take the action to extend the coverage to Great Lakes Seamen which the provisions of the Federal Statutes permit. (See Exhibit B, letter from Honorable James O'Connell, Acting Secretary of Labor, to Alvin E. O'Konski, M.C., on October 3, 1958). Mr. O'Konski's concern is expressed in his letter to the Honorable James P. Mitchell, Secretary of Labor, dated February 6, 1959 (see Exhibit C). Various other of our nation's lawmakers were equally concerned; among these were the late John F. Kennedy (Exhibit D), Vice-President Hubert H. Humphrey (Exhibit E), Senator Philip A. Hart (Exhibit F), Senator Stephen M. Young (Exhibit G), and Senator Eugene J. McCarthy (Exhibit H) who was one of the sponsors of S. 1133 on February 28, 1961 (Exhibit I).

ITEM 2

Various categories of seasonal workers directly connected with the Great Lakes shipping industry may qualify for unemployment benefits on a year-round basis under the Ohio law. The exclusion applicable to seamen is not applicable to them. These "seasonal" workers are the men who crew the tugs and are laid-off when the large freighters are laid up for the winter. This is equally true of the dock workers. Shipyard workers on the Great Lakes are also "seasonal" under normal conditions. For them the lay-off usually occurs during the summer months.

ITEM 3

Under the merit rating system in Ohio, Great Lakes ship owners enjoy the lowest payroll tax because their accounts are not charged for unemployment compensation during the first twelve weeks of each year. A typical example would be a payroll tax of .38 of one percent when the full rate was three percent and the average for all employees in the State was .72 percent. The attraction provided by Ohio's payroll tax advantage leads ship owners to resort to a subterfuge to attain it. An example is provided by the case of the Reiss Steamship Company. Its bona fide base of operations is in Sheboygan, Wisconsin. However, this Company rents a small office in Cleveland, Ohio, and adopts Ohio as its base. This action enables the Company to treat its seamen as under the Ohio rather than the Wisconsin law and enables Reiss to realize a tax advantage. This creates a problem for the lawmakers of the other states bordering the Great Lakes. These states do not treat seamen as seasonal employees. Such states must either deprive the shipping company employers in their states of a tax advantage at the risk of losing some of such companies' local facilities or deny the employees of those companies benefits other employees in the state enjoy even though no less "seasonal" in their employment.

ITEM 4

Basic steel companies who operate their own ships usually offer their seamen some sort of maintenance work during the winter months. These jobs are readily accepted. Employees of independent ship operators have a more difficult time getting a job because a prospective employer will not hire a man he knows is going to quit and go back on the Lakes in the spring. It may be argued that if a law was enacted which allowed Great Lakes seamen to be eligible for unemployment compensation on a year-round basis, that these men would not be interested in obtaining employment during the winter months. This is not true for at least two reasons:

(1) A man who is not able, available, and actively seeking suitable work is disqualified.

(2) Benefits are less than most jobs pay—a condition compounded by Ohio Revised Code § 4141.30(E). Under that section claimants who file while outside the state (many lake's seamen are non-resident) receive the average weekly benefit being paid at the beginning of the claimant's benefit year in the state or jurisdiction where the claim is filed or the actual amont due in Ohio, whichever is less. Thus, a seaman with a wife and two children whose residence is in another state might have a reduction in weekly benefits in excess of Twenty Dollars ($20.00) per week.

ITEM 5

It has been said that seamen earn enough in a nine-month working period to compensate them for a full year. Such an argument bases the eligibility for unemployment compensation on a "means test." Such a test is discredited and is at cross-purposes with the economic objective of legislation designed to undergrid purchasing power during a period of low employment. But in the event that such an argument did carry some weight before the Committee it can be pointed out that the Great Lakes sailor is not overpaid. The present wage for certified ratings such as wheelmen and oilers is $2.22½ per hour. The entry rating such as deck hands, coal passers, and porters receive $1.79½ per hour. These rates are not markedly superior to shoreside rates and are not available in most cases for a full twelve months.

ITEM 6

It has been said that a seaman residing outside the State of Ohio would be subsidized by the State of Ohio if he qualified for unemployment compensation for a twelve-month period. Equalization is not necessarily subsidy and certainly is not unfair. For example, a company based in the State of New York must pay twelve-month unemployment compensation to any of its seamen residing in Ohio. While on the subject of subsidies, it might be well to point out that there is now pending before a subcommittee of the Senate Committee on Commerce, S.B. 1858, which would provide for subsidies to Great Lakes ship owners for the purpose of modernizing their fleets. Local 5000 of the United Steelworkers approves of this measure. However, it believes that unemployment compensation laws for Great Lakes seamen should also be modernized, whether it is called a subsidy or not.

ITEM 7

A resolution presented to the delegates of the Maritime Trades Department, AFL–CIO, on August 16, 1960, briefly summarizes the position of Great Lakes maritime unions in the matter of the exemption of seamen in Ohio under the Unemployment Compensation Act. That resolution is set out completely in Exhibit J and is not repeated here.

STATEMENT BY FRANK W. KING, PRESIDENT, OHIO AFL–CIO

SUMMARY

The Ohio AFL–CIO strongly urges committee approval of S. 1991. We feel that the legislation would improve and strengthen our Ohio unemployment insurance system by:

Extending coverage for an additional quarter of a million workers in the state.

Correcting an inequitable provision in the Ohio law which grants Great Lakes seamen only partial coverage.

Increasing the benefit levels in the state.

Undoing regressive provisions placed in the Ohio law in 1963 and lessening the chances of a high rate of benefit exhaustion.

Ending existing harsh disqualification provisions in the Ohio law.

Encouraging the mobility of Ohio's work force.

Establishing a realistic taxable wage base in the state.

As president of the Ohio AFL–CIO, representing one million union members, I respectfully ask this committee's favorable consideration of S. 1991. It is the position of our organization that such legislation is badly needed to correct inequities and failures in the Ohio unemployment insurance system.

Almost a year ago, Robert D. Bollard, secretary-treasury of our organization, testified before the House Ways and Means Committee in favor of H.R. 8282. However, as you know, that legislation was drastically altered from its original form. The legislation before this committee—S. 1991—is the same bill we sought at that time.

We feel that there are seven areas in which S. 1991 would strengthen and improve the Ohio system:

ONE—It would extend coverage for an additional quarter of a million workers in Ohio, thus giving them additional protection against economic fluctuations and bolster the state's economy against the effects of recession.

TWO—It would correct a long-standing inequity in Ohio law, under which Great Lakes seamen are granted only partial coverage.

THREE—It would significantly increase the benefit levels in Ohio, bringing payments to the unemployed more nearly into line with real need.

FOUR—It would, by requiring a uniform 26 weeks of benefit duration under state law and granting an additional 26 weeks of long-term adjustment benefits, undo regressive provisions put into the Ohio law in 1963 and head off what could be a staggering rate of benefit exhaustions in our state.

FIVE—It would foreclose on Ohio's harsh disqualification provisions and prevent the re-enactment of the old wage-cancellation threat.

SIX—It would encourage mobility of the work force, so far as Ohio is concerned, by outlawing the penalty the state law now assesses against those who seek work in other states.

SEVEN—It would, by increasing the taxable wage base to $6,600, terminate the hidden tax cut in Ohio which threatens the trust fund.

COVERAGE

One of the general objectives of unemployment insurance with respect to an individual is reducing the social and economic insecurity caused by his unemployment. These are risks even more real and tangible to the worker who is unemployed and not covered by the law than they are to those fortunate enough to be covered. There is no justifiable reason, administrative or otherwise, why 25 per cent of the workers in this country should presently be denied this protection.

Under the existing Ohio unemployment law, only about 2,528,000 workers are covered, out of a total work force of 3,358,000. This means that approximately 830,000 workers in Ohio are not eligible for unemployment insurance. Of the

830,000 not covered, 348,000 are in state and local government employ and some 482,000 are in private employ. S. 1991 would provide coverage for about 266,000 of the presently uncovered workers in the private sector of employment. Almost half of these, approximately 129,000, are presently employed by non-profit corporations.

On the subject of coverage of non-profit corporations, something worthy of note occurred recently in Ohio. The State of Ohio had a printing job of over $600,000 which was put up for bidding. The low bidder was a printing plant owned by a nonprofit religious organization. The plant—Otterbein Press—was low bidder by $70,000. And the amount by which it underbid the other firms submitting bids was about equal to the amount it would have had to pay into the unemployment fund every year. The state funds which were to be used to cover the cost of the printing were unemployment insurance monies. Fortunately, the state was able to negate the Otterbein Press bid and the contract was awarded to another firm.

GREAT LAKES SEAMEN

A section of S. 1991 would help to close a glaring gap in the present coverage of the Ohio unemployment law. At present, Ohio gives only partial coverage to its Great Lakes seamen; in fact, it is the only state on the Great Lakes which denies full coverage to seamen. When he was Secretary of Labor in 1961, Arthur Goldberg in a report to the President on the McCarthy-King bill made the following comment on a section in that bill:

"Equal treatment of Great Lakes Seamen.—Section 205 of the bill provides that if the Secretary of Labor has made a finding that a state law does not meet the requirements of section 3305(f) with respect to the coverage of maritime workers, the Federal unemployment tax liability of maritime employers is to be determined without any tax credit being allowed for any amount such employer paid under the law of such state. *This section is intended to correct a long-standing state violation of a federal requirement.*

"Section 3305(f) of the Federal Unemployment Tax Act, enacted in 1946, gives states permission to require contributions from maritime employers subject to several conditions. In granting this permission, however, Congress did not provide any sanction to ensure enforcement of these conditions.

"*One of the conditions of section 3305(f) is that maritime workers must be treated, for the purpose of wage credits, like shoreside workers. However, while the 1946 amendments allowed time for states to adjust their laws to this and other conditions, the Ohio law, unlike that of any other state, did not then and still does not provide Great Lakes seamen with treatment comparable to shoreside employees.* Under the Ohio law, shoreside employment may be declared seasonal only if the period of operation is less than 36 weeks in a year. While there are restrictions on the benefit rights of a shoreside seasonal worker, such a worker may combine seasonal and nonseasonal wage credits for benefit purposes. By contrast, Great Lakes employment is declared seasonal in the statute, with a 40-week period beginning with the fourth Sunday in March, and wage credits earned in Great Lakes shipping may not be combined with any other wage credits."

(It might be well to interrupt Mr. Goldberg's statement at this point to explain something about the Ohio law. Wage credits from oher covered employers may be combined with seasonal credits, but if over 50 per cent of a claimant's credits are in seasonal employment, he is not eligible for compensation during the off-season. This should be contrasted with Ohio's two administrative seasonal orders for shoreside employment—baseball and race tracks. If a claimant from the baseball industry has any employment outside the baseball industry in his base period—even one week—none of his base period employment is considered to be seasonal. In the racing industry a claimant must have more than two thirds of his base period credits in that industry before he is considered to be a seasonal employe.)

To return to the Goldberg statement:

"*This discrimination against Great Lakes seamen by Ohio is particularly significant because most Great Lakes shipping is covered under the Ohio law, regardless of the residence of workers.* Even if the vessels travel mainly between ports in other states, they are subject to the Ohio law if the offices controlling their operations are located in Ohio. The restrictions on benefit rights are therefore felt by residents of all the states which have Great Lakes ports." (Emphasis ours)

The Ohio AFL–CIO has tried for years to get equal treatment for Ohio seamen. In fact, our latest unsuccessful attempt was last year and the arguments against giving seamen full coverage are still ringing in our ears.

The Great Lakes Carriers Association contends that Great Lakes seamen should not be covered because they put in a full year's work and receive a full year's wages during the 40-week season. To prove this point, the employers use statistics from the Bureau of Unemployment Compensation which currently show the average weekly wage of a Great Lakes seaman to be about $188 per week. However, this figure does not give a true picture of the wages actually paid to an ordinary Great Lakes seaman.

In calculating the average wage of the seamen, one should first differentiate between a licensed officer and an unlicensed seaman. The statistics of the Bureau of Unemployment Compensation, unfortunately, do not do this. A licensed officer is the equivalent of a manager or supervisor in other industries. Captains, for example, are often paid in excess of $20,000 per year. And this is the reason the Bureau's statistics show such an unusually high average weekly wage for the lake carriers industry.

When you look only at the wages of the unlicensed seamen, the picture is not quite so rosy. Unlicensed seamen are hourly-rated employes, earning from $1.78 to $2.21 per hour. On the average, they earn about $2 per hour.

According to a letter from the Great Lakes Carriers Association to Mr. William Papier, director of research and statistics of the Bureau of Unemployment Compensation, the 40-week season is broken down as follows: 36 weeks sailing time at eight hours per day, seven days a week, or 56 hours per week with time and a half for all hours over 40, and four weeks for laying up and fitting out a ship at 48 hours per week. Computed below on this basis is the average weekly wage of an unlicensed seaman:

Sailing time: 36 weeks (56 hours per week)	$4,608
Laying up and fitting out: 4 weeks (48 hours per week)	416
Total	5,024
Bonus for completing season (10 percent)	502
Total annual wage	5,526
Average weekly wage	106

The above reflects an annual income under optimum conditions of a full 40-week season. Generally, a working season is less than 40 weeks and may, during certain periods, be as small as six months in which case the annual earnings of a seaman are drastically reduced. Since less than half a crew is needed to lay up or fit out a vessel, a 36-week season is the best the majority of a crew can expect to work. For a 36-week season then, the average weekly pay would be $97.46; for 32 weeks, $86.56 and for 26 weeks, $66.19.

At the present in Ohio, workers in construction and manufacturing are earning approximately $128 per week—over $20 more per week than seamen. The jobs of seamen certainly require skills which would place them in these categories. Yet the Great Lakes seamen, allowing for overtime, still average less per week.

Even when compared with the average weekly covered wage in Ohio, for *all* industries—$115 per week—the wages of Great Lakes seamen do not measure up. To say the least, the employers' argument that seamen are high wage earners is deceiving.

BENEFITS

One of the most hotly-debated issues on unemployment insurance in state legislatures is the level of the weekly benefit amount. Labor has felt that this is an insurance program designed to help an unemployed worker during periods of unemployment. As an insurance program, it should afford adequate coverage for losses suffered. Other groups have not taken this attitude toward unemployment insurance. They feel that the weekly benefit amount should be based on a minimum level of subsistence. Their theory—starve workers to go back to work. The fact that there might not be any jobs has no effect on this particular theory.

To date, the "starve them back" philosophy has prevailed in Ohio. When Ohio's law was originally enacted the average benefit check was approximately 54 per cent of the state's average weekly wage. The present average benefit check in Ohio is equal to about 35 per cent of the state's average weekly wage.

How nearly adequate is the state's present benefit level? In 1959, the Ohio Department of Public Welfare promulgated a budget for poor relief recipients, a

bare subsistence budget which provided money mostly for food and shelter. For a family of four with two children aged 6 to 12, the budget allowed about $230 per month. Adjusted for subsequent cost of living increases this would be about $250 per month in 1965 dollars. In Ohio today, the average unemployed worker with two children gets about $220 per month, or about $30 less than is called for in the welfare department's poverty budget.

Another yardstick for adequacy of benefits is the U.S. Department of Labor's city worker's family budget for a family of four in the city of Cincinnati. This budget, adjusted for subsequent increases in the cost of living, calls for about $67 per week for food and shelter alone. But this is about $15 more per week than the average unemployed worker with two children is receiving in a week. And this does not take into account money needed for clothing, personal services, medical care, school expenses, insurance and the like.

Unemployment costs money. The employer has to pay his unemployment insurance tax, but the individual worker pays even more. He makes up the deficit caused by low weekly benefits out of his meager savings, cashed-in life insurance policies, loans from relatives and, in general, by a drastic lowering of his standard of living. The price he pays for unemployment is his dignity and the economic stability of his family. This is too great a price. The workers of this country undergird our economic system with their sweat, and reap the smaller part of the rewards. When the system fails, they are asked to suffer the most for the failure.

Some will say that the unemployment funds in several states are too low and that this is no time to increase benefits. These same groups never wanted to increase benefits when the funds were at their highest. If the financing of a fund is in error, it should be corrected. By the same token, if our unemployment benefits are inadequate, they should be raised. However, no state should use low funds as a reason for not making an unemployment system an adequate one.

This is not a poor country. Personal and corporate incomes are at an all-time high as the result of our economic system. This same economic system produces casualties—the unemployed. There is no reason in humanity or economics that dictates that unemployed workers should take such a slash in their living standards as they are presently forced to do.

When the unemployment program was instituted during the depression years, employers paid a rate of 2.7 per cent on *total* payroll. Our present effective rate on total payroll is only 1.2 per cent, or less than half of what it was in the late thirties. We can well afford to pay in the sixties for an adequate program of unemployment insurance.

The benefit standards as contained in S. 1991 would create a benefit floor of half of each unemployed worker's wage loss. This is minimum protection for the unemployed, and is long overdue.

DURATION

Under present Ohio law, a claimant may receive 20 to 26 weeks of benefits, depending on the number of weeks worked in his base period. The changes in benefit duration proposed in S. 1991 would require a uniform 26 weeks of compensation for all claimants under the state law and also grant an additional 26 weeks of long-term adjustment benefits for those who use up all their state rights. Both of these changes would be highly beneficial to Ohio workers.

During the last five years, one out of every four Ohio workers who has received unemployment benefits has exhausted all of his state benefits. In the case of Negro workers and workers over 45, the exhaustion rate has been even higher.

The problem of duration of compensation has been a thorn in the side of the Ohio Legislature for the last seven years, and it has been a problem which the Legislature has refused to face. In fact, in the 1963 session of the Legislature, the problem was accentuated by highly regressive legislation.

In 1958, when 147,732 workers exhausted their benefits, a special session of the Ohio General Assembly was called and a temporary extension of 13 weeks of benefits was granted. The General Assembly in 1959 also granted an extension of benefits. In November of 1960 another special session was called because the state was faced with an exhaustion problem that was proportionately greater than during 1958. The Legislature took no action.

In 1961, the General Assembly again took up the question of duration and the solution proposed by the majority party was a "triggered" extension wrapped in a mixture of disqualifications. Labor opposed the proposal because of its inadequacy and its demand for the proverbial pound of flesh. The Governor

vetoed the legislation and as the Legislature started to debate the proposition anew, Congress passed a temporary federal extension.

The problem of duration was again faced by the Ohio General Assembly in the 1963 session and the resulting legislation was disastrous. Instead of increasing duration as had been done in some other states, the Ohio Legislature actually decreased the duration. Prior to 1963, more than 99 per cent of all claimants were eligible to receive 26 weeks of compensation. However, under the so-called "variable maximum" system instituted in 1963, only 75 per cent were eligible for 26 weeks of benefits. According to the estimates of the Ohio Bureau of Unemployment Compensation this one change in our law will, in an average year of unemployment, reduce compensation by 150,000 weeks, or close to $6 million a year. Fortunately, we have had record years of low unemployment since 1963, but should we experience another recession such as we had in 1958 or 1960, the resulting exhaustion rate in Ohio will be staggering.

DISQUALIFICATIONS

How long should a claimant be disqualified from receiving unemployment benefits? Presently, in Ohio, a claimant may be disqualified for the "duration of his unemployment" plus six weeks. Technically, this means that a claimant is disqualified until he is re-employed and works six weeks and earns at least six times his weekly benefit amount. Last year the average claimant drawing benefits went about 13 weeks before he became re-employed. In all probability, then, the average disqualified claimant was penalized for a period of over 19 weeks. This is a much harsher provision than Ohio's original law, under which disqualification extended the claimant's waiting period for three weeks and shortened his benefit period by a like amount. And yet it is not so harsh as the old wage cancellation provision, which Ohio had until 1959, and which some employer groups repeatedly attempt to rewrite into Ohio law.

Under the old wage cancellation penalty, a worker would have *all* of his wage credits cancelled in regard to his most recent employer. If he had been a steady worker—one who had worked for the same employer throughout his base period—he had his entire base period wages cancelled and was unable to get unemployment compensation until he found a new job in covered employment and *established a new base period;* that is, until he worked at least 20 weeks on the new job and earned at least $240.

To demonstrate how perversely this ill-conceived plan operated: Assume the case of a worker who quit his job for better employment. Assume further it was a steady worker who had been in the employ of the same employer throughout his base period—the normal history of the average worker. The steady worker who quit his job without just cause, or was discharged for just cause in connection with his work, had all his base period wage credits cancelled. That is, he had to find work in covered employment and be employed at least 20 weeks and earn at least $240 before he was again eligible for benefits.

On the other hand, there was the worker who was a job-jumper. What happened to him under the wage cancellation provision? Suppose the job-jumper had four employers in his base period. Only the wage credits pertaining to the last employer he quit were cancelled. Therefore, if there were still 20 weeks and $240 in earnings remaining in his base period, this worker, to become eligible for benefits, had only to find a job in covered employment and earn wages equivalent to his weekly benefit amount.

Under this grotesque approach, the steady worker was punished with the greatest severity while the less-deserving worker was handled in a much more gentle fashion. This treatment of the steady worker was espoused in the past and continues to be advocated by employers who claim they are always ready to protect the steady worker.

The end result of wage cancellation was no accident—these employers were not interested in weeding out chislers or floaters, who are relatively few in number. The employers who supported and still support wage cancellation are aiming at the much larger group of steady workers—not on a basis of justice, but to save money, no matter who is hurt in the process.

Obviously, the worker who quits or is discharged for good cause can be said to be initially unemployed through his own act. Therefore, it may be well to make him wait an additional period of time for his compensation. But when that same worker subsequently cannot find employment elsewhere, though he searches diligently, it cannot be said that his *continued* unemployment is a matter of his own doing. His continued unemployment is the result of economic

dislocations over which he has no control. He should not be punished for his continued unemployment even though his original unemployment was the result of some act on his own part. S. 1991 recognizes this fact by placing a reasonable limitation of six weeks of penalties on most disqualifications.

INTERSTATE CLAIMS

In 1963 an invidious device was introduced into the Ohio unemployment law. The General Assembly assessed a special penalty against Ohio workers who go into other states to look for work. An unemployed worker who files a claim in another state with an average weekly benefit amount less than Ohio's is eligible to receive only the lesser amount. For example, an unemployed Ohio worker with two children is eligible to reecive a maximum of $53 per week. If he looks for work in Indiana, and files a claim, he is eligible to receive the average weekly benefit paid in Indiana, $32. This means a reduction of $21 a week and certainly does not inspire a worker to go out of the state of Ohio to seek work.

At present, Ohio and two other states have this kind of penalty in their unemployment laws. A spread of similar penalties throughout all the state laws would have a disastrous effect on labor mobility at the very time the government is making efforts to encourage workers to relocate. Establishment of an interstate system of unemployment compensation has helped encourage labor mobility. The section in S. 1991 which would prevent such discriminatory acts by states is a most desirable standard if we are to keep a strong interstate system of unemployment insurance.

FINANCING

Financing is another weak spot in the present Ohio unemployment insurance law. A combination of under financing and high benefit cost during the 10-year period 1954–63 almost sent the Ohio trust fund into bankruptcy. At one point our trust fund contained under $90 million, or about enough money to cover the payout for three months during a recession period.

In 1953, employer groups were able to have passed by the General Assembly legislation to "adjust" their rates. From that adjustment and until last year the Ohio tax rate has not in any year produced enough contributions to cover the annual benefit costs to the fund. These so-called adjustments, plus high payouts in 1957–58 and 1960–61, reduced the Ohio fund from an all-time high in 1953 of $686 million to $123 million in 1962.

The Legislature in 1963 took action to restore the fund to solvency. The resulting legislation was an increase in contribution rates for employers and a hodgepodge of amendments designed to reduce benefit costs by about 10 per cent. The combination of this legislation and an unusually low unemployment rate for the state allowed Ohio to end 1964 with a trust fund of over $232 million. This is still a dangerously low level when it is compared with the $455 million benefit cost for the 1960–61 recession period.

However, it is doubtful if the Ohio fund will even reach a solvent level. The 1963 legislation mentioned earlier set the *maximum* fund level at only one and a quarter times the highest 12-month payout, or approximately $377 million. Eli Artenberg, an actuary with the U.S. Department of Labor, recommended to the Ohio House Industry and Labor Committee a *minimum* fund level of $455 million, or one and a half times the highest 12-month payout. He suggested a maximum fund level of twice this amount.

Under present Ohio law, when the fund level reaches $377 million, employer tax rates will automatically be reduced. With a maximum fund level this low, the Ohio fund is destined for a state of perpetual near-bankruptcy. A fund established at such a low level will support only a minimum unemployment insurance program. And this is the type of unemployment program Ohio can expect in the future unless federal standards such as S. 1991 are enacted into law.

One of the weakest points of Ohio's unemployment financing structure is the continued retention of a $3,000 taxable base, which constitutes only about 51 percent of the state's total wage.

The present low tax base has caused serious defects in our financing system. It produces serious discrepancies between the actual effective rates of different employers, even though they are nominally paying the same rate of tax.

For example, an employer whose wages amount to only $3,000 per year per employe may be paying the maximum present rate of 3.2 per cent and this would be an effective rate of 3.2 per cent of his total payroll. An employer whose wages average $6,000 per employe may also be paying the maximum rate of 3.2 per cent,

but since he pays it on only the first $3,000 of each employe's wage, his effective rate is only 1.6 per cent of his total payroll. Thus, we have large group of employers who have received by reason of the low tax base a hidden tax cut, and this in large part, is the cause of the difficulty with respect to the trust fund.

The difficulty is even greater because unemployment seems to be worse among the high-wage employers—the construction industry and manufacturers, those who are making tangible things for sale. Unemployment seems to be less severe in the service industries, retail and wholesale trade, finance, insurance, grain elevators, real estate and the like. Thus we find that the "red balance" employers (those whose employes have drawn more in benefits that has been paid by their employer into the fund) are concentrated among the high wage industries. These are the very ones who have received the hidden tax cut from the low wage base, and the ones who are not paying their way.

Ohio's preset $3,000 limitation has resulted in a static wage base for taxing purposes. Ohio's taxable wage reached an all-time high of $7.5 billion in 1957. The taxable base for 1964 was $7.4 billion. While the tax base has remained static, benefits costs have continued to increase. So long as the taxable wage base remains at one level, increased contributions to the fund can come only through increased tax rates, which require legislative action. Past history shows such state action in this area comes only after a crisis period is reached. An increase to a $6,600 taxable wage as contained in S. 1991 would improve this situation by introducing a more realistic and flexible tax base to the state financing structure.

I would like to comment briefly on that part of S. 1991 which would provide matching grants for excess benefit costs over two per cent of the total wage. The fact that recessions have their greatest impact on industrial states is well known. Usually we are the first ones to slide into a recession and the last to pull out of it. The United States is made up of a number of interdependent regional economies and excessive unemployment during a recession can be attributed only to national economic factors beyond the control of any single state.

The stress of the last two recessions left our unemployment fund nearly bankrupt, and it seems unfair that Ohio and other similar industrial states should bear these unusual recession costs alone. Ohio and other industrial states are big contributors to federal taxes and usually receive less back in federal taxes than they pay. We acknowledge, although not always graciously, that "government taxes where the money is, and spends it where the need is." But in this particular instance we feel federal matching grants for excess benefit costs are needed to help recoup the deficits caused by excessive benefit costs of national origin.

CLOSING

Time is proving that unemployment insurance is of utmost importance as a means of checking the downward slide into a recession.

Not the least significant is the automatic nature of its operation as a floor under purchasing power. As the nation moves into unemployment, government officials and legislators are uncertain as to how far the recession may go and whether action is necessary or whether the situation may be self-correcting. If they suspect that the situation requires action, there follows a prolonged debate as to what should be done. If, at length, measures are adopted, there is bound to be a substantial delay in their effect on the economy.

The superiority of unemployment compensation is that payments begin immediately without policy decisions on the part of anyone, and are in proportion to the extent of unemployment. While the legislators are debating, the benefit dollars go to work to undergird purchasing power.

In a declining economy, there is a snowballing effect. When wages are paid, these dollars turn over. They are spent for food, rent, clothing and other necessities. Those who receive them spend them again. It is likely that each wage dollar turns over at least three times on the average before it is taken out of circulation. Thus every $100 loss in wages has a $300 effect on the total economy. It is, therefore, obvious that unemployment insurance, to the extent that it prevents decline in purchasing power, is of real help slowing the downward spiral of a recession.

The power of unemployment insurance payments to check a recession under present state systems is limited by low level of benefits, too narrow coverage, too many disqualifications and too short duration. The "Monthly Business Review" of the Federal Reserve Bank of Cleveland for December, 1961, in an article entitled "Unemployment Insurance as an Economic Stabilizer" points out the following limitations in the state unemployment system:

"In its capacity as a social stabilizer, unemployment insurance has several limitations. First of all, benefits are limited to those covered by unemployment insurance programs—currently about 80 per cent of those in civilian wage and salary employment. Second, unemployment insurance is intended to provide only relatively short-term help—the maximum duration of benefits is 26 weeks in most states. Also, in most states, the maximum benefit levels represent less than half of the earnings they are intended to replace, and, for many claimants, benefits are in practice often less than the maximum because these claimants cannot fulfill the requirements which state laws impose as to earnings and the length of time spent in covered employment."

The federal standards as proposed in S. 1991 would correct the limitations set forth in the article quoted. It is the feeling of Labor in Ohio that these changes are needed now. Passage of S. 1991 will mean equity for the unemployed workers of America, stronger state unemployment systems and greater economic stability for the country nationally.

Senator TALMADGE. Senator Javits has just arrived and I presume he desires to make a statement of some kind. Senators are extremely busy, and I would like to defer hearing from the next witness until we hear from Senator Javits, if you will.

STATEMENT OF HON. JACOBS JAVITS, A U.S. SENATOR FROM THE STATE OF NEW YORK

Senator JAVITS. If Miss Tetrault will forgive me——

Senator TALMADGE. We are delighted to have the distinguished senior Senator from New York.

Senator JAVITS. I express my gratitude to my friend, the occupant of the chair. I am here primarily to introduce Miss Tetrault and Mr. Golodner in their testimony and to make a short statement on their behalf.

Actors' Equity is proposing an amendment to cover the difficult problem of multiple interstate claims for unemployment compensation. Under existing law, all but six States have entered into agreements covering these cases. Credits accumulated, and paid for, in one of the six States are wholly or partially lost when the employee moves to another State; the same thing is true when the employee moves to one of the six States. Even in the remaining States, which do have agreements, some claimants are ineligible for benefits anyway, or are eligible only for partial benefits, because there is no provision in the agreements, much less a uniform provision, for definition of the base period on which eligibility and benefits are computed. Actors' Equity proposes, and I will introduce as an amendment, a simple requirement that all States participate in arrangements with other States including one uniform and quite reasonable principle, that is, that the base period shall be determined under the law of the State which pays the benefits. In that way, employees who meet the requirements of the paying State will receive the full amount of benefits, regardless of the base period requirements of the State or States in which they previously worked.

This is clearly a needed and desirable amendment to the law. Our Nation is facing manpower demands which make it absolutely indispensable that there be true labor mobility throughout the Nation. The Congress has recognized this fact in a number of ways, including tax relief for moving expenses of employees and labor mobility assistance under the Manpower Development and Training Act. It should also avoid penalizing employees for interstate movement under the Unemployment Compensation Act.

Finally, we are very proud of the fact that Actors' Equity is located in New York. It is one of our smaller, but to us, very precious unions, and it has greatly improved the position of actors in the United States.

We only hope that present activities, including the Foundation on the Arts and Humanities, the New York State Council on the Arts, and those in other States, may enormously enlarge the opportunities for actors. We are very proud of the American stage. I think that goes for everyone in our Nation, and we want to do everything we can in New York, and I believe the Congress feels the same way, to make the practice of this art, with all of its difficulties, a bit more economically viable.

Senator TALMADGE. Thank you, Senator Javits.

Senator JAVITS. Thank you very much.

Senator TALMADGE. You may proceed, Miss Tetrault.

This is Miss Helene Tetrault, Actors' Equity Association.

STATEMENT OF HELENE TETRAULT, UNEMPLOYMENT INSURANCE DEPARTMENT, ACTORS' EQUITY ASSOCIATION; ACCOMPANIED BY JACK GOLODNER, LEGISLATIVE REPRESENTATIVE

Miss TETRAULT. Mr. Chairman and members of the committee, on behalf of the Actors' Equity Association I thank you for this opportunity to appear before you and to ask your consideration of what we believe is an inadvertent but extremely unjust shortcoming in our present unemployment compensation system. Its effect is to deprive many Americans of insurance benefits merely because they pursue work in many States and for many employers.

Perhaps the actor is in the vanguard of these multistate workers. The very nature of his profession requires that he be highly mobile. His work for one employer is often of a short duration, and he must be prepared to move about this country wherever there are employers and communities seeking his art. But the actor is not the only one who finds our present unemployment insurance program discriminatory against interstate workers. Other workers—construction people, resort employees—also feel the inequities of a system that penalizes and frustrates worker mobility.

I am speaking now of people who are engaged in "covered" employment. Their employers are paying contributions on their services. Yet, because of the miltistate nature of their employment, they are often unable to collect benefits in time of need even though their work and wage history is more than ample.

For many years the association I represent and other organizations and individuals have condemned this wholly unfair, unjust, and economically unwise condition. Time and again, we have questioned why our system should be permitted to make it possible for two covered workers with similar work experience to be treated differently and be offered different protection solely because one is employed in many States by many employers and the other—less mobile—is not. Thus far, we have received no valid answer. But we have seen no action to correct the situation either.

I prefer to think the discriminatory system now working to the detriment of the multistate workers is not intended. I prefer to believe that the status of second-class citizen which our unemployment insur-

ance system imposes upon the more mobile worker in our country exists because it is generally unknown and men who can do something about it—such as yourselves—have been led to believe that all workers who are engaged in "covered" employment and boast a proper work and wage history are protected. Congress may have intended that such workers be protected, but in fact, gentlemen, many of them are not.

The basic reason lies in the fact that the career of the multistate worker recognizes no State boundaries and yet unemployment insurance benefits, if he is to enjoy any, must derive from individual State laws fashioned with the immobile intrastate worker in mind. So different are these laws that any claim filed by the multistate worker is like some crazy jigsaw puzzle composed of pieces from as many as 50 different boxes. Sometimes it can be put together and make sense. Often, it cannot.

In order to file a valid combined claim—that is, a claim against several States in which the applicant was employed—a worker must first satisfy the basic requirements of the State in which he files. Accordingly, if a claimant files in New York, where eligibility is based on workweeks, he must have the requisite number of weeks; if in California, where eligibility is based on earnings, the requisite amount of earnings. These weeks or earnings, in order to be considered in a claim must have been gained during a 1-year "base period" established by State law. The multistate worker, therefore, must demonstrate not only that he has been engaged in sufficient covered employment as required by the State in which he files but that the employment he cites also fell within the base period year defined by that State, as well as the base periods established by the State or States in which he was employed. The more States in which a claimant is employed, the more difficult it becomes for him ever to satisfy these varied requirements.

As will be seen from the charts attached to my testimony the differences in the State base period are staggering. The root of the problem lies in this matching of base periods, the fact that all of the employment must fit within the base period of a State where the claimant files and the base period of the State where the employment was worked and covered.

The difference in base periods is so great that this is almost completely impossible in many cases.

For example, in the State of New York, the base period is the 52-week period ending with the Sunday preceding the filing of the claim. In California it is the four quarters ending 4 to 7 months prior to the filing of the claim. In North Carolina, it is the four quarters ending 6 to 9 months prior to the filing of the claim, and in States such as Maine or Washington where a fixed calendar-year base period is utilized, the base period may end 15 or 18 months prior to the filing of the claim. This means that a worker must wait as long as 18 months before he can cite his "covered" employment in these States to substantiate a claim.

These differences may not be of much consequence to the average intrastate worker who remains for extended periods of time in one State and thus has only one "base period" to worry about. But, to the multistate worker who works for short periods in many States and who is forced to qualify under several State-defined base periods, the problem is overwhelming.

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I will try to make this situation clear by referring to a hypothetical case. One, incidentally, which is typical of the many that come across my desk.

Joe Actor, currently residing in New York, is unemployed and while making "the rounds" seeking work he files for unemployment insurance on January 3, 1966. Since the base period in New York is defined as the 52 weeks ending with the Sunday preceding the filing of the claim, Joe's New York "base period" runs from January 1, 1965, through January 2, 1966. To qualify for benefits in New York a claimant must have had covered employment at wages of $15 or more in each of 20 weeks in the base period.

During the period January 1, 1965, to January 2, 1966, Joe performed for 10 weeks in a Broadway show in the first quarter of the year; 6 weeks with the Seattle Repertory Co. in Washington in the second quarter; 2 weeks in Alaska, also in the second quarter; 9 weeks in a summer theater in Michigan in the third quarter; and 10 weeks with a theater in Florida in the fourth quarter. Joe has 37 weeks of covered employment during the year preceding his period of unemployment. Each of his employers paid his insurance. Furthermore his earnings in every instance exceeded those required to qualify him for maximum benefits in New York. Joe is confident that he is eligible for unemployment insurance. He has much to learn.

He learns first that he does not have a valid claim under New York's system because he does not have 20 weeks of covered employment in New York. He only has 10 weeks in the first quarter of his base period year. And so, he is sent to New York's interstate office. Here he learns that he does not have a valid claim against any of the States in which he worked because he didn't work long enough in any one. He is then referred to the New York Combined Claims Section where they will help him put his 37 weeks of work together in a combined claim against New York, Washington, Alaska, Michigan, and Florida.

Unfortunately, Alaska is one of two States in our Union that refuses to participate in combined claims so Joe has lost 2 weeks of employment credit, and the money paid for Joe's insurance by his Alaskan employer will never benefit Joe.

But the other States do participate in combined claims, and if they will agree to participate with New York by sharing the cost of Joe's benefits, Joe will be in good shape.

Unfortunately, each State, though willing to participate, insists that Joe meet its own base period requirements.

The State of Washington has a base period of a calendar year and any employment occurring in that year cannot be cited in a claim until after July 1 of the succeeding calendar year. For the purposes of his claim, Joe cannot cite his 6 weeks work in Washington until July 1966.

Florida's base period is defined as the first four of the last five completed calendar quarters. This means that Joe's employment in the fourth quarter of 1965 in Florida cannot be used for a claim until after April 1, 1966. For this reason, another 10 weeks of covered employment is useless to Joe in substantiating his claim.

Of all of Joe's workweeks, only his employment in Michigan and New York can be used to validate his combined claim. But this gives him only 19 weeks—1 week shy of New York's 20-week requirement.

And so, gentlemen, Joe Actor, with 37 weeks of covered employment taking place in the base period time defined by New York is turned away from the New York office and received no unemployment benefits because he cannot possibly meet the very diverse requirements of five different States in which he was employed.

What if Joes is still unemployed on April 1? Knowing that Florida law will now allow him to claim those 10 weeks of Florida work he hurries back to the New York unemployment office. And, true enough, he can now cite his work in Florida in presenting his claim, but according to New York law, his New York base period has changed and is now the period of March 26, 1965, to March 27, 1966; it is no longer January 1, 1965, through January 2, 1966. Now Joe cannot claim his 10 weeks' work in New York in the first quarter of 1965; it is outside of his new base period. Thus, while gaining the 10 weeks from Florida, he loses 10 weeks from New York employment for purposes of his claim. He still has only 19 weeks of employment that he can cite, and he is again denied unemployment insurance.

H.R. 15119, which is before you, establishes a Federal-State extended unemployment compensation program to assist long-term unemployed workers who have exhausted the benefits of their State program. What about the American who works in many States and like Joe Actor is unfairly denied qualification in any State for even the basic benefit program? Is he to be denied coverage under this new Federal program as well? Why? Why should he be penalized? Because he is willing to move about looking for work and because the nature of his work requires that he accept short-term employment in many States?

I respectfully suggest that this inequitable situation can be corrected by this Congress through the legislation being considered by you. I submit that this can be done without altering the fundamental base period-benefit year structure of our State systems and without requiring any additional financing. This can be done by inserting the following into the legislation you recommend:

1. A requirement that all States participate in "combined claims," the procedure whereby wage credits earned in one or more States are combined for the purpose of establishing a valid claim in the State where the claim is filed. All but two States have voluntarily entered into agreements to participate in combined claims. The overwhelming majority of States have experimented and have found such procedures practical and workable. It remains for Congress to learn from the experiences of the States and to make the practice uniform.

2. A requirement that all States participate in arrangements whereby not only an individual's eligibility but the amount and duration of his benefits can be determined on the basis of his employment outside of the State in which he filed his claim. At present, only six States have not gone along with the majority on this matter.

3. Most important, a requirement that all States waive their base period requirements when unusued wage credits earned therein fall within the base period of the State in which or against which the multistate worker files his claim so that such credits can be used by that worker to support his combined claim.

In sum, I suggest that the legislation you recommend include a requirement that all States shall participate in arrangements with other States pursuant to which an individual's eligibility for compensation, and the amount and duration of the benefits payable to him, are determined on the basis of his combined wage credits from all States for the base period under the law of the State paying the compensation (whether or not, in the case of any transferred wage credits, such wage credits were in the base period of the transferring State).

I hope that through the hypothetical case I cited I have demonstrated to you the fact that the multistate worker is a victim of widely diverse definitions of base periods determined independently by the various States. In each State the object has been to establish the worker's attachment to the labor market by forcing him to meet the requirements of the State's "base period" definition. It is impossible, however, as well as grossly unfair, to judge the attachment of the multistate worker to the labor market on the basis of work performed in only one State or on the basis of several different and often conflicting base period requirements. The base period requirements of the State in which or against which he filed should be sufficient for this purpose.

A requirement that all States waive their own base period requirements and allow the law of the State in which or against which the claim is filed to govern entails only a minor adjustment in administrative procedures on the part of the States concerned. For though the difference in base periods among the States may be great, a difference does not exist regarding the due dates for employer contributions. In all States, regardless of their different base periods, employers pay contributions at the close of each calendar quarter. And they are paying them without discrimination for multistate employees as well as for those who are less mobile.

The money is there to pay these multistate workers. They have earned the right to protection by meeting all reasonable requirements regarding their work and wage history. A continuance of the present discriminatory system serves only to frustrate a desired goal of achieving greater worker mobility.

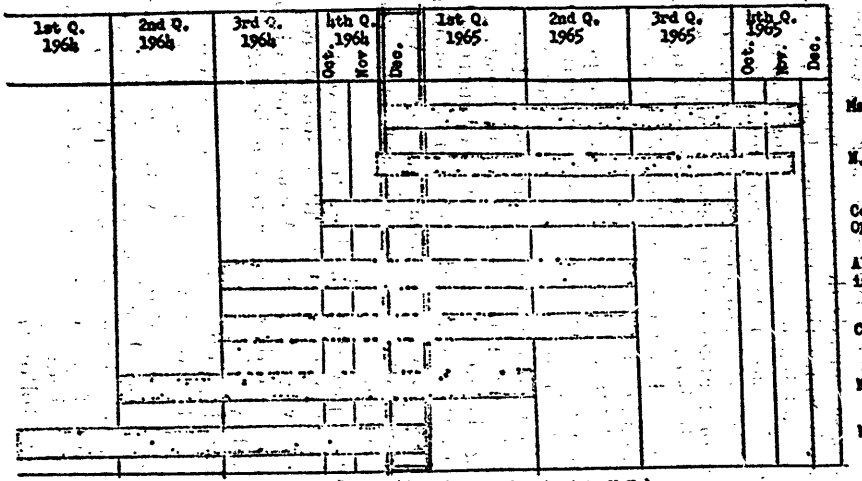
It is sad, but true, that the multistate worker in our Nation has been likened to the man without a country when it comes to seeking unemployment insurance protection. Since he works in many States, no State is concerned with his peculiar situation. Only Congress can act to cut the tangled snarl of unintended but nevertheless real obstacles that prevent such workers from participating in this program on an equal basis with other Americans.

(The charts referred to follow:)

CLAIMANT FILING DECEMBER 1, 1965

BASE PERIODS IN VARIOUS STATES

Horizontal Lines Indicate Base Periods
Area enclosed in double vertical lines indicates ONLY period when wage credits are uniformly due in all States



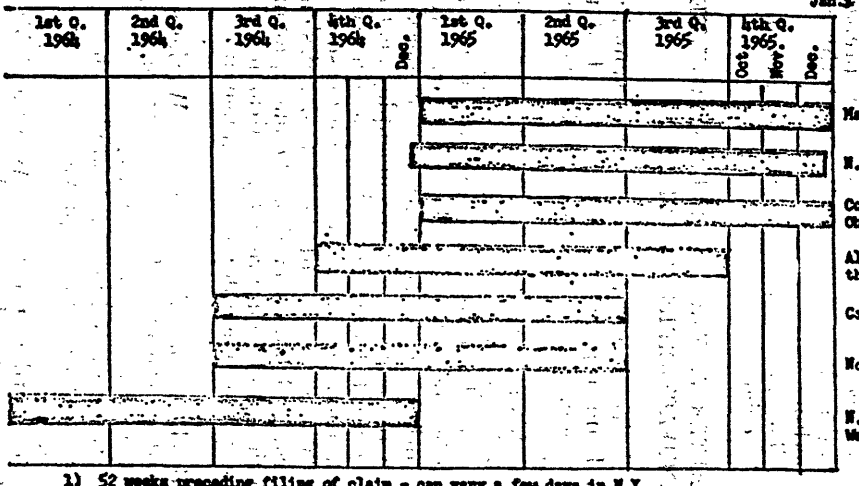
1. 52 weeks preceding filing of claim (Can vary a few days in N.Y.)
2. 52 weeks ending 1 week prior to filing of claim
3. Last 4 completed calendar quarters
4. First 4 of last 5 completed calendar quarters
5. 4 Quarters ending 4 to 7 months before benefit year
6. 1st 4 of last 6 completed calendar quarters
7. Uniform calendar year - Benefit year beginning April 1 of subsequent year (Maine & N.H.) July 1 of subsequent calendar year (Idaho & Washington)

CLAIMANT FILING JANUARY 1, 1966

BASE PERIODS IN VARIOUS STATES

Horizontal Lines Indicate Base Periods
NOTE: No time period when all base periods coincide

Claim Date Used in Example in Testimony
Jan 3



1) 52 weeks preceding filing of claim - can vary a few days in N.Y.
2) 52 weeks ending 1 week prior to filing of claim
3) Last 4 completed calendar quarters
4) First 4 of last 5 completed calendar quarters
5) 4 quarters ending 4 to 7 months before benefit year
6) 1st 4 of last 6 completed calendar quarters
7) Uniform calendar year - Benefit year beginning April 1 of subsequent year (Maine & N.H.); after July 1 of subsequent calendar year (Idaho & Washington)

Senator TALMADGE. Miss Tetrault, I want to congratulate you on your statement. You make out quite a case for the actor, and I can see that other individuals would be involved besides actors, those who are engaged in multistate work. The difficulty that I can foresee is the possibility that they might claim unemployment benefits in more than one State.

Miss TETRAULT. You cannot. (For clarification of this point see letter of Miss Tetrault to Senator Talmadge, p. 818.)

Senator TALMADGE. If we can work out some solution to that problem I hope this committee can come up with the answer to what you have pointed out here today.

Any questions, Senator Williams?

Senator WILLIAMS. No questions. I just want to join the chairman in saying somebody has done a lot of work in preparing this statement and preparing a clear-cut example, and I think we may be able to work out something.

Senator TALMADGE. The next witness is Mr. Walter J. Mackey, Ohio Manufacturers' Association.

STATEMENT OF WALTER J. MACKEY, SPECIAL COUNSEL, OHIO MANUFACTURERS' ASSOCIATION

Mr. MACKEY. Mr. Chairman and members of the committee, I am Walter Mackey, and I am appearing today on behalf of the Ohio Manufacturers' Association, for which association I have been special counsel for some 20 years.

The membership of this association consists of some of the large and many—most of the large and many of the medium sized, and the small manufacturing firms doing business in Ohio. It is representative of the 13,000 manufacturing firms in the State currently employing about 1,300,000 workers, and providing over 58 percent of the taxes that are necessary to finance the State's unemployment program.

To further identify myself, I have been closely associated with the unemployment compensation program in our State for some 30 years. I was appointed in 1936 as a member of the first commission in Ohio which set up the program. I later served on the unemployment compensation board of review, and I am presently chairman and industry representative of the State unemployment compensation advisory council.

Since 1961 I have also been a member of the Ohio Workers Training Commission established by the Ohio Legislature to promote and to coordinate worker training activities in our State.

The present administration in Ohio is dedicated to the proposition that a job is the only answer to the unemployment compensation, the unemployment program.

When H.R. 8282 was heard in the House Ways and Means Committee last August, I appeared on behalf of the association in opposition to that bill. I submitted a statement setting forth the reasons for this opposition, which became a part of the record of those hearings, and may be found in part IV, beginning at page 1703.

For the convenience of your committee, Mr. Chairman, I have had additional copies of that testimony made for each member. That statement, of course, pertained to H.R. 8282, and its companion, S. 1991.

At your discretion I would respectfully request that that statement be made a part of the record of these hearings, either by inclusion in the record or by reference to the previous testimony.

Senator TALMADGE. Without objection it will be inserted in the record.

Mr. MACKEY. I will then summarize my current statement, Mr. Chairman, on the bills now pending before your committee.

Our opposition to H.R. 8282 applies with equal force to the provisions of S. 1991.

It is true that many of the unsound, unrealistic, and extravagant provisions of H.R. 8282 have been corrected in the present House bill.

Many employers would accept the present House bill as a fair compromise. However, I am sure this committee will also realize that manufacturers are very conscious of the substantial tax increase which is still provided in H.R. 15119, and while bipartisan action in the House on this bill has quieted the storm of public protest which was generated by H.R. 8282, it would not take much, in our opinion, in the form of amendments in the direction of 1991 to again revive that ground swell of opposition.

Let me document this point on the amount of tax increase contained in H.R. 15119. I refer to page 29 of the report of the Committee on House Ways and Means shown in table 5. There it is shown that the estimated collection under the present law of the Federal Unemployment Tax Act for the taxable year 1967 is $544 million. This is under the present $3,000 wage base.

Now, because of the increase in the rate and the tax base under this bill, these taxes are estimated to increase to $840 million in 1968, $1,092 million in 1969, and $1,236 million in 1972, more than double the present take.

Now, this is in addition, gentlemen, to the increases which employers will also pay into the State fund for their share of the extended benefit program which is estimated at another $200 million.

Senator WILLIAMS. You are speaking of the bill as it passed the House?

Mr. MACKEY. That is right, sir.

Table 6 on this page shows that about $136 million of this tax revenue would be available for financing the 13-week extended benefit program in fiscal 1968, which would increase the amount to $206 million in 1973.

What about the remaining $1 billion of these Federal unemployment taxes under this bill? This table in this House committee report indicates that this would go for administrative expenses. This money is allocated to the States by the Secretary of Labor at his discretion.

In 1966 the States were allowed $504 million for administration. This would increase under this bill to $646 million in 1968 and to nearly $1 billion in 1973.

The increases in the administrative costs of the years have been alarming. Note these figures: Prior to 1961 the rate of tax for this purpose was three-tenths of 1 percent, and some $138 million of excess funds were returned to the States under the Reed Act.

Then in 1961 the three-tenths was increased to four-tenths. In the absence of any objective formula by the Congress for the allocation of

this money for the States, competition for more and more money from Washington stopped any further buildup under the Reed Act.

For the 3 years, 1963, 1964, and 1965, total collections for State laws under benefits averaged $3 billion per year. Yet under this bill it is anticipated that administrative costs will reach $1 billion in 1973. This means that administrative costs are anticipted to equal one-third of the benefit costs based on the above 3-year collection.

The allocation of these Federal administrative grants to the States by the Secretary of Labor has not been without criticism. Charges of discrimination have frequently been made.

When this bill was before the House Ways and Means Committee last August, I testified on this subject at some length. I pointed out that in Ohio, Ohio got back about 57 cents out of the dollar of the money that was paid in by Ohio employers for administrative purposes.

Now, there are some States that are even lower than that. Indiana, Illinois get back even lesser amounts percentagewise than does Ohio. This already has been the subject of some extensive comment by Members of the House and the Senate. Our senior Senator Lauscre from Ohio has made some pertinent remarks on this subject which I hope this committee may have time to examine in the Congressional Record of April 30, 1964.

Here is a condition which demands the attention of the Congress. With the additional millions of dollars subject to allocation by the Secretary of Labor under this bill with unlimited discretion on his part, the invitation for extravagance and competition for funds by the States will become compounded. A definite formula should be prescribed by the Congress which can be applied fairly to all States.

Now, a provision of this bill, gentlemen, which applies particularly to Ohio and one or two other States, relates to the payment of benefits to out-of-State claimants.

A provision of the Ohio law relating to claimants who qualify for benefits by working for an Ohio employer and then leaving the State would have to be repealed by our legislature under either of the bills now before you, either 15119 or S. 1991.

Now, for several years, Ohio had the distinction of paying the highest average weekly benefit check of any State in the Nation. Thousands of claimants would qualify for benefits in Ohio, then leave the State and file for their benefits from another State.

We, of course, like our neighboring States, even though some of them may pay less, a lower standard of living than does Ohio. But we do not feel that Ohio employers should be forced by the Congress to finance these unemployed workers on higher levels than their home State just because they come to Ohio to work and then return to their State of residence.

So in 1961 alone Ohio paid $18.7 million in benefits to claimants who qualified by working in Ohio and then filed from another State.

For example, California, $728,000; Florida, $966,000; Kentucky, $3.7 million; West Virginia, $3.3 million; and Tennessee $1.57 million.

So in 1963 the legislature provided that in these cases benefits would be payable at the average rate being paid to claimants in the other State to which the claimants chose to remove themselves.

Now, the Ohio Legislature, your Honors, is made up of members of at least average intelligence, and are responsible people. We believe

that they should be the judge as to how much benefits should be payable under these circumstances without interference by the Congress.

I am wondering if the Congress would intend to force the States to provide equal treatment to residents and nonresidents in all of our laws?

Last week I returned, gentlemen, from a vacation in Michigan. I went fishing. As a nonresident I paid $5 for a fishing license. Now, if I had been a resident it would have only cost me $2; and if I had been a resident age 65 or over it would only have cost me 50 cents. I do not believe it is the policy of the Congress to try to equalize all the laws in the State so far as the treatment of residents and nonresidents are concerned.

Now, with reference to seasonal workers, since Mr. McChesney has made a very comprehensive statement on this, I will not repeat the statement which I had intended to make.

Senator TALMADGE. Without objection, that portion of your statement will be inserted in the record if you desire to skip over it.

Mr. MACKEY. With this, I would only say that the concern in this connection is that if this section remains in the law, and we are required to repeal this section, other employers then would be required to subsidize the benefits over and above anything that the employers of the seamen could possibly pay into the fund in an estimated amount as high as $3 million a year. This means that other employers would have to make up this deficit, and to that extent we are very much concerned with this provision.

Now, I read the Secretary of Labor's statement, Mr. Chairman, on which he made the point that the States failed to keep pace in their benefits with the economic conditions and the gross wages.

I do not believe that a case can be made against the States on this subject on the ground that the legislatures have failed to increase weekly benefits, and the number of weeks during which the benefits can be paid.

I think Ohio is a typical example of the consistent trend of increased benefits. In my own State, and without reading the schedules which we show on page 7 of my statement, I will only summarize them by saying that benefits increased, weekly benefit amounts, from $15 to $53 from 1939 to 1959 or 253 percent.

Now, when we apply the increased duration to that as well we find that the amount of benefits, which is the real payoff, increased from $240 in 1939 to $1,378 in 1959, or 474 percent.

Also when we compare the average weekly benefit check with the gross weekly wage we find that the average benefit check in 1939 was $10.25 which increased to $40.03 in 1964 or 290 percent; and the average gross wage during that period increased from $27.91 to $114 or an increase of 308 percent. I might point out to the committee that the average gross wage in this connection is not the average wage of the claimant. This is the average wage of all people in Ohio, including the highly paid executives, including bonuses and all other types of compensation.

So that the gross average wage, weekly wage, is not the weekly wage or the average weekly wage of the claimants.

Also, in comparing these increases with the cost of living we find in the next schedule that the cost of living index increased from 48.4

percent in 1939 to 108.1 in 1964 or 123 percent, while the average unemployment benefit check increased from $10.25 to $40.06 or an increase of 290 percent.

Ohio already bases its benefits, gentlemen, on 50 percent of an individual's average weekly wage, and like 48 other States, it pays for a maximum of 26 weeks.

Therefore, in conclusion, we do not feel that there is any need for legislation in this particular area as proposed by S. 1991 or as suggested by the Secretary of Labor.

Thank you, Mr. Chairman.

(The prepared statement of Mr. Mackey, with his statement before the Committee on Ways and Means follow:)

STATEMENT OF 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 speaking today on behalf of the Ohio Manufacturers' Association for which I have been special counsel for some twenty years.

The membership of this association consists of most of the large and many of the medium-size and small manufacturing firms doing business in Ohio. It is representative of the 13,000 manufacturing firms in the state currently employing some 1.3 million workers and providing over 58 percent 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 in my state for some thirty years. I was appointed in 1936 as a member of the first Commission in Ohio which set up the program. I later served on the Unemployment Compensation Board of Review and am presently Chairman and an industry representatve of the State Unemployment Compensation Advisory Council.

Since 1961 I have also been a member of the Ohio Workers Training Commission established by the Ohio legislature to promote and coordinate worker training activities in the state.

When H.R. 8282 was heard in the House Ways and Means Committee last August, I appeared on behalf of the Ohio Manufacturers' Association in opposition to that bill. I submitted a brief statement setting forth the reasons for this opposition which became a part of the record of those hearings and may be found in PART IV beginning at page 1703.

To conserve the time of your committee and for its convenience, I had had additional copies of that testimony made for each member of your committee. This statement pertains to H.R. 8282 and its companion, S. 1991. At your discretion, Mr. Chairman, I respectfully request that this statement be made a part of the record of these hearings, or by reference to the volume and page of the hearings in the House, be incorporated in the record of this committee.

Our opposition of H.R. 8282 applies with equal strength to the provisions of S. 1991.

It is true that many of the unsound, unrealistic and extravagant provisions of H.R. 8282 have been corrected in H.R. 15119.

While many employers would accept the present House Bill as a fair compromise, I am sure this committee will also realize that manufacturers are very conscious of the substantial tax increase which is still provided in H.R. 15119.

While bipartisan action in the House on this bill has quieted the storm of public protest generated by H.R. 8282, it would not take much in the form of amendments, in the direction of S. 1991, to again revive that groundswell of opposition to this legislation.

Let me document this point on the amount of tax increase contained in H.R. 15119. I refer to page 29 of the Report of the Committee on Ways and Means on H.R. 15119, Table 5.

There it is shown that the estimated collection under present law of the Federal Unemployment Tax for the taxable year 1967 is $544 million. This is under the present $3,000 wage base.

Because of the increase in the rate and the tax base under this bill, these taxes are estimated to increase to $840 million in 1968, $1.092 billion in 1969 and $1.236 billion by 1972, more than double the present take.

Table 6 on this page shows that about $136 million of this tax revenue would be available for financing the 13-week extended benefit program in fiscal 1968, increasing to $206 million by 1973.

But what about the remaining $1 billion of these Federal unemployment taxes under this bill? The table indicates this would go for administrative expenses. This money is allocated to the states by the Secretary of Labor at his discretion.

In 1966 the states were allowed about $504 million. This would increase under this bill to $646 million in 1968 and to nearly $1 billion by 1973.

The increase in administrative costs over the years has been alarming. Note these figures: Prior to 1961 the rate of tax for this purpose was .3%, and some $138 million of excess funds were returned to the states under the Reed Act in 1956, 1957 and 1958.

Then in 1961 this .3% was increased to .4%. In the absence of any objective formulae by the Congress for the allocation of this money to the states, competition for more and more money from Washington stopped any further build up under the Reed plan.

For the three years 1963, 1964 and 1965 total collections under all state laws for actual benefits averaged $3 billion per year.

Under this bill it is anticipated that administrative costs will reach $1 billion in 1973. This means that administrative costs would equal one-third of the benefit costs based on the above three years.

The allocation of these Federal administrative grants to the states by the Secretary of Labor has not been without criticism. Charges of discrimination have frequently been made.

When this bill was before the House Ways and Means Committee last August, I testified on this subject as follows: (Page 1710, Volume IV of Record of Hearings)

"In the case of my own state, we have only received back out of this tax levy for administration less than $.57 out of every dollar paid in by Ohio employers. More fortunate states, such as California, have received $.97 on the dollar. In fact, last year California received back 104.8% and New York, 106.2% of the amount they paid in.

"Our State Advisory Council did some research on this subject and unanimously adopted a resolution calling on Congress to review this method of allocation of administrative grants by the Labor Department. We urged Congress to adopt legislation providing a more definite and objective method for making these grants in order to prevent these inequitable results in the future; a copy of this resolution is included at the end of this statement.

"This already has been the subject of extensive comments by members of both Houses of Congress. Our Senior Senator from Ohio made some very pertinent remarks on this subject on the floor of the Senate on April 30, 1964. Here is a condition which *does* demand the attention of the Congress."

With the additional millions of dollars subject to allocation by the Secretary of Labor under this bill with unbridled discretion on his part, the invitation for extravagance and competition for funds by the states will be compounded. A definite formula should be prescribed by the Congress which can be applied fairly to all states.

Benefits to out-of-State claimants

A provision of our Ohio law relating to claimants who qualify for benefits by working for an Ohio employer and then leaving the state would have to be repealed by our legislature under the bill now before you (H.R. 15119).

For several years, Ohio had the distinction of paying the highest average weekly benefit check of any state in the nation.

Thousands of claimants would qualify for benefits in Ohio, then leave the state and file for their benefits from another state. Now we like our neighboring states, even though their standards of living in some cases are lower than ours. But we do not feel that Ohio employers should be forced to finance these unemployed workers on higher levels than their home states just because they come to Ohio to work and then return to their state of residence.

In 1961 alone, Ohio paid $18.7 million in benefits to claimants who qualified by working in Ohio and then filed from another state. For example, California $728,900; Florida $966,269; Kentucky $3.7 million; West Virginia $3.3 million; Tennessee $1.57 million.

In 1963 the legislature provided that in these cases benefits would be payable at the average rate being paid to claimants in the other state to which the claimants chose to remove themselves.

The Ohio legislature is made up of members of at least average intelligence who are responsible persons. We believe they should continue to be the judge as to how much benefits should be payable under these circumstances without interference by Congress.

Does Congress intend to force the states to provide equal treatment to residents and nonresidents in all of the laws on our statute books?

Last week I returned from a vacation in Michigan. I went fishing. As a nonresident, I paid $5 for a license. If I had been a resident, it would have cost me only $2; and, if I had been over 65, then only 50 cents.

Benefits to seasonal workers

Another provision in this bill which would require Ohio to change its law is that provision having to do with Benefits to Seamen on the Great Lakes.

The Ohio provision for paying benefits to seasonal workers is rooted deep in the history of our law.

An Ohio Unemployment Compensation Study Commission was appointed in 1931 by the Governor under a Joint Resolution of the legislature. It was instructed to study and report to the legislature the feasibility of a state unemployment insurance law for Ohio. It made its report in 1932 and recommended a bill on this subject.

Concern was expressed about the impact on the fund if benefits were paid to employees in seasonal industries beyond their regular season. The Commission felt this type of regularly recurring unemployment, which was known and expected by the employee, and which was due to climatic conditions over which the employer had no control, was not the type of unemployment that unemployment insurance could properly insure against.

The bill, recommended by the original Ohio Study Commission, therefore, contained a provision respecting seasonal employment which was incorporated practically verbatim in the first Ohio law adopted in 1936 and has remained a part of our law since that date.

It provided, in effect that, where because of climatic conditions it is customary to operate only during regularly recurring periods of less than 36 weeks, benefits should be payable only during such seasonal period.

After the law had been in effect for several years, the attention of the legislature was called to the fact that seamen on the Great Lakes were engaged in employment over a 40-week seasonal period due purely to climatic conditions affecting transportation on the Great Lakes during the winter months. However, due to the general provision limiting this special treatment for seasonal periods of less than 36 weeks, it was necessary for the legislature to enact a special provision governing the 40-week season for seamen on the Great Lakes.

The concern of other employers in Ohio is the financial burden to the fund if seamen on the Great Lakes were to be paid benefits for the 12 weeks each year when they are not actually working.

In many respects it would be comparable to paying school teachers benefits for the 10 or 12 weeks they are on vacation during the summer. That problem has been solved by paying their yearly salary over a 12-month period.

Testimony was presented in the House showing that the average weekly wage of seamen over a 52-week year is about $181.00, the second highest paid industry in the state and that the number of hours actually worked are not substantially different from other year-round employees.

If the legislature is forced to repeal this provision respecting seamen, other employees will be called upon to make up the difference between the benefits paid out and the contributions paid in by the employers of these seamen, which has been estimated as high as $3 million annually.

BENEFIT AMOUNTS HAVE KEPT PACE

A case cannot be made against the states on the ground that their legislatures have failed to increase weekly benefit payments and the number of weeks for which benefits can be paid.

A typical example of the consistent trend of increased benefits is my own state. We have increased benefits from $15 per week for 16 weeks or $240 in a benefit year in 1939, to $53 per week for 26 weeks or $1,378 today.

This is an increase of 253% in the maximum weekly benefit amount, and 474% in the maximum benefits in a benefit year.

The following table shows the frequent times that the legislature has made these increases:

Increases in benefits

Year	Maximum weekly benefits	Maximum duration (weeks)	Maximum benefits in benefit year
1939	$15	16	$240
1941	$16	18	$288
1945	$21	22	$462
1949	$30	26	$780
1952	$33	26	$858
1953	$35	26	$910
1955	$39	26	$1,014
1959	$53	26	$1,378
Percent increases	253	62.5	474

Average weekly benefit check versus gross weekly wage—Ohio

Not only have the weekly benefits and duration been consistently increased, but the actual weekly benefit check has increased in about the same proportions as the gross weekly wage.

The average weekly check has increased from $10.25 in 1939 to $40.06 in 1964, an increase of 291%. During this same priod, the average gross weekly wage increased from $27.91 to $114.00, an increase of 308.5%.

The following table, using selected years as above, clearly illustrates this trend:

Year	Average weekly benefit check	Average gross weekly wage
1939	$10.25	$27.91
1944	$14.67	$48.83
1949	$20.60	$59.49
1954	$29.65	$80.02
1958	$33.61	$93.00
1964	$40.06	$114.00
Percent increase	290.9	308.5

Very little, if any, tax deductions were made from the employees' pay check in 1939. Today these deductions are substantial. Unemployment benefits are tax free.

It may also be noted that the average weekly benefit check for claimants with dependents in 1964 was $47.53.

Increase in average benefit check versus cost of living index—Ohio

The weekly benefit check in Ohio has increased much faster than the increase in the cost of living.

In 1939, the cost of living index, based on the 1957–59 averages, stood at 48.4% for Ohio. In 1964, it was 108.1%, an increase of 123%.

The average weekly benefit check was $10.25 in 1939. It was $40.06 in 1964, an increase of 291%.

The increase over this period is shown below:

Year	Cost of living		Average UC check—Ohio	
	Cost-of-living index	Percent increase since 1939	Amount of weekly benefit	Percent increase since 1939
1939	48.4	0.0	$10.25	0.0
1944	61.3	26.6	14.67	43.1
1949	83.0	71.5	20.60	101.0
1954	93.6	93.3	29.65	189.3
1958	100.7	108.1	33.61	227.9
1964	108.1	123.3	40.06	290.8

Ohio already based benefits on 50 percent of an individual's average weekly wage, and like 48 other states, pays for a maximum of 26 weeks.

There is no need for Federal legislation in this area as proposed in S. 1991.

SUMMARY OF STATEMENT BY WALTER J. MACKEY ON BEHALF OF THE OHIO MANUFACTURERS' ASSOCIATION

Opposition to S. 1991

We oppose S. 1991 for the reasons set out in our testimony on H.R. 8282 before the House Ways and Means Committee in August, 1965, as reported in the printed Record of Hearings before that committee beginning on page 1703 and request that this testimony be included in the record of this committee as opposed to S. 1991, by reference thereto.

General comment on H.R. 15119

Many of the unsound, unrealistic and extravagant provisions of H.R. 8282 have been corrected in H.R. 15119, but we are still conscious of the substantial tax increases under this so-called compromise bill and question the need for this amount of additional revenue.

Method of allocating administrative funds to states

Criticism of the method of allocating administrative grants to states by the Secretary of Labor has persisted in the past. With about double the amount at his discretion to distribute at will, the invitation for extravagance and competition among the states will be greatly increased.

With some $1 billion at the disposal of the Secretary, the Congress should prescribe a definite objective formula to insure impartiality to the various states.

Benefits to out-of-state claimants

The state legislature should be permitted to prescribe the method of handling out-of-state benefit claims.

Ohio should not be forced to repeal that part of its law which provides that claimants who have worked in the state long enough to qualify for benefits and who then leave the state and file from another state shall be allowed benefits based upon the amount payable in the state to which the claimant has removed himself.

Seasonal benefits for seamen on the Great Lakes

The Ohio legislature has determined a seasonal period for seamen on the Great Lakes not to exceed 40 weeks. There is no reason why this seasonal treatment should be destroyed by the Congress. All seamen who are similarly situated receive the same treatment. There is no present discrimination.

The impact on the fund and on other employers if this provision in the Ohio law must be repealed would be severe, estimated at some $3 million annually.

Benefits have kept pace with economic indicators

Ohio is a typical example of a state where the amount of benefits has kept pace with changed economic conditions.

Since 1939, the maximum weekly benefit amount has increased from $15 to $53 or 253%. The maximum amount of benefits in a benefit year has increased from $240 to $1,378 or 474%.

The cost of living index has increased from 48.4% in 1939 to 108.1% in 1964, an increase of 123.3%. The average weekly benefit check actually paid in 1939 was $10.25 and increased to $40.06 by 1964 or 290%. During this period the average gross average wage increased from $27.91 to $114.00 or 308.5%.

Very little tax deductions were made from the employee's check in 1939. Today these deductions are substantial. Unemployment benefits are tax free.

STATEMENT MADE BEFORE THE COMMITTEE ON WAYS AND MEANS, U.S. CONGRESS, 89TH SESSION, BY WALTER J. MACKEY, ON BEHALF OF THE OHIO MANUFACTURERS' ASSOCIATION, IN OPPOSITION TO H.R. 8282

Mr. Chairman and members of the committee, I am Walter J. Mackey and have been Unemployment Compensation Counsel for the Ohio Manufacturers' Association for more than 20 years. I am appearing today on behalf of this Association in opposition to H.R. 8282.

This 55-year old Association's membership consists of most of the large and many of the medium size and small manufacturing firms doing business in Ohio. Currently, there are more than 13,000 manufacturing firms employing some 1.3 million workers in the state of Ohio.

The Ohio Manufacturers' Association is made up exclusively of manufacturing employers. Its policies are formulated by an elected Board of Trustees and Executive Committee. The positions and views expressed in this statement are fully supported by long standing policy of the Association and its Unemployment Compensation Committee.

We appreciate the opportunity to again appear before you to discuss this recent proposal to fundamentally change the present federal-state unemployment system and its relationship to the federal government.

To further identify myself, I have been closely associated with the unemployment compensation program in my state for some 29 years. I was appointed in 1936 to the first Commission in Ohio which set up the program. 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 am also a member of the Ohio Worker's Training Commission established by the Ohio legislature to promote and co-ordinate training activities.

I attended the first week's hearings on this Bill and heard the testimony of the Secretary of Labor. He attempted to "sweep under the rug" any discussion of states rights or the proper role of the state legislatures in formulating unemployment compensation law.

We do not think that this issue can be disposed of quite so simply as this. He has attempted to indict 50 state legislatures in a manner which the facts will not support.

LEGISLATIVE HISTORY

From the entire legislative history of this law, it is obvious that Congress never intended that specific provisions such as those found in the present proposal should be required in state laws in order for those laws to be approved.

When the Supreme Court held this Federal law Constitutional in 1936 by a five to four vote in the case of *Steward Machine Company* v. *Davis*, 301 U.S. 548, this subject of federal standards was discussed.

Mr. Justice Cardozo, who delivered the majority opinion, refers to them as "minimum criteria" to which a state law is required to conform to be accepted as the basis for the credit of state contributions against the federal tax.

Justice Cardozo stated in this connection:

"A credit to taxpayers for payment made to a state under a state unemployment law will be manifestly futile in the absence of some assurance that the law leading to the credit is in truth what it professes to be. An Unemployment Law framed in such a way that the unemployed who look to it will be deprived of reasonable protection is one in name and nothing more. What is basic and essential may be assured by suitable conditions. The terms embodied in these sections are directed to that end. *A wide range of judgment is given to the several states as to the particular type of statute to be spread upon their books.* * * * In determining essentials, Congress must have the benefit of a fair margin of discretion. One cannot say with reason that this margin has been exceeded, or that the basic standards have been determined *in any arbitrary fashion.*" [Emphasis added.]

What then were these so-called "basic standards" which Justice Cardozo was defending as being reasonable and not arbitrary on the part of Congress at that time?

Briefly summarized they were as follows: (Present Section 3304, Internal Revenue Code).

1. That all benefits be paid through public employment offices,

2. That no benefits be payable by a state until two years of contributions had accumulated,

3. That all contributions received by a state should be turned over to the Unemployment Trust Fund in the hands of the U.S. Treasury,

4. That all money withdrawn from the Fund be used solely for the payment of benefits,

5. That a state not deny benefits to an otherwise eligible individual for refusing to accept new work,

(a) if the job offered was vacant due to a strike or lockout,

(b) if the wages, hours, or other conditions of the work offered were substantially less favorable than those prevailing for similar work in the locality,

(c) if as a condition of being employed the individual would be required to join a company union or resign from or refrain from joining any bona fide labor organization,

6. That all rights, privileges or immunities conferred by such state law shall exist subject to the power of the legislature to amend or repeal such law at any time.

Congress then directed that any such state law submitted for approval which contained these provisions should be approved and certified to the Secretary of the Treasury. This approval entitles the employers in such state to offset their state contributions against the federal unemployment compensation tax. All of these requirements have been complied with by the states.

Nowhere is there any evidence that Congress intended or had the right to impose *arbitrary conditions* on the state legislatures to enact specific provisions, such as those contained in H.R. 8282 with respect to:

(1) The method of determining the weekly benefit amount payable to an unemployed person,

(2) The number of weeks of work required to become eligible for benefits,

(3) The minimum number of weeks of benefits under certain conditions,

(4) The type of disqualifications, and,

(5) The length of time benefits may be withheld following certain types of separations.

What is suggested in the measure now before you is a long and drastic step away from what has ever been contemplated in this area—one which is neither warranted on the record, nor proper under the Constitution.

This effort makes truly prophetic the statement by Justice McReynolds in his dissent in the *Stewart Machine Company* case. After quoting from Chief Justice Chase in the case of *Texas* v. *White*, 7 Wall 100, to the effect that the Constitution looks to an indestructible Union composed of indestructible states, Justice McReynolds concludes:

"The doctrine thus announced and often repeated, I had supposed was firmly established. Apparently the States remained really free to exercise governmental powers, not delegated or prohibited, without interference by the Federal Government through *threats of punitive measures or offers of seductive favors*. Unfortunately, the decision just announced opens the way for practical annihilation of this theory; *and no cloud of words or ostentatious parade of irrelevant statistics should be permitted to obscure this fact.*" [Italic added.]

Or, in the words of Justice Butler who also dissented in this case:

"The provisions in question, if not amounting to coercion in a legal sense, are manifestly designed and intended directly to affect state action in the respects specified, and if valid as so employed, this "tax and credit" device may be made effective to enable federal authorities to induce, if not indeed to compel, state enactments for any purpose within the realm of state power *and generally to control state administration of state laws.*" [Emphasis added.]

WHAT THE SPONSORS OF H.R. 8282 CONTEND

The sponsors of H.R. 8282 contend there is a need for this legislation because the states have failed in their responsibilities in this field.

After you have given thoughtful consideration to the testimony which has been presented here, we are confident that you will conclude—in the words of the eminent Justice quoted above—that "no cloud of words or ostentations parade of irrelevent statistics should be permitted to obscure this fact", that the states have done a very credible job in this field and should be permitted to continue without estrangulation by arbitrary federal standards or regulations by the Department of Labor.

In order to avoid duplication of testimony by other witnesses, I will confine my remarks to a few aspects of this proposed legislation which adversely affect my own state and which apply, with equal force, to most other states.

EXPERIENCE RATING WOULD BE DESTROYED

Grants to States (sec. 2102, p. 23)

The proposed legislation would spell the end of effective experience rating now operating in all states.

Let there be no mistake about this. The intention is clear, the method effective.

On page 13 of the statement by the Secretary of Labor before this Committee on August 9th, it is stated:

"Thus, the uniform 3.1 percent Federal tax is no longer uniform, and the Federal unemployment tax falls short of its original objective of enabling States to provide adequate unemployment insurance without fear that other States will attract industry by lower taxes based on inadequate benefits to workers.

"Under the Bill's benefits requirement and reduced credit provisions, employers will no longer be able to obtain a tax reduction, and a corresponding advantage over employers in other states, by reason of lower benefits for unemployed workers in their states."

Now it is well known that this 3.1 percent tax was never intended to be paid uniformly by all employers. If a state has an experience rating plan—and they all have—then an employer can get the full 2.7% credit against this 3.1% tax by earning a lower rate by stabilizing his employment and reducing unemployment.

Congress has apparently always felt that this was a desirable incentive and required the states to have an experience rating plan in order for an employer to be entitled to this additional tax credit.

Experience rating retains the employer interest in the program. This is necessary if abuses are not to run rampant. Administrators of the state programs have testified before this Committee to the effect that this employer interest is essential.

In the first place, the employer must furnish the state agency with the wage and employment information to determine an applicant's eligibility for benefits. The reason for separation must be obtained from him. Information on job openings and availability of work can only be had from the employer.

Offers of work to previous employees who are unemployed and drawing benefits are made constantly—giving jobs instead of unemployment benefits.

Many illegal and improper claims are brought to the attention of the state agencies by interested employers which would never be discovered without this assistance.

Without experience rating this employer cooperation could never be obtained.

It is not our purpose here to labor the subject of "Abuses in Obtaining Unemployment Compensation Benefits." Many articles—and even volumes—have been written on this problem by those who have investigated this practice.

The conclusion, however, is inescapable, that adequate eligibility tests and conditions under which benefits must be denied are necessary to prevent the destruction of the purpose of the program. This is necessary if the integrity of the system is to be protected and the confidence of the public maintained.

If an unemployment claim is proper, it should be paid promptly and in full. If tt is improper, it should be denied.

Through experience rating, the information to make this vital decision can be readily obtained from interested employers. Without experience rating, there is no known means of preventing wholesale abuse of the law.

It would be both helpful and enlightening to those in Washington who are attempting to set the stage for the destruction of experience rating if they could have the experience and responsibility of actually administering one of these state laws for a time.

A flat rate tax on all employers—the result of the destruction of experience rating—would cause the indiscriminate payment of benefits. With the easy qualifications and practically no disqualifications in this bill, together with the removal of the policing inherent in a merit rating plan, it is unlikely that any unemployment fund could remain solvent.

We have seen what happened to the cost of administration of the state programs as a result of this competition for administrative grants from the Department of Labor.

A few years ago the .3% portion of the federal tax was more than adequate for financing the administrative expenses of the program. In fact, some $138 million were returned to the states under the Reed Act, representing the excess of this .3% money not used for administrative purposes.

Then, in 1963, this .3% was increased to .4%. Competition by the states for more and more money from Washington stopped any further build-up under the Reed plan. The result was a 33⅓% increase in this federal levy to .4%. We now hear that this .4% is insufficient.

The allocation of this federal administrative money to the states by the Department of Labor has not been without criticism. Charges of discrimination have frequently been made.

In the case of my own state, we have only received back out of this tax levy for administration less than $.57 out of every dollar paid in by Ohio employers. More fortunate states, such as California, have received $.97 on the dollar. In fact, last year California received back 104.8% and New York, 106.2% of the amount they paid in.

Our State Advisory Council did some research on this subject and unanimously adopted a resolution calling on Congress to review this method of allocation of administrative grants by the Labor Department. We urged Congress to adopt legislation providing a more definite and objective method for making these grants in order to prevent these inequitable results in the future; a copy of this resolution is included at the end of this statement.

This already has been the subject of extensive comments by members of both Houses of Congress. Our Senior Senator from Ohio made some very pertinent remarks on this subject on the floor of the Senate on April 30, 1964. Here is a condition which *does* demand the attention of the Congress.

Reference to this situation is pertinent here because now you have before you proposals which would invite, rather than avoid, competition between the states in the expenditure of funds to be paid for by a uniform employer's payroll tax. This time it is for unemployment benefits instead of administrative expenses.

One of the state administrators testified before this Committee that, if experience rating is destroyed and the state were provided flat rate reductions, this would really bring about serious interstate competition—the very thing that the proponents complain about.

This leads to a consideration of the effect of this proposed legislation on the payment of state benefits.

EFFECT ON STATE BENEFITS

H.R. 8282 impugns the wisdom and competency of 50 state legislatures in this field. The bill would impose conditions for the payment of unemployment benefits which these state legislatures have rejected over the years. In fact, some of the proposals now being made were submitted to the voters in Ohio several years ago in the form of a referendum and were rejected by almost a two to one vote.

H.R. 8282 would force the repeal of many eligibility tests and disqualifying provisions found by state legislatures to be necessary for the prevention, at least to some extent, of abuses in obtaining benefits.

This bill is devoid of any protection against the indiscriminate payment of benefits. A few examples here will suffice:

Voluntary quits and discharges for cause (sec. 211, subsec. 7, p. 45)

Under this bill our state legislatures would be forced to amend its law and allow full benefits after a six-week waiting period where a claimant caused his own unemployment by quitting his job without just cause. The same is true in cases of discharge for misconduct—except for the conviction of a crime in connection with his work—in which case a longer period of disqualification may be applied.

And this exception is meaningless so far as any practical application is concerned. Anyone familiar with employment practices knows the difficulty, the hazards and the problems involved in prosecuting and securing the conviction of an employee for an act of dishonesty. It is rarely done. What usually happens is that he is dismissed or allowed to resign.

Under this bill, however, until he was convicted, he could draw full benefits after a six-week waiting period.

Our present law in Ohio denies benefits where the claimant voluntarily quits without just cause or is discharged for just cause. However, this denial of benefits is lifted where a claimant takes another job, works six weeks and earns six times his weekly benefit amount.

In addition, our legislature has just recently amended our law providing, where an individual voluntarily quits a job to accept a recall to work to protect his seniority and other rights under a labor-management agreement, no disqualification applies.

Under this bill, our law would not be approved with this provision in it. We would be required to pay full benefits in all such cases after a six-week waiting period regardless of the reason for his voluntary quit.

Refusal of an offer of suitable work (sec. 211, subsec. 7, p. 45)

The Ohio law denies benefits for the duration of the resulting unemployment where a claimant refuses an offer of suitable work.

We emphasize that, if the job is not suitable, no disqualification results. There are adequate tests prescribed so that a fair determination can be made as to the suitability of the work for the particular claimant.

Neither is there any disqualification imposed under our law for voluntary quitting, if the quit is for just cause.

The reason for separation is always subject to review by the Board of Review, and an opportunity for a fair hearing afforded if the party affected is not satisfied with the decision of the administrator.

We submit, these are reasonable and proper conditions for the receipt of benefits. Self-imposed unemployment should not be, and never was intended to be, compensated under this program.

Yet, in this bill, these tests of eligibility in our law would have to be repealed by our state legislature if Ohio employers are to receive the full offset of state contributions against their federal tax.

Benefits to seasonal workers

The Ohio provision for paying benefits to seasonal workers is rooted deep in the history of our law.

An Ohio Unemployment Compensation Study Commission was appointed in 1931 by the Governor under a Joint Resolution of the legislature. It was instructed to study and report to the legislature the feasibility of a state unemployment insurance law for Ohio. It made its report in 1932 and recommended a bill on this subject.

Concern was expressed about the impact on the fund if benefits were paid to employees in seasonal industries beyond their regular season. The Commission felt this type of regularly recurring unemployment, which was known and expected by the employee, and which was due to climatic conditions over which the employer had no control, was not the type of unemployment that unemployment insurance could properly insure against.

The bill, recommended by the original Ohio Study Commission, therefore, contained a provision respecting seasonal employment which was incorporated practically verbatim in the first Ohio law adopted in 1936 and has remained a part of our law since that date.

It provided, in effect, that where, because of climatic conditions it is customary to operate only during regularly recurring periods of less than 36 weeks, benefits should be payable only during such seasonal period.

After the law had been in effect for several years, the attention of the legislature was called to the fact that seamen on the Great Lakes were engaged in employment over a 40-week seasonal period due purely to climatic conditions affecting transportation on the Great Lakes during the winter months. However, due to the general provision limiting this special treatment for seasonal periods of less than 36 weeks, it was necessary for the legislature to enact a special provision governing the 40-week season for seamen on the Great Lakes.

A witness before this Committee, on behalf of the Lake Carriers Association, discussed this subject in some detail. The concern of other employers in Ohio is the financial burden to the fund if seamen on the Great Lakes were to be paid benefits for the 12 weeks each year when they are not actually working.

In many respects it would be comparable to paying school teachers benefits for the 10 or 12 weeks they are on vacation during the summer. That problem has been solved by paying their yearly salary over a 12 month period.

This Committee has heard testimony showing that the average weekly wage of seamen over a 52 week year is about $181.00, the second highest paid industry in the state; that the number of hours actually worked are not substantially different that other year-round employees.

If the legislature is forced to repeal this provision respecting seamen, other employees will be called upon to make up the difference between the benefits paid out and the contributions paid in by the employers of these seamen, which has been estimated as high as $3 million annually.

Benefits to out-of-State claimants (subsec. 11, p. 46)

Another provision in our law relating to claimants who qualify for benefits by working for an Ohio employer and then leaving the state, would be "struck down" by the bill now before you.

For several years, Ohio had the distinction of paying the highest average weekly benefit check of any state in the nation.

Thousands of claimants would qualify for benefits in Ohio, then leave the state and file for their benefits from another state. Now we, like our neighboring states, even though their standards of living in some cases are lower than ours. But we do not feel that Ohio employers should be forced to finance these unemployed workers on higher levels than their home states just because they come to Ohio to work and then return to their state or residence.

In 1961 alone, Ohio paid $18.7 million in benefits to claimants who qualified by working in Ohio and then filed from another state. For example, California $728,900, Florida $966,269, Kentucky $3.7 million, West Virginia $3.3 million, Tennessee $1.57 million.

In 1963 the legislature provided that in these cases, benefits would be payable at the average rate being paid to claimants in the other state to which the claimants chose to remove themselves.

If this bill were to become law, then this Congress would be saying to our legislature—"No, you may no longer do this—else we will not approve your law and all your employers will be denied credit for their state contributions against the federal tax."

When we think of this in connection with the allowance of benefits for voluntary quitting, which is allowed in full under this bill after a six week waiting period, then the full impact of this provision of H.R. 8282 becomes apparent. An employee could quit an Ohio employer for no reason whatsoever, go to another state where living expenses are much lower, and draw the high unemployment benefits provided in the Ohio law with no deterrent except a six week waiting period.

INCREASE IN WEEKLY BENEFITS AND DURATION

Neither can a case be made against the states on the ground that their legislature have failed to increase weekly benefit payments and the number of weeks for which benefits can be paid.

A typical example of the consistent trend of increased benefits is my own state. We have increased benefits from $15 per week for 16 weeks or $240 in a benefit year in 1939, to $53 per week for 26 weeks or $1,378 today.

This is an increase of 253% in the maximum weekly benefit amount, and 474% in the maximum benefits in a benefit year.

The following table shows the frequent times that the legislature has made these increases:

Increases in benefits

Year	Maximum weekly benefits	Maximum duration (in weeks)	Maximum benefits in benefit year
1939	$15	16	$240
1941	16	18	288
1945	21	22	462
1949	30	26	780
1952	33	26	858
1953	35	26	910
1955	39	26	1,014
1959	53	26	1,378
Percent increases	253	62.5	474

Average weekly benefit check versus gross weekly wage—Ohio

Not only have the weekly benefits and duration been consistently increased, but the actual weekly benefit check has increased in about the same proportions as the gross weekly wage.

The average weekly check has increased from $10.25 in 1939 to $40.06 in 1964, an increase of 291%. During this same period, the average gross weekly wage increased from $27.91 to $114.00, an increase of 308.5%.

The following table, using selected years as above, clearly illustrates this trend:

Year	Average weekly benefit check	Average gross weekly wage
1939	$10.25	$27.91
1944	14.67	48.83
1949	20.60	59.49
1954	29.65	80.02
1958	33.61	93.00
1964	40.06	114.00
Percent increase	290.0	308.5

Very little, if any, tax deductions were made from the employee's pay check in 1939. Today these deductions are substantial. Unemployment benefits are tax free.

It may also be noted that the average weekly benefit check for claimants with dependents in 1964 was $47.53.

Increase in average benefit check versus cost-of-living index—Ohio

The weekly benefit check in Ohio has increased much faster than the increase in the cost of living.

In 1939, the cost of living index, based on the 1957–59 averages, stood at 48.4% for Ohio. In 1964, it was 108.1% an increase of 123%.

The average weekly benefit check was $10.25 in 1939. It was $40.06 in 1964, an increase of 291%.

The increase over this period is shown below:

Year	Cost of living		Average unemployment compensation check—Ohio	
	Cost-of-living index	Percent increase since 1939	Amount of weekly benefit	Percent increase since 1939
1939	48.4	0	$10.25	0
1944	61.3	26.6	14.67	43.1
1949	83.0	71.5	20.60	101.0
1954	93.6	93.3	29.65	189.3
1958	100.7	108.1	33.61	227.9
1964	108.1	123.3	40.06	290.8

Ohio already bases benefits on 50% of an individual's average weekly wage, and like 48 other states, pays for a maximum of 26 weeks.

There is no need for federal legislation in this area as proposed in H.R. 8282.

WEEKLY BENEFITS UNDER H.R. 8282

The Division of Research and Statistics of the Ohio Bureau has estimated that maximum weekly benefits in Ohio, exclusive of dependents allowances, under this bill would be $62 in 1967, $79 in 1969 and $92 in 1971. If the present $11 dependents allowance is continued, then these weekly benefits would be $73 in 1967, $90 in 1969 and $103 in 1971.

Based on a 40 hour week, this is $1.82 per hour in 1967, $2.25 per hour in 1969 and $2.57 per hour in 1971.

The following table shows the computation of these results:

Year	Average weekly earnings	Maximum basic weekly benefit amount	Maximum dependents allowance	Maximum weekly benefits	Benefits per hour—based on 40-hour week
1964	$115.63	$42	$11	$53	$1.33
1967	123.64	62	11	73	1.82
1969	131.03	79	11	90	2.25
1971	137.93	92	11	103	2.57

Who pays the piper?

Ohio employers would have to pay an additional $122 million in taxes to finance the increased state benefits proposed in this bill. Another $52 million would have to come from Ohio employers to finance the increased federal benefits. A total of $174 million annually.

Who will pay? It is obvious that an increased tax burden of this size must be passed on in many cases, in the form of higher prices, if an employer hopes to stay in business.

To the extent this cost is passed on to the consumer, it will be paid largely by the wage earner, many of whom will not be fortunate enough to earn while working as much per hour as those who are not working receive in unemployment benefits.

Draining off another $174 million from Ohio employers in additional taxes unquestionably will injure the economy of the state. This is money which could better be spent for expansion and the creation of additional jobs, the only answer to the unemployment problem. It cannot be spent both ways.

The success of our program in Ohio of encouraging industry so it will expand and create more jobs demonstrates this is a much better and more constructive approach to the unemployment problem. Punishing the economy by heaping increased taxes on those who provide the jobs is not the answer.

Increase in wage base excessive

H.R. 8282 conveniently leaves to the state legislatures the unenviable job of passing legislation raising sufficient taxes to finance the increased state benefits which its provisions would demand.

Since this is a state responsibility, we believe some latitude should be left to the states in determining whether an increase in rates or an increase in the wage base is more appropriate.

The Ohio fund reached a low of about $70 million in April, 1963. The legislature revised the tax rate schedule requiring a rate as high as 4.7% for those employers with high unemployment experience. At the same time it retained the $3.000 tax base.

Since that time, the fund has recouped itself until today the balance is $343 million.

Our experience demonstrates that a state can adjust its merit rating tax schedule under the present $3,000 base so as to yield whatever amount is found necessary.

The arguments about the inequities between high pay employers vs. low pay employers and high risk employers vs. low risk employers are unconvincing. In fact, a levy on a per capita basis would be about as equitable as any other, since in the final analysis this is what a payroll tax amounts to.

If a merit rating plan is working properly, then most employers will find their tax level between the minimum and maximum rates and pay a tax sufficient to finance the benefits which are paid to their employers. This can be accomplished under a $3,000 base just as readily as under a $6,000 base by applying a sufficiently wide range of tax rates as was done in our state.

States should be left free to administer own laws

We suggest that federal standards continue to be confined to taxable wage base, coverage, and the other conditions which have been in the federal law over the years. Additional federal standards are not needed to insure that proper unemployment compensation laws are kept on the state statutes.

Provisions relating to qualifications, disqualifications, method of computing the weekly benefit amount and other details should be left to state legislatures which are much better qualified to decide these issues.

However, once federal standards are finally determined for the states, then the administration should be left to the states, unhampered and without interference from Washington.

Determination as to whether a state law contains these requirements can be made by the Solicitor General's office or other appropriate legal department of the Government and certified to the Congress and Secretary of the Treasury.

From this point on, the checks and balances which are exercised at the state level by interested groups such as employee and employer organizations and advisory councils, as well as Governors, Boards of Review and the Courts, are sufficient to insure that the law, once on the statute books, will be fairly administered.

Senator TALMADGE. Thank you, Mr. Mackey.

Any questions, Senator Williams?

Senator WILLIAMS. No questions.

Senator TALMADGE. Is Mr. Charles H. Taylor of the Virginia Manufacturers Association present?

He has sent a letter to the chairman of the committee, enclosing a copy of his prepared statement. In his absence at this point I will insert his letter, together with his testimony, in the record.

Without objection.

(The documents referred to follow:)

VIRGINIA MANUFACTURERS ASSOCIATION,
Richmond, Va., July 15, 1966.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: To save your Committee time, we are asking that you receive our statement in support of H.R. 15119 for inclusion in the record.

Sincerely,

CHARLES H. TAYLOR.

STATEMENT OF THE VIRGINIA MANUFACTURERS ASSOCIATION BEFORE THE SENATE FINANCE COMMITTEE ON H.R. 15119, UNEMPLOYMENT INSURANCE AMENDMENTS OF 1966, JULY 18, 1966

Mr. Chairman and Members of the Senate Finance Committee, the Virginia Manufacturers Association presents this statement in support of H.R. 15119, which has been carefully put together by the House Ways and Means Committee and overwhelmingly adopted by the House of Representatives. This measure is the product of long months of exhaustive study by the House and Ways Means Committee, and a wide and complete variety of testimony from the parties of interest, including state administrators, the Department of Labor, employee groups, and employer groups. We strongly urge that this measure be reported without amendment.

H.R. 15119 adequately provides for all of the demonstrated basic improvement needs of our state-federal unemployment compensation insurance program. The record clearly shows that continuing improvements have been made by the states to meet the changing economic conditions and that employers have given their support to accomplish this. We would expect to continue to do this.

H.R. 15119 preserves state responsibility and management of this program. It is to the credit of the states that they have conclusively demonstrated their ability to manage their programs responsibly and effectively for the nearly 30 years of their existence.

We are unalterably opposed to S. 1991, the companion measure to H.R. 8282 which was thoroughly evaluated and rejected by the House Ways and Means Committee. The main thrust of this measure is a federal minimum benefit payment standard which, in application to the various state systems, would not accomplish the results represented. When this feature was thoroughly exposed on the House side, it was found that it would require federal standards for all basic features of the program to accomplish a workable federal minimum benefit payment standard. This would mean complete federalization of our state programs. Some of the main backers of this legislation have made it clear that this is precisely the objective.

We hope that it will be your judgment to report H.R. 15119 without amendment.

CHARLES H. TAYLOR,
Executive Vice President.

Senator TALMADGE. The committee will stand in recess at this point until 9 a.m. tomorrow morning.

(Whereupon, at 11:05 a.m., the committee adjourned to reconvene at 9 a.m., Tuesday, July 19, 1966.)

UNEMPLOYMENT INSURANCE AMENDMENTS OF 1966

TUESDAY, JULY 19, 1966

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

The committee met, pursuant to recess, at 9 a.m., room 2221, New Senate Office Building, Senator Herman E. Talmadge presiding.

Present: Senators Gore, Talmadge, Hartke, Williams, and Morton.

Also present: Senator Moss of Utah.

Also present: Tom Vail, chief counsel to the committee.

Senator TALMADGE. The committee will come to order.

We have seven witnesses this morning representing the retailer interest, manufacturer interest, labor interest, farmer interest, and business interest in general.

Our first witness is Mr. Frank Malone, president, Southern Bell Telephone & Telegraph Co., of Atlanta, Ga. Mr. Malone will represent the Bell System.

Incidentally, he is a constituent and an old friend of mine.

Will you come forward, Mr. Malone, and proceed in your own manner?

STATEMENT OF FRANK MALONE, PRESIDENT, SOUTHERN BELL TELEPHONE & TELEGRAPH CO., FOR BELL SYSTEM TELEPHONE OPERATING COMPANIES

Mr. MALONE. Thank you, Mr. Chairman.

In the interest of conserving this committee's time, I have only a very brief statement, and the appendix attached to it, will be filed but not read.

Senator TALMADGE. Without objection, the appendix will be inserted in the record, together with the statement.

Mr. MALONE. Thank you, sir.

My name is Frank Malone. I am president of the Southern Bell Telephone & Telegraph Co. I have had 38 years' experience in the telephone business in various capacities, and I am familiar with its employment problems and practices.

I appear today on behalf of the Bell System telephone operating companies, which provide telephone service to about 45 million customers and provide employment for more than 600,000 people. In 1965 these companies paid $32½ million in Federal and State payroll taxes for unemployment compensation.

Our reason for appearing today is to indicate our support of H.R. 15119 which, if enacted, will be the most important change in Federal

unemployment compensation legislation since the original legislation in 1935.

H.R. 15119 makes provision for the extension of benefits during a period of recession, either State or national, when it is reasonable to presume that most of the individuals who remain unemployed are in that status because of a scarcity of jobs. It protects the credits of individuals who leave employment to change jobs where the new job proves to be of short duration. It encourages training during a period of unemployment. In addition, by raising the taxable wage base, it will help the Federal programs to remain fiscally sound. H.R. 15119 appears to us to incorporate reasonable and sound improvements in the present law and will accomplish a desirable updating of the original act.

The enactment of H.R. 15119 will result in an increase in Federal taxes to the Bell System telephone operating companies by 1972 of more than $7 million annually. While we would naturally prefer that there be no increase in costs, we do not object to bearing our fair share of the burden of benefits to those persons involuntarily unemployed.

We also support H.R. 15119 because it preserves two very important principles which are now in the Federal law relating to unemployment compensation.

(1) The Federal requirement for States to have experience rating provisions if employers are to obtain additional credit against the Federal tax, and

(2) The right of the States to prescribe disqualifications.

Experience rating provides employers with an important incentive, through a reduction of the taxes they must pay, to avoid as far as possible the creation of unemployment. In other words, by maintaining a stable work force and keeping layoffs to a minimum, an employer can reduce his unemployment tax costs. Furthermore, it gives an employer an incentive to assist in evaluating claims for unemployment compensation, since it is the practice in most States to notify an employer when a former employee applies for benefits. If the employer believes a claim is unwarranted, he is given an opportunity to present his reasons therefor.

Without experience rating, many employers would have no incentive to minimize unemployment or to make any effort to prevent unjustified claims.

The States should continue to be permitted to use their own judgment in the disqualification of applicants for unemployment compensation. Included among present disqualifications are those which apply to an individual who quits his job voluntarily, or who refuses a suitable job, or who is unable to work due to pregnancy or maternity, or who receives retirement benefits under a private pension plan or under social security, or who is discharged for misconduct. The experience of the States has demonstrated that this type of disqualification is necessary in order to reserve unemployment benefits for those for whom they are really intended.

There is attached to my statement an appendix which sets forth in more detail our reasons for urging that these important principles in the present law be preserved.

As mentioned earlier, H.R. 15119 makes material improvements in the present law while preserving these two basic principles. We therefore urge its enactment.

Thank you, Mr. Chairman.

(The prepared statement of Mr. Malone, with appendix, follow:)

STATEMENT OF FRANK MALONE, PRESIDENT OF SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY FOR BELL SYSTEM TELEPHONE OPERATING COMPANIES

Mr. Chairman and Members of the Committee:

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I appear today on behalf of the Bell System telephone operating companies, which provide telephone service to about 45,000,000 customers and provide employment for more than 600,000 people. In 1965 these companies paid $3 2½ million in Federal and State payroll taxes for Unemployment Compensation.

Our reason for appearing today is to indicate our support of H.R. 15119 which, if enacted, will be the most important change in Federal Unemployment Compensation legislation since the original legislation in 1935.

H.R. 15119 makes provision for the extension of benefits during a period of recession, either state or national, when it is reasonable to presume that most of the individuals who remain unemployed are in that status because of a scarcity of jobs. It protects the credits of individuals who leave employment to change jobs where the new job proves to be of short duration. It encourages training during a period of unemployment. In addition, by raising the taxable wage base, it will help the Federal programs to remain fiscally sound. H.R. 15119 appears to us to incorporate reasonable and sound improvements in the present law and will accomplish a desirable updating of the original Act.

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Experience rating provides employers with an important incentive, through a reduction of the taxes they must pay, to avoid as far as possible the creation of unemployment. In other words, by maintaining a stable work force and keeping layoffs to a minimum, an employer can reduce his unemployment tax costs. Furthermore, it gives an employer an incentive to assist in evaluating claims for unemployment compensation, since it is the practice in most states to notify an employer when a former employee applies for benefits. If the employer believes a claim is unwarranted, he is given an opportunity to present his reasons therefor.

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The States should continue to be permitted to use their own judgment in the disqualification of applicants for unemployment compensation. Included among present disqualifications are those which apply to an individual who quits his job voluntarily, or who refuses a suitable job, or who is unable to work due to pregnancy or maternity, or who receives retirement benefits under a private pension plan or under Social Security, or who is discharged for misconduct. The experience of the States has demonstrated that this type of disqualification is necessary in order to reserve unemployment benefits for those for whom they are really intended.

There is attached to my statement an appendix which sets forth in more detail our reasons for urging that these important principles in the present law be preserved.

As mentioned earlier, H.R. 15119 makes material improvements in the present law while preserving these two basic principles. We therefore urge its enactment.

APPENDIX TO STATEMENT OF FRANK MALONE

THE FEDERAL REQUIREMENT FOR EXPERIENCE RATING PROVISIONS IN STATE LAWS SHOULD BE CONTINUED

"Experience rating" is the arrangement currently in the laws of all States under which State tax rates for unemployment compensation tend to vary among employers in most instances in proportion to the benefits paid to their former employees. Serious proposals have been made (S. 1991 and H.R. 8282) which would have the effect of eliminating experience rating.

Under present law, an employer in any State is allowed a credit against the Federal tax of 3.1% for the amount of State tax he actually pays up to 2.7%. However, if his State tax rate is less than 2.7% he is allowed an additional credit for the difference, but *only* if the lower rate is based on his experience as an employer "with respect to unemployment or other factors bearing a direct relation to unemployment risks . . ."—in other words, if the reduction is based on "experience rating." This means that under present law the less unemployment an employer causes, the less tax he is likely to pay.

By deletion of certain key words in Section 3303(a) of the Internal Revenue Code of 1954, S. 1991 and H.R. 8282 would change the law to allow a credit against the balance of the Federal tax on the basis of factors other than an individual employer's experience rating. Under these proposals, credit also would be given if the State levied a uniform tax on all employers at a flat rate less than 2.7%.

Simply put, this would mean that regardless of how much of a drain on the Unemployment Compensation funds a particular employer caused, his tax rate would be no greater than the rate of those employers who, through careful planning, minimize unemployment.

VALUE OF EXPERIENCE RATING SYSTEM

Experience rating systems have been in effect in all States for many years. Usually a State has several tax schedules involving different levels of rates. The lower schedules, which go into effect when the State reserve Fund is in a favorable position, prescribe low rates for employers having a good experience rating and high reserves. Conversely, an employer having a poor experience rating is required to pay a higher tax rate tending more nearly to defray the Unemployment Compensation costs which arise from the operation of his business.

The Federal requirement for merit rating was the result of a farsighted amendment to the Social Security Bill in 1935, which required separate accounts in the unemployment fund in order for an employer to obtain maximum credit against his Federal tax even though his individual state tax rate was below 2.7%.

The original purpose behind an individual experience rating system was wise, and its wisdom has been proven during the last 30 years. The underlying philosophy was stated by Senator LaFollette during the debates in 1935. The Senator stated:

"Prevention of unemployment is very much more important than compensation for unemployment."

* * * * * * *

"Under the (individual experience rating amendment), unemployment compensation will tend to stimulate the regularization of employment, without which the reverse effect may result. (When) employers must pay the same rate of contributions, whether they have much or little unemployment, there is no incentive at all to reduce unemployment.

* * * * * * *

"Separate reserve accounts furnish a stronger incentive to employers to regularize their employment. Where an employer is charged with the cost of compensation payable to workmen he lays off, he naturally will make greater efforts to avoid having to lay off anyone than under a system where discharges cost him nothing. * * *"[1]

[1] Congressional Record, Vol. 79, Part 9, Page 9360-9361, June 15, 1935.

There are important advantages of experience rating. In the first place it provides an incentive for employers to stabilize their employment so as to take advantage of ensuing lower tax rates. This, with careful planning, is possible to do in many situations, even in the face of automation or other technological change.

For example, in the telephone business when new inventions, machines and methods come along, we take many steps to minimize disruptions of employment. These changes often require reassignment of people, necessitating considerable re-training, which is provided on company time and at company expense. Alternative assignments in other departments and other localities are offered. Where changes in location are involved, moving expenses are defrayed by the company.

As a result of all of this very few regular employees, if any, must be laid off at the time the new method or machine is made effective.

One of the reasons for this extensive effort to reduce unemployment among our work force is the incentive to preserve a good experience rating.

For instance over a period of the last several years the New Jersey Company introduced new methods and machines for billing toll messages which, in turn, reduced the number of employees otherwise required to handle this operation by approximately 65%. This was accomplished with no layoffs.

The repeal of the Federal requirement for individual experience rating may very well turn Senator LaFollett's 1935 warning into reality. In his words, there will then be, for many employers, "no incentive at all to reduce unemployment."

In addition to the incentive to stabilize employment, experience rating provides an incentive to the employer to assist in evaluating the merits of a claim. The practice in most States is to notify the employer when a former employee applies for benefits. If the employer believes the claim is unwarranted he is given an opportunity to present his reasons. Although most applications for Unemployment Compensation are meritorious, there are many applicants who attempt to obtain benefits because they misunderstand the law or through distortion or suppression of facts. With employer participation, the State Employment Office frequently is able to make a more informed decision as to the merits of the claim.

If the experience rating system is eliminated, there will be little incentive for the employer to make the effort and to incur the expense of contesting unwarranted claims.

Therefore, the effect of such proposals would through the partial loss of these two advantages—incentive for stabilization of employment and control of improper claims—increase unjustifiably the cost of the Unemployment Compensation program.

THE STATES SHOULD CONTINUE TO BE PERMITTED TO PRESCRIBE DISQUALIFICATIONS

Another original objective of the Unemployment Compensation law was to pay benefits to those who are "unemployed through no fault of their own." In other words, Unemployment Compensation benefits were not established just to give employees an automatic post-employment income.

Unless the objective of paying benefits only to those unemployed through no fault of their own is to be eroded away, there must be practical and effective ground rules for determining when benefits should not be paid. Experience has shown that "disqualifications" are needed. Serious proposals (S. 1991 and H.R. 8282) have been made which would weaken this necessary feature by effectively prohibiting a state from disqualifying an individual for more than six weeks except:

1. For a labor dispute.
2. For fraud in connection with benefits.
3. For conviction of a crime arising out of his work.

This proposed list of disqualifications is much too restrictive. Other State disqualifications are now effective for much longer periods and should continue to be permissible. Common present disqualifications also apply to an individual who quits his job voluntarily, who refuses a suitable job, who is unable to work due to pregnancy, or maternity, who receives retirement benefits under a private pension plan or under Social Security, and who is discharged for misconduct.

First, as to the individual who quits his job voluntarily. A State should be able to consider that such an individual is not unemployed "through no fault of his own." He has voluntarily assumed a risk that he may not be able to

obtain other employment as soon as he might like to have it. He should not be subsidized simply because he chose to search for a new job.

Similarly, a State Employment Service should be able to disqualify an individual who has refused a suitable job.

A third reason for refusal of benefits now is, and should continue to be, inability to work due to pregnancy or maternity. In some States this reason for non-payment of benefits for a stated period of weeks is treated as a disqualification. The District of Columbia so treats it for a period of twelve weeks. This is one of the shorter periods of disqualification for this cause. In certain States there is a presumption of inability to work.

Receipt of private pensions or Social Security benefits is a further reason for a total or partial disqualification now applied in 33 States.

Without disqualifications applying to those individuals who receive these payments, there will be many instances where a retired person will receive more take home pay than he did while working.

Finally, an employee who has been discharged for misconduct cannot reasonably be considered to be unemployed "through no fault of his own." Where the State employment agencies are satisfied that the employee was discharged for misconduct it is entirely reasonable that he be disqualified for unemployment benefits for a period of more than six weeks.

It is significant that State legislatures have considered these disqualification problems year after year. All States have some disqualification for voluntary leaving (See Bureau of Employment Security release, dated May 1963). In 22 States, the disqualification was for the duration of unemployment or longer. Seven of the 10 most heavily industrialized states, those with over 500,000 manufacturing workers[2] were in this category, i.e., New York, New Jersey, Pennsylvania, Ohio, Michigan, Indiana, and Illinois. Massachusetts, another of the 10, in 1963 had a 10-week disqualification period. Wisconsin, which narrowly misses this category, cancels all benefits based on employment with the employer the individual voluntarily left. North Carolina and Texas, which have just under 500,000 manufacturing employees, had variable periods running up to 12 and 26 weeks, respectively.

Thus the most heavily industrialized States, those with the greatest problems in this area, had either rejected any limits or had provided periods longer than 6 weeks for the disqualification for voluntary leaving.

Moreover, the trend has been "toward longer periods of disqualification, increase in the reduction or the cancellation of benefit rights and the imposition of disqualification for acts occurring prior to the period of unemployment for which compensation is being sought."[3]

At the same time that States have been tightening up on qualifications they have also liberalized benefits. This indicates that those who have had the local responsibility for the program have been aware of changing conditions and have been willing to increase benefits to those involuntarily unemployed.

CONCLUSION

Over the last few decades the Bell System has constantly taken advantage of innovation, automation, and technological development. These new ideas, new machines, and new methods have been introduced for the purpose of improving and expanding telephone service to the public—not for the purpose of reducing employment. In fact, the number of employees in our business has steadily increased. In 1940 we had 275,000 employees, in 1950 the work force had risen to 523,000, and in 1960 to 580,000. In 1965 we took 100,000 people out of the labor market.

But the point of emphasis here is that the employment these companies have provided has been quite stable. In each of the last five years, dislocations of employment because of the unavailability of jobs have been less than one-tenth of one percent of the work force. We believe this performance shows we have done, and are continuing to do, our part to provide jobs—and stable employment.

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[2] Bureau of Census 1962 Annual Survey of Manufacturers.

[3] From Preface to a series of tables through 1963 furnished to the members of the Federal Advisory Council on Employment Security by Bureau of Employment Security.

Since its inception, our national unemployment compensation policy has been to provide a spur to business to plan for continuity of employment—to reward the stable employer through the merit experience rating system. We think this is in the public interest, and we strongly recommend that it be continued and strengthened.

Senator TALMADGE. Mr. Malone, I notice in your statement, on page 1, that your associated companies paid $32,500,000 in Federal and State payroll taxes for unemployment compensation in the year 1965.

On page 2 of your statement you state that that tax will be increased by $7 million annually by the year 1972.

Do you have a breakdown on the progressive increase in that tax? What would be the increase the first year of the bill's application?

Mr. MALONE. I do not have it with me. I can develop that and supply it to you.

Senator TALMADGE. Do that. I will appreciate it.

Dr. MALONE. I will do it very promptly. However, I wish to call attention to the fact that the increase of $7 million refers only to the Federal tax.

(The information requested follows:)

Year by year increase in Federal unemployment compensation taxes which would result from enactment of H.R. 15119, Bell System Telephone Operating Companies

Year	Increase in Federal rate (percent)	Increase in base	Resultant dollar increase (millions)	Cumulative annual dollar increase (millions)
1966				
1967	From 3.1 to 3.3		$3.8	$3.8
1968				3.8
1969		From $3,000 to $3,900	2.4	6.2
1970				6.2
1971				6.2
1972		From $3,900 to $4,200	.8	7.0

Mr. MALONE. I might mention, Mr. Chairman, the $32,500,000 is both Federal and State taxes, whereas the increase of $7 million is Federal only.

Senator TALMADGE. Federal only?

Mr. MALONE. Yes, sir. I will be happy to break it down.

Senator TALMADGE. Thank you very much, Mr. Malone.

I appreciate your statement, sir.

Mr. MALONE. Thank you, sir.

Senator TALMADGE. I see the distinquished Senator from Utah, Senator Moss.

We are delighted indeed to have you before this committee, Senator Moss.

STATEMENT OF SENATOR FRANK E. MOSS, U.S. SENATOR FROM THE STATE OF UTAH

Senator Moss. Thank you, Mr. Chairman.

I appreciate the opportunity of coming before this committee. I have a brief statement that I would like to read.

I have asked for time to appear personally before you so that I may give you my views and the views of the people of Utah on the proposed unemployment insurance amendments of 1966 as passed by the House in H.R. 15119. Rarely are labor and management in total agreement on legislation considered by Congress, but this particular bill before you finds these two groups in complete agreement in the State of Utah.

Many businesses in Utah are relatively small in terms of the number of persons employed. The pesent law only allows the unemployment insurance program to apply when the employer has four or more employees working for him at one time. By redefining "employer" to include anyone who employs a person for 20 weeks during the year or pays an employee a salary of $1,500 per year, many more Utahans will be qualified to receive benefits from unemployment insurance than at present.

Likewise, Utah relies heavily on agriculture as a major income producer. Because of inadequate rainfall most farmers must irrigate constantly. It is often necessary to hire additional help to aid in the irrigation process. These people perform services that are more than seasonal in nature and their tenure is often year round. Prior law excludes these and other so-called fringe area agricultural workers from the benefits of unemployment insurance. The amendments would bring these people under the act's coverage providing they meet other State imposed requirements, such as duration of employment. The passage of this act would therefore be welcomed by farm laborers throughout Utah.

There are other fields of employment to which the unemployment insurance would be extended by this act. Estimates have placed the figure at close to 15,000 people in Utah who would be qualified to participate in the extended program.

The bill requires that minimum standards be included in State laws before benefits will be made available to the States. The Utah law meets these requirements in each aspect, so that no further action would be necessary on the part of the legislature for Utah to be in compliance.

Title II of the bill, which would allow extensions of periods of payment under unemployment insurance, could also be incorporated in Utah with little difficulty. A study based on Utah experience in this area indicated that the cost of this program to the State would increase its expenditure for unemployment insurance by less than 1 percent. The requirements of title II in regard to State law create no problem in Utah as the law now exists.

I would like to urge the committee to report this bill favorably. The number of people that would be affected and the ease with which it could be incorporated make the bill very appealing to the State of Utah.

Senator TALMADGE. Senator Moss, do I understand from your statement that you support the House bill without substantial amendments?

Senator MOSS. That is correct, Mr. Chairman.

Senator TALMADGE. Any questions, Senator Morton?

Senator MORTON. Senator Moss, you said in your opening sentence or paragraph that in your State both labor and management supported this bill insofar as you know.

Senator Moss. That is correct. They have called on me and indicated their support.

Senator MORTON. Do you know whether it is national, or is your knowledge of it knowledge which merely applies to your very progressive State?

Senator Moss. It applies only to representatives of my State. I have not discussed it with national representatives.

Senator MORTON. Thank you.

Senator TALMADGE. Senator Hartke, any questions?

Senator HARTKE. I have no questions.

Senator TALMADGE. Thank you, sir.

We appreciate your coming before us.

The next witness is Adm. William C. Mott, representing the U.S. Independent Telephone Association.

You may proceed.

STATEMENT OF WILLIAM C. MOTT, EXECUTIVE VICE PRESIDENT, U.S. INDEPENDENT TELEPHONE ASSOCIATION

Mr. MOTT. Senator, I would like to echo my support of what Senator Moss had to say and also what my friend, Frank Malone, had to say, because we have companies in the State of Utah which would be affected by this legislation, and they are certainly in support of H.R. 15119.

We also have a good many companies in your State, as you know, and Senator Hartke's State, Indiana, and in Senator Morton's State as well.

Senator TALMADGE. You represent General Telephone or just the smaller independents?

Mr. MOTT. General Telephone is a member of our association, and General Telephone has indicated its solid support of H.R. 15119.

I know that all of the Senators here at present are familiar with our association, but I think perhaps, for the record, I should state that we are a trade association representing some 93 percent of the independent telephone industry.

The independent telephone industry is about one-sixth of the size of Bell which, when compared with Bell, makes it rather small, but we have over 15 million telephones in our industry, which is roughly about twice as many as they have in the whole of the Soviet Union to serve some 230 million people.

Senator TALMADGE. I would say that is a substantial business, Admiral.

Mr. MOTT. Yes, sir.

Now, as in any trade association, Senator, policy is developed by going before our board of directors, which is made up of some 36 people, and there are representatives on our board from your State and from Senator Hartke's State.

This matter was brought before our board of directors, and they developed a policy which, of course, sets guidelines for me in appearing before this committee.

I would just like to read that policy. I will not bother to read my whole statement. I would prefer just to file that for the record.

Senator TALMADGE. You may proceed, and your statement will be inserted in the record, without objection.

Mr. MOTT. Thank you, Senator.

Our differences with some of the legislation which is pending are philosophical, and I think the philosophy is stated in this policy of our board which you will find on page 2 of the statement:

> The costs of unemployment compensation should be borne to the extent possible by those segments of industry which create unemployment. Stable employment industries such as the telephone business should not be burdened by taxation to provide benefits to unstable, volative businesses with poor employment records. To this end the association is opposed to the centralization of Federal unemployment compensation taxation but favors State programs with taxation according to experience ratings. The association is opposed to all forms of abuse of the unemployment compensation program such as drawing unemployment compensation at the same time as one draws benefits from private industry and/or government. The association is likewise opposed to the payment of unemployment compensation benefits to temporary help. Federal unemployment compensation programs should be of temporary duration and limited to recession periods.

Now, we believe that that philosophy is compatible with the provisions of H.R. 15119, and for that reason we support H.R. 15119 as it passed the House of Representatives.

The employment record in our industry, in the telephone industry, is good, and this in spite of the fact we have experienced great growth. We have, because of technological change, become very largely automated in the last 10 years, and, as everyone knows, in the telephone business, we have a very heavy seasonal demand at the seashore and in the mountains.

Senator TALMADGE. Admiral, may I interrupt at that point?

Mr. MOTT. Yes, sir.

Senator TALMADGE. You state your industry has become heavily automated. Do you have as many employees now as you did prior to automation?

Mr. MOTT. Yes, and you will find those figures on page 5 of my statement, Senator.

In 10 years, our segment has varied from 98,000 employees in 1958, to 107,000 employees in 1965.

In 7 of the 10 years, the employment figure was either 99,000 or 100,000 employees. In 1964, it jumped to 103,000; in 1965, to 107,000. So, it has remained relatively stable in spite of automation, but the growth, of course, has helped.

I think probably what we are saying in all this, Senator, is that we have a good record as employers, and we have good employment practices in spite of the many handicaps of our industry. We feel that employers of this nature should be encouraged by fair and equitable compensation legislation.

We do believe, in spite of the increases that it would cost, that H.R. 15119 represents that kind of legislation. We have a high but volatile turnover in our industry, and, of course, the reason for that is that many of our companies employ young females, and they experience 35 to 40 percent annual turnover in the female category.

The point we want to make, Senator, is that this turnover is voluntary and not caused by personnel practices in the telephone industry. Should our industry be penalized by taxation for voluntary separation such as proposed in H.R. 8282, and S. 1991, it will mean

that if we continue to hire young females there will be added a cost of doing business which will ultimately be paid by the telephone user.

We represent here the telephone users of the country and of our companies, because taxes would be passed along to them.

Now, emphasis on cost does not mean that we oppose the payment of unemployment compensation benefits. We do not. We believe that unemployment compensation should be paid to those where the need exists in overcoming the hardships of involuntary unemployment. We do not believe the Government should provide insurance benefits after 6 weeks' deferment for those who voluntarily become unemployed or who refuse job opportunity or training—in other words, to reward those who quit as well as those who refuse to try and train themselves to rejoin the work force.

We cannot agree with the philosophy that one quits his job of his own free will is converted into the ranks of the unemployed through no fault of his own simply because he stays unemployed for 6 weeks.

State control of unemployment compensation rates and policy is good in our experience.

Prior to my testimony before the House Ways and Means Committee, we surveyed a substantial percentage of our industry. In the companies involved, we found good liaison between the company and State unemployment compensation personnel, and this was the point that Mr. Malone made in his testimony, and we would like to emphasize that. This good liaison between the company and the State unemployment compensation is something we are afraid would be destroyed under the philosophy of some of these bills. What constituted a legitimate claim for unemployment compensation benefits seemed to be reasonably well known by our companies and, hopefully, the employees they dealt with in the State offices, The State authorities could reasonably be expected to be acquainted with the reasons for work force separations. This is particular true in rural areas which we serve.

For all these reasons, Mr. Chairman, we would like to continue these existing good practices, and we think they are continued in H.R. 15119.

That completes my statement.

(The prepared statement of Mr. Mott follows:)

STATEMENT OF WILLIAM C. MOTT, EXECUTIVE VICE PRESIDENT, UNITED STATES INDEPENDENT TELEPHONE ASSOCIATION

SUMMARY

(1) In a regulated industry such as the telephone, taxes are ultimately borne by the user, not the telephone companies. Since telephone service, a public utility, is not used uniformly, it should bear only those taxes which constitute a fair share of its responsibility. It should not bear taxes assessed because of the poor personnel practices or technical displacements of other industries.

(2) The Independent segment of the telephone industry has established an enviable record of low state unemployment compensation taxes even though it has large turnover, wide fluctuations in demand for service and has seen much growth and automation. This record has been established by prudent personnel practices.

(3) Employee turnover in Independent telephone companies exceeds 20% annually. Unemployment claims are less than 3½%. The difference between 20% and 3½% includes voluntary separations which would become potential claims under S. 1991 but not under H.R. 15119. The principal cause of high turnover is the industry practice of hiring female high school graduates who are

secondary wage earners and who follow the primary wage earner, be it parent or husband.

(4) The Association supports H.R. 15119 because—

(a) It continues experience ratings unchanged.

(b) It provides a program for recession.

(c) It establishes a wage base in an amount to cover those who are most frequently involved in turnover.

(d) It continues state control of unemployment rates and policy.

Mr. Chairman and Members of the Committee:

I am William C. Mott, Executive Vice President of the United States Independent Telephone Association, a trade association which represents over 93 percent of the Independent (non-Bell) telephone industry composed of some 2,400 companies. The members of this Association appreciate very much the opportunity you have given me as their spokesman to make their views known on a very important piece of proposed legislation, H.R. 15119.

Independent telephone companies serve over one-half the geographical service area of the United States. There are two states, Hawaii and Alaska, with entirely local Independent telephone company facilities. There are substantial Independent operations in states with relatively high unemployment compensation taxes such as Michigan, New York, California, Pennsylvania, and indeed Alaska. There are substantial operations in relatively low cost states such as Virginia, Iowa and Texas. Our companies operating in 49 of the 50 states are thus familiar with the operations of unemployment compensation law.

Though not as large as the Bell System, our Independent companies have over 100,000 employees with an annual payroll of over one-half billion dollars. One million stockholders have an investment in our business. The cost of our plant equipment exceeds six billion dollars and averages sixty thousand dollars per employee. Our companies paid an estimated one million dollars in federal unemployment compensation taxes and six million dollars in states taxes last year.

Policy in our Association is developed after deliberation by our Board of Directors. I was authorized to appear before both the House and Senate in support of policy on unemployment compensation legislation as follows:

"The costs of unemployment compensation should be borne to the extent possible by those segments of industry which create unemployment. Stable employment industries such as the telephone business should not be burdened by taxation to provide benefits to unstable, volatile businesses with poor employment records. To this end the Association is opposed to the centralization of Federal unemployment compensation taxation but favors state programs with taxation according to experience ratings. The Association is opposed to all forms of abuse of the unemployment compensation program such as drawing unemployment compensation at the same time as one draws benefits from private industry and/or government. The Association is likewise opposed to the payment of unemployment compensation benefits to temporary help. Federal unemployment compensation programs should be of temporary duration and limited to recession periods."

Operating under this policy directive I testified before the House Ways and Means Committee in opposition to a number of features of the bill then under consideration, H.R. 8282. However, H.R. 8282 was not adopted. Instead the House approved H.R. 15119 without the undesirable features of H.R. 8282. I now appear in support of the House-passed legislation.

Taxes in a Regulated Industry are a Cost of Operation

Telephone service rates are regulated inasmuch as we are a public service. Any increased cost in telephone operations must ultimately be paid by the individual subscribers. This includes taxes of all sorts. It likewise includes payroll taxes of suppliers which are reflected in the price of telephone equipment we buy. Thus, we are concerned with any increase in taxes which may be unfair in its application to telephone users.

Some people have the impression that telephone service is universal. If so, the taxes assessed upon the telephone industry would be paid by everyone. This is far from the truth. Only 80 per cent of the households and farms in this country now have telephone service. Twenty per cent, and this concerns those in the low income bracket, do not have telephone service. We have found that there is a direct relationship between the cost of service and the incomes of individuals. As incomes increase in relationship to local rates, more people take telephone service. We, of course, would like our local rates to be such as to

make telephone service as universal as electricity, water or postal service. For this reason our Association opposes *inequitable* taxes of all kinds imposed upon the telephone industry and the telephone rate payer.

A brief comment on the use of averages in our industry is in order. When we say that the national average of households with telephones is 80 percent and farms with telephones is 80 per cent this does not give a picture of the wide variation of telephone development that exists in this country. In the areas of high personal income and high farm income such as New York, Connecticut and the District of Columbia, telephone service is almost universal. However, in areas such as Mississippi and Arkansas, where personal incomes are low and farm incomes are likewise low, the telephone development is in the order of 60 per cent.

It should be noted, too, that regulation of local exchange telephone rates is on a state by state basis (except in Texas where municipalities provide the regulation). Thus local exchange rates vary from state to state depending upon costs of operation. This means that any time any item of cost whether it be a tax or minimum wage is enforced at the national level, it becomes arbitrary at the state level. For example, if a Federal tax is used to subsidize some states at the expense of other states this inequity is imposed on the local telephone rate structure.

Employment record of our industry is good

Our telephone operations in some locations are seasonal because outside construction cannot be economically done in extremely bad weather. People move frequently and there are peak moving dates. Five out of six telephone installations are for existing customers. It is not always economical, as in the case of water and electricity, to leave the means to provide service (telephone instruments) at all premises. If so, we could merely turn a valve or read a meter to give service to a new customer. We cannot do this. Considerable work is usually involved in a telephone installation. We have seasonal and resort locations where telephone traffic volume and demand is fluctuating. We are quite familiar with the seashore and mountain resorts. We have learned to live with seasonal operations.

Our industry has been facing automation since the first installation of dial telephone service before the turn of this century. Last year for the first time our industry exceeded the 99 per cent figure for dial operations. We, like our friends in the Bell System, have direct distance dialing for automation of toll calling. Our accounting is rapidly changing to data processing equipment.

Employment has remained relatively constant in spite of growth, automation and seasonal requirements. In ten years our segment has varied from 98,000 employees in 1958 to 107,000 employees in 1965. In seven of the ten years, the employment figure was either 99,000 or 100,000 employees. In 1964 it jumped to 103,000; in 1965, to 107,000.

What we are saying is that we are good employers with good employment practices in spite of many handicaps. Such employers as ourselves should be encouraged by fair and equitable unemployment compensation legislation.

We believe H.R. 15119 to be that kind of legislation and therefore support it.

High, but voluntary turnover exists in our industry

About half of the employees of our segment are females. Our industry makes a practice of hiring high school graduates for positions in the traffic, accounting and commercial phases of our business. These are good employees. But they get married and move with their husbands. Or their families move and they too must move. Many of our companies experience 35 to 40 per cent annual turnover in the female category. The point we want to make is that this turnover is *voluntary* and not caused by the personnel practices of the telephone company.

We may not like the amount of this turnover but we are realistic enough to realize that neither company practices nor unemployment compensation regulations keep the young female from marrying or from moving with her parents if unmarried. Should our industry be penalized by taxation for voluntary separations, such as proposed in H.R. 8282 and S. 1991, it will mean that if we continue to hire young females there will be the added cost of doing business which will ultimately be paid by the telephone user.

Our segment of the industry has low state unemployment compensation taxes. It is estimated that our companies pay 25 to 33⅓ per cent less than the national average even though some of our largest operations are in the high rate states. Our surveys indicate that the total dollars paid in unemployment compensation

taxes are much less than the unemployment compensation benefits paid claimants who were formerly employees of telephone companies.

We like H.R. 15119 because it retains experience ratings. Thus we are hopeful that our personnel practices will continue to be rewarded by low unemployment compensation rates. We want to continue to hire without penalty of higher rates, the young female who leaves us voluntarily.

H.R. 15119 more nearly meets our policy directive

Much of what I have covered is argument for the continuance of experience ratings. My testimony before the House Ways and Means Committee emphasized the additional cost to our segment of the industry were experience ratings to be abolished. It is estimated that state taxes alone would double or treble.

Emphasis on cost does not mean that we oppose the payment of unemployment compensation benefits. We believe that unemployment compensation should be paid to those where the need exists in overcoming the hardships of *involuntary* unemployment. We do not believe the government should provide insurance benefits after six weeks deferment for those who *voluntarily* become unemployed or who refuse job opportunity or training—in other words, to reward those who quit as well as those who refuse to try and train themselves to rejoin the work force. We cannot agree with the philosophy that one who quits his job of his own free will is converted into the ranks of the unemployed "through no fault of his own" merely because he stays unemployed for six weeks. When an employee leaves a job voluntarily he, like the entrepreneur who starts a new business, should assume the financial responsibility of his own actions. Otherwise, we believe uncontrollable abuses will arise and the costs will sky rocket. Today's effort to compensate the involuntarily unemployed will become tomorrow's problem of supporting those who choose not to work. If the principles of S. 1991 and H.R. 8282 are adopted, many people will be provided with sufficient incentive to remain unemployed while drawing benefits. Such legislation would be apt to introduce the custom of sabbatical leaves so well known in the academic world into the non-academic working force. In fact, under S. 1991 one wouldn't have to wait seven years to take a year off.

The United States Independent Telephone Association is in favor of constructive improvements in the unemployment benefit program. We believe as the result of our telephone operations in forty-nine states and the territory of Puerto Rico that any changes made in the program should conform to the following basic objectives:

(1) Incentive to employers to provide steady and expanding work should be nurtured.

(2) Similarly, unemployment compensation laws should encourage workers to seek and keep employment, and finally

(3) Unemployment compensation should be reserved for the involuntarily unemployed and should be based on their essential needs.

If recession comes, and we hope it does not, our ex-employees should be cared for. Normally those to be laid off in recession are those in the jobs with decreasing work loads. They are primarily the ones with the lower wage rates, because of having the lower seniority or service. If the pattern of the last depression is followed the salaried employees will be reduced in time worked and amounts paid. The more experienced, the higher paid workers, will be retained as long as possible.

The recognition of a recession requirement by H.R. 15119 is good. The compensation of practically all unemployed in good times and bad under H.R. 8282 and S. 1991 is unrealistic. The attempt to set national standards in dollar amounts overlooks the "need" feature and emphasizes the "compensation" feature.

Since the lower paid employees are the ones initially released in a recession, a nominal increase in the annual wage base such as proposed in H.R. 15119 is acceptable. However, we do not see any reason to tie this wage base to social security. The social security annual wage base is for all employees, not just for those laid off.

State control of unemployment compensation rates and policy is good. Prior to my testimony before the House Ways and Means Committee we surveyed a substantial percentage of our industry. In the companies involved we found good liaison between the company and state unemployment compensation personnel. What constituted a "legitimate" claim for unemployment compensation benefits seemed reasonably well known by our companies and hopefully the employees

they dealt with in the state offices. The state authorities could reasonably be expected to be acquainted with the reasons for work force separations. For example, in a predominantly rural state the return of female personnel after maternity leaves in small offices constitutes a greater problem than in states with the flexible forces of larger offices. Another example—in connection with the Florida law which was changed on July 1, 1965, there was recognition of the inequity of paying compensation benefits to individuals drawing social security. We like the close contact that exists between our larger companies and state unemployment compensation agency employees. We think this works toward improvement in state policy.

My Association sincerely hopes that your Committee and the Senate will accept the basic principles contained in H.R. 15119. We think it would be a mistake to return to certain of the proposals contained in H.R. 8282 and S. 1991.

I would like to extend my personal thanks and that of the Association to the members of the committee for the courtesy of listening to me today.

Senator TALMADGE. Senator Williams?

Senator WILLIAMS. No questions.

Senator TALMADGE. Senator Hartke?

Senator HARTKE. Let me ask you: Do you have in your industry individuals who are retired under your program and who are in a position where they continue to draw unemployment compensation?

Mr. MOTT. We understand that this has been possible in certain States, Senator. Whether it exists today, I do not know. I think in some States it does exist, and we are against, as we state in our board of directors' philosophy—we think this is an abuse of the system.

Senator HARTKE. Do you think that correction of that abuse would be a proper action of this Congress?

Mr. MOTT. Yes; I do.

Senator HARTKE. Senator Williams and I have been discussing that, and we are hopeful we can come up with something on that.

Senator TALMADGE. Senator Morton?

Senator MORTON. No questions.

Senator TALMADGE. Thank you very much, Admiral.

The next witness is Mr. Ford Lacey, Council of Louisiana Business and Trade Associations.

Mr. Lacey, Chairman Long would have been presiding this morning, but he was called to the White House for a 9:30 conference. I know he will regret not having the privilege of welcoming you to this committee.

Mr. LACEY. Yes, sir. I think he just returned from a visit to his home State early yesterday evening.

Senator TALMADGE. You may proceed, sir.

STATEMENT OF FORD S. LACEY, COUNCIL OF LOUISIANA BUSINESS & TRADE ASSOCIATIONS

Mr. LACEY. Mr. Chairman and gentlemen of the committee. My name is Ford Lacey. I am executive vice president of the Louisiana Manufacturers Association with headquarters in Baton Rouge. I appear here today, however, as a representative for 24 of our State's trade associations and employer organizations.

Gentlemen, we respectfully request your serious consideration of the position of Louisiana business, outlined herein, on proposals to specify Federal and State requirements on employment security and the taxes to finance them.

This position is coordinated, endorsed, and submitted by the business and trade associations of Louisiana named herein, with membership aggregating some 50,000 businesses.

Position of Louisiana business regarding H.R. 15119, entitled "Unemployment Insurance Amendments of 1966":

I. As part of the testimony and record, we request the privilege of incorporating the attached document of August 18, 1965, presented that day in behalf of the Louisiana Business & Trade Associations, to the Committee on Ways and Means with regard to H.R. 8282 (identical with S. 1991).

Senator TALMADGE. Without objection it will be inserted in the record at the conclusion of your oral presentation.

Mr. LACEY. Louisiana business remains firm in its opposition to H.R. 8282 and its twin S. 1991. This document was studied at length by that body to determine whether or not any employment security amendments would be imposed on the States. Since that document was filed less than a year ago, Louisiana's fund balance has grown to $147 million, sufficient to pay annual benefits of $45 million the highest payout in history) for more than 3 years, if not one single penny were collected during that time. Meanwhile although the Louisiana Legislature—labor and management concurring—increased benefits effective January 1, 1965, the legislature, only 12 days ago, with labor and management again concurring, increased benefits once more, effective August 1, 1966. The maximum benefit of $45 per week, now represents more than 50 percent of the median wage of the vast majority of Louisiana workers.

II. On July 7, 1966, just 12 days ago, the 1966 Louisiana Legislature adjourned sine die, after having been confronted with a recurring attack to void the principles of its sound employment security program. Louisiana business and the Louisiana Legislature have consistently preserved the intent of unemployment compensation:

(*a*) To provide a partial replacement of wages for short-term unemployment to those unemployed through no fault of their own, who are able, available, and willing to work.

(*b*) To determine unemployment benefits on a sound, economic, and fair basis both to the worker and to business, without reducing incentive to work, to retain work, or to seek work, and without diminishing incentive to employers to stabilize employment.

III. Meanwhile, during the 1966 Louisiana legislative session, the U.S. House of Representatives, by an overwhelming vote, passed H.R. 15119. Elected representatives of the people in the Louisiana Legislature are well acquainted with the salient provisions of that bill. They realize that passage of that measure questions their capacity to govern and to determine what is best for stable employment and the welfare and economy of the State, despite their most intimate knowledge of its condition and its people.

Passage of H.R. 15119 is recognized by them as a mandate to the Louisiana Legislature that:

(*a*) It must cover certain workers when in its judgment and consideration over many, many years, there has been and still is considerable apprehension that this can seriously hurt rather than aid the State's economy:

(*b*) It must increase its tax base when there is no foreseeable need for more funds;

(*c*) It must extend unemployment benefits beyond 28 weeks, when the U.S. Department of Labor, by application of a Federal formula, unaudited, unchecked, and unrealistic advises the regulated State agency to place the extension in effect.

IV. H.R. 15119 imposes an additional minimum Federal annual tax on Louisiana business of $8 million ($4 million immediately), when during the current year Louisiana business is paying more than $8 million in Federal tax solely for administration of multiple programs tacked on and to be tacked on to employment security, many of which programs Louisiana business does not think necessary.

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. The Louisiana Legislature has most adequately measured up to its responsibility in this field.

We feel confident that each and every member of the U.S. Senate Committee on Finance fully realizes how distasteful it will be to the Louisiana Legislature and to the legislature of many other States to be obliged by a Federal law to change their sound employment security program to conform to the wishes of individuals and groups who bear no part of the cost of the benefits or administration of the program.

Nevertheless, Louisiana business is of the considered opinion that the Committee on Ways and Means and the U.S. House of Representatives did eliminate from the original H.R. 8282 (identical with S. 1991), the most objectionable and welfare giveaway features that such bill proposed to impose upon the States.

Moreover, should the provisions of H.R. 15119 remain unchanged, the right will be preserved to the Louisiana Legislature so it could adjust its present law to conform and effect other changes that would continue and broaden the sound program it now has. The right would also be preserved to the Louisiana Legislature to increase benefits as needed, when needed, on a fair basis to the worker and to business, without reducing incentive to work or to seek work, and without diminishing incentive to employers to stabilize employment.

Accordingly, although Louisiana business is of the firm conviction that the Louisiana Legislature should not be required by the Federal Government to change its law, Louisiana business urges the Committee on Finance and the Congress of the United States that if any changes are made they should definitely be confined to the provisions of H.R. 15119.

This statement is coordinated, endorsed and respectfully submitted by:

American Rice Growers Cooperative Association.
American Sugar Cane League of the U.S.A., Inc.
Automotive Wholesalers Association of Louisiana.
Baton Rouge Chamber of Commerce.
Chamber of Commerce of the New Orleans area.
Construction Industry Association of New Orleans.
Deep South Farm and Power Equipment Association.
Deep South Retail Bakers Association.

Lake Charles Association of Commerce.
Louisiana Automobile Dealers Association.
Louisiana Building Material Dealers Association.
Louisiana Dairy Products Association, Inc.
Louisiana Farm Bureau.
Louisiana Forestry Association
Louisiana Highway and Heavy Construction Branch of Associated General Contractors of America.
Louisiana Manufacturers Association.
Louisiana Oil Marketers Association.
Louisiana Restaurant Association.
Louisiana Retailers Association.
Louisiana State Chamber of Commerce.
Louisiana Wholesale Grocers Association.
Louisiana Wine & Spirits Foundation, Inc.
New Orleans Steamship Association.
Shreveport Chamber of Commerce.
Shreveport Wholesale Credit Men's Association.

Thank you, gentlemen, for the opportunity of appearing before you here today.

(The attachment previously referred to follows:)

BATON ROUGE, LA., *August 8, 1965.*

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
U.S. House of Representatives,
Washington, D.C.

GENTLEMEN: We respectfully request consideration of the Position of Louisiana Business outlined herein, on proposals to specify both federal and state requirements on employment security and the taxes to finance them.

This position is coordinated, endorsed and submitted by the business and trade associations of Louisiana named herein, with membership aggregating some 50,000 businessmen and women.

POSITION OF LOUISIANA BUSINESS WITH REGARD TO H.R. 8282 OF THE 89TH CONGRESS OF THE UNITED STATES TITLED—"EMPLOYMENT SECURITY AMENDMENTS OF 1965"

I. There is no indication of present or future need for the United States Congress to order the Louisiana Legislature to change the amount or measure of its State Unemployment Tax when it is already established to meet the cost of any foreseeable unemployment benefits.

II. There is no evidence whatsoever that Louisiana's present tax base is in any way a deterrent to increasing benefits.

III. There appears to be no justification to more than double the Federal Unemployment Tax in Louisiana to meet the needs of Louisiana's unemployed.

IV. By forcing each state to adopt a federal formula to compute an average statewide weekly wage and benefit, H.R. 8282 seeks to preempt the responsibility of Louisiana's governor and its legislature in determining what is best for the general economic good and the stabilization and security of employment for its citizens.

V. There is no justification to deny the Governor and the Legislature the right to determine and legislate according to their initimate knowledge of their people, and continue provisions that will strengthen incentive to seek, to obtain and to retain employment.

VI. Mandatory extension of coverage of certain groups immediately, and coverage of others specifically planned in this bill as quickly as possible, would override the Louisiana Legislature which has frequently and seriously considered the adverse effects this would have on the economy and the employment stability and security of many groups.

VII. Before changes in federal standards are suggested to Congress, it is recommended that an Advisory Commission, chosen impartially within and by each state, be required to study the proposals and make its recommendation to the Legislature and to the Committee on Ways and Means.

I. There is no indication of present or future need for the United States Congress to order the Louisiana Legislature to change the amount or the measure of the State Unemployment Tax, when it is already established to meet the cost of any foreseeable unemployment benefits

Approximate present balance in Louisiana Unemployment Trust Fund is $124 million, representing 4% of total annual earnings of those covered by the law and 6.5% of annual taxable earnings. Incidentally, according to the U.S. Department of Labor, total fund balances in all of the States is $7.137 billion, an all-time record. ("Unemployment Insurance Statistics," June, 1965, page 6, U.S. Department of Labor.)

Louisiana's employment security annual tax income is now approximately $39 million, while annual benefit cost is now approximately $27 million. Assuming that the estimates of the U.S. Department of Labor of the average increase in benefit costs of 17% that H.R. 8282 would cause might accidentally apply to Louisiana, there would still be an annual increase in reserve funds. Accordingly, there is absolutely no justification for the federal government to force the enactment of a revised Louisiana tax system.

Moreover, should Louisiana's unemployment benefit cost double ($54 million annually), Louisiana's present statute would trigger increased rate schedules and, on present taxable wages, this would yield a tax income of more than enough to offset the increase. In fact, present fund reserve would be equivalent to 2.3 years benefit payout at twice today's outgo, without the necessity for any tax income whatsoever during that period. Why, then, should the Congress order Louisiana to increase its tax base to $5,600 and later to $6,000?

Section 208 of H.R. 8282 (for the time being), permits the States to prescribe "a reduced rate . . . to a pooled fund," and "reduced rate" is defined as "a rate of contributions lower than 2.7%." Interpretations of this section vary. Will only one uniform flat rate below 2.7% be permitted? Will the Congress "permit" the Legislatures to prescribe escalated rates according to experience? Regardless of the answer, H.R. 8282 forces a clash between management and labor before each legislature. Depending upon the balance of power prevailing at the time in a particular legislature, this forced situation creates an unfair advantage for one or the other. Thereby, the Congress of the United States would be directly entering into management-labor relations within every State.

In Louisiana the result could be an annual increase in tax of more than $40 million on employers. Particularly since no additional funding is necessary this would impose a gross injustice on Louisiana business. *Moreover, the State constitution prohibits a tax increase or an increase in the measure of a tax without a two-thirds affirmative vote of both houses of the Legislature.* An edict of the *type prescribed in H.R. 8282 would be a directive leaving the elected representatives of the people no choice.*

II. There is no Evidence Whatsoever that Louisiana's Present Tax Base is in any way a Deterrent to Increasing Benefits

Louisiana's statute determines weekly benefits on total wages earned in a calendar quarter and annual benefits are computed on total earnings in a base period. It has done this for more than 20 years. The tax base has remained constant at $3,000 maximum, but benefits have been increased by five different Legislatures during that period.

Louisiana weights its benefit formula to provide for aproximately 66⅔% of the individual's average high quarter weekly wage in the lower earnings' brackets. *This is appreciably higher than the minimum prescribed in H.R. 8282, and has been in effect for more than 17 years.*

For those whose high quarter earnings average more than $67 per week, a weekly benefit of 52% is prescribed up to $40.

The individual's taxable wage at no time in more than 20 years had anything whatsoever to do with the Legislature's determination of either the weekly benefit amount or its duration.

Financing the benefit is separate and apart. It could be done on a $1,000 tax base with a higher tax rate except that federal law since 1936 made $3,000 mandatory.

During the past 28 years, 70% of the States have found that they can adequately finance benefits, whatever they might be, with a $3,000 tax base. No state, other than Alaska, among the remaining 30% has found it necessary to extend its base beyond $4,200 to provide adequate financing.

H.R. 8282, in principle, infers that all 50 States are wrong.

III. There Appears to be no justification to more than Double the Federal Unemployment Tax in Louisiana to meet the needs of Louisiana's Unemployed

Since 35 States have found that a $3,000 tax base is ample to finance unemployment benefits, and 14 others have found that a tax base between $3,000 and $4,200 is adequate, it would seem that the paramount purpose of H.R. 8282 in raising both the rate and the tax base is to collect more federal unemployment taxes. The federal government's estimate on this is that its annual collections will increase from about $500 million per annum to $1.5 billion per annum. What is the purpose?

The preamble or purpose of the bill states: "To provide for the establishment of a program of Federal unemployment adjustment benefits, to provide for matching grants for excess benefit costs, to extend coverage, to establish Federal requirements with respect to unemployment compensation, to increase the wage base for the Federal unemployment tax, to increase the rate of the Federal unemployment tax and to provide for a Federal contribution, to establish a Federal adjustment account in the Unemployment Trust Fund, to change the annual certification date under the Federal Unemployment Tax Act, to provide for a research program and for a Special Advisory Commission, and for other purposes."

There is no reference in this preamble or purpose to Louisiana or any other State. Nevertheless, unless Louisiana and the other States change their laws, this bill requires the withdrawal of federal administrative funds and additionally would impose a federal penalty tax on each Louisiana employer up to $178.20 per year for each of his employees. Total federal unemployment taxes from Louisiana employers could then amount to approximately $91 million per annum.

On the other hand, should Louisiana conform, the present annual collections of federal unemployment tax from Louisiana employers would be increased from approximately $7.6 million to more than $15.4 million annually.

This type of penalty legislation in prior federal standards bills was referred to as "encouraging" the States to amend their laws.

Why is $1.5 billion a year from employers now requested by the Department of Labor instead of $500 million now being received from employers?

Under present law the States now are reimbursed by Congressional appropriations from the federal unemployment fund for the *approved* administrative expenses of their State's Employment Security Division, including salaries, retirements, rentals, travel, stationery, etc.

During the 28 years of employment security, the State of Louisiana has received administrative funds from the federal government amounting to *only slightly more than half of the net federal unemployment tax collected from Louisiana employers.*

Although the federal unemployment tax computed on present annual taxable payroll in Lousiana is approximately $7.6 million, the current fiscal year administrative budget of approved reimbursement by the Federal government for the Louisiana Division of Employment Security is $5.5 million.

There is no doubt that present annual collections of more than $500 million in federal unemployment taxes is more than ample to meet administrative expenses connected with employment security at both the federal and state levels and still provide a loanable reserve up to $500 million should any state now have a financial problem.

Accordingly, the sole purpose of the additional federal tax which H.R. 8282 would impose by increasing both the rate and tax base is to bring the federal government on a permanent basis into the field of paying unemployment benefits to anyone and everyone as soon as they have received as much as they can from any State.

In addition to the extra billion dollars to be collected annually in federal unemployment taxes, the bill provides that up to $1 billion more would come from federal general revenues, bringing the total close to $2 billion a year to pay such federal benefits.

(a) Louisiana Business agrees that the community has a responsibility to provide a partial replacement of lost wages for a reasonable period for those out of work through no fault of their own, who are able to work, available for work, and willing to accept suitable work at the prevailing rate in the community. Louisiana's Employment Security law adequately provides for short-term unemployment benefits up to 28 weeks occasioned by local business reversals. That responsibility has been borne by Louisiana employers for 28 years and they will continue to meet that responsibility with no help whatsoever, by loan or otherwise, from the federal government.

(b) Louisiana Business is not unsympathetic 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.

(c) Such a national problem does not exist and from all published reports of the United States Department of Labor, it is not anticipated in the foreseeable future. Moreover, under the recently expired federal extended unemployment compensation program, some $760 million was expended by the federal government over a period of *two years*, or $380 million per year.

(d) Congress refused to re-enact that program. In these times, certainly there is no need for providing up to as much as $2 billion a year for extended unemployment.

(e) Congress in the interim has enacted the Area Redevelopment Act, the Manpower Development Training Act, the Anti-Poverty Program, various training, and other miscellaneous benefit programs.

Even if a national condition of unemployment develops in the future, Louisiana Business believes the federal government should finance from general revenues temporary extensions of benefits and not unfairly impose that burden on those who pay wages and who had in no way created a national problem.

IV. By forcing each state to adopt a federal formula to compute an average statewide wage and benefit, H.R. 8282 seeks to preempt the responsibility of Louisiana's Governor and its legislature in determining what is best for the general economic good, stabilization and security of employment for its citizens

H.R. 8282 prescribes:

(a) A formula which every State must use in determining their Statewide average weekly wage.

(b) That the State's maximum benefit must be no less than

(1) 50% of that average for benefit years beginning July 1, 1967 through June 30, 1969.

(2) 60% of that average for benefit years beginning July 1, 1969 through June 30, 1971.

(3) 66⅔% of that average for benefit years beginning on and after July 1, 1971.

With regard to (a) above—the federal formula to determine the Statewide average weekly wage:

H.R. 8282 prescribes that all states must use the following definition:

"(5)'Statewide average weekly wage' means the amount computed by the State agency at least once each year on the basis of the aggregate amount of wages, irrespective of the limitation on the amount of wages subject to contributions under such State law, reported by employers as paid for services covered under such State law during the first four of the last six completed calendar quarters prior to the effective date of the computation, divided by a figure representing fifty-two times the twelve-month average of the number of employees in the pay period ending nearest the fifteenth day of each month during the same four calendar quarters, as reported by such employers."

For a number of years the United States Department of Labor has vigorously urged the Louisiana Division of Employment Security to sponsor almost identical legislation in Louisiana. In turn, that division has publicly recommended in print to the Governor and to each member of the Louisiana Legislature the passage of such a bill. The Legislature has refused to adopt that federal recommendation.

Applying that formula to the last published figures (Fourth Quarter 1964) of the Louisiana Division of Employment Security, the Statewide average weekly wage here would be $102.16. H.R. 8282 then would make Louisiana's maximum weekly benefit not less than:

(a) $52 (compared with present $40) for benefit years July 1967 through June 1969

(b) 60% or $62 for benefit years July 1969 through June 1971

(c) 66⅔% or $69 for benefit years July 1971 and thereafter.

Obviously, the method of computing a statewide average weekly wage prescribed in H.R. 8282 doesn't produce a true average as indicated below:

Number of employees

Industry classification	State of Louisiana Employment Security Division's average of averages as of 15th of month [1]	Actual number working in industry [2]
1	2,830	[3] 3,394
2	43,417	49,300
3	64,345	76,900
4	154,358	157,300
5	75,091	84,700
6	177,311	196,300
7	32,259	40,200
8	62,533	120,600
	612,153	728,494
Average weekly earnings	$102.16	$86.31

[1] Projected on annual basis from table 2, 4th quarter 1964 total wages, published June 1965, by Louisiana Division of Employment Security.
[2] Total workers in same industries indicated in Louisiana Labor Market, April 1965, by same agency
[3] Total not indicated in April 1965 publication, but shown as 3,394 for September 1964 on total wage report

Almost every employer lists on his quarterly report of total wages more individuals receiving wages during the period than the average number of employees actually on the payroll as of the fifteenth of each month. Accordingly, the federal formula yields a statewide average weekly wage considerably higher than a true mathematical average.

Depending upon the distribution of employment in a given state among the federal industry classification codes (now adhered to by all state agencies by federal edict), the use of the formula in H.R. 8282 can be quite discriminatory to both employers and beneficiaries depending upon the composition of a State's economy.

With regard to subparagraph (b) above, the question of a reasonable weekly benefit and what effect on incentive to work might result from increasing the maximum have been most carefully weighed by numerous committees and the Legislature.

It is typical in Louisiana that unemployment claims increase immediately following an increase in statutory maximum benefit. Louisiana's maximum benefit was increased effective January 1, 1965. Despite the fact that there has been unprecedented employment this year, more claims were filed each month in 1965 as compared with those filed in the corresponding months last year when employment was below normal.

Testimony year after year before the Louisiana Legislature evidences the fact that a large number of claimants particularly in several industry classifications make themselves unavailable for work as long as their State unemployment benefits continue.

Increasing that benefit concurrently with eliminating almost all of the disqualifications in State law cannot possibly preserve incentive to work.

V. There is no justification to deny the Governor and the legislature the right to determine and legislate according to their intimate knowledge of their people and continue provisions that will strengthen incentive to seek, to obtain and to retain employment

H.R. 8282 would make it mandatory for Louisiana to pay full unemployment benefits to:

(a) Those who quit work for any reason whatsoever
(b) Those who are discharged for misconduct
(c) Those who wilfully impair the rights, damage or misappropriate the property, or damage the reputation, of the employer
(d) Those who will not apply for available suitable work or who refuse such work when offered.
(e) Those drawing private and/or public pensions
(f) Those not available for work because they are drawing compensation for various training programs.

Louisiana could deny benefits only to:

(a) Those *convicted* of a crime arising out of work
(b) Those whose unemployment was due to a labor dispute
(c) Those *proven* guilty of fraud in obtaining benefits

Louisiana's disqualification ratio is among the lowest in the nation. (*And according to the record the vast majority of these easily purge themselves of such disqualifications by returning to work.*) Yet 48% of such disqualifications are for leaving good jobs for no good reason connected with their work; 20% are for misconduct on the job and 17% are for not being available or able to work. ("Unemployment Insurance Statistics," page 12, June 1965, U.S. Department of Labor.)

H.R. 8282 would require that all of these receive full benefits from Louisiana.

For the past several years, the U.S. Department of Labor has prevailed upon the Louisiana Division of Employment Security to recommend vigorously to the Governor and to the Louisiana Legislature the enactment of almost identical provisions.

The Legislature has consistently refused to adopt those changes because it believed that unemployment benefits were originally and now are intended *only for those out of work through no fault of their own, who are able to work, available for work and willing to accept suitable work at the prevailing rate in the community.*

Louisiana Business does not believe that government should demand that employers who paid a worker for 20 weeks work would then be forced to finance an additional 52 weeks at half pay for that employee for no work regardless of the the reason for his separation from work and whether he wished to take a job in a period of full employment.

In Louisiana, as elsewhere, conscientious workers who must provide major financial family obligations certainly prefer wages to unemployment benefits. Prescribed disqualifications have little, if any, effect on them. Removal of disqualifications, however, would considerably lessen incentive to work for many thousands of Louisiana employees who have only themselves to support or whose wages are merely supplemental to family needs.

Louisiana Business is convinced that it would be grossly discriminatory to the conscientious worker to force Louisiana to pay tax-free half pay to those who choose not to work or who become unemployed through their own fault.

The concern is not only the increased cost attendant on removal of disqualifications, but to a far greater extent there is alarm about the effect it will have on availability of workers, particularly in a time of rapid and essential economic growth in Louisiana. Additionally, and in the long run, the most damaging effect of all, is the undermining of morale that will be caused by an increased and recurring spectacle of benefit recipients who are able but unwilling to work.

Accordingly, the eagerness of proponents of H.R. 8282 to pay increased unemployment benefits to those who remove themselves from an active labor market does not justify the Congress *to deny the Governor and the Louisiana Legislature the right to retain their employment security provisions which were enacted by them in their considered judgment, knowledge and experience to preserve incentive to seek, obtain and retain work.*

VI. Mandatory extension of coverage of certain groups immediately, and coverage of others specifically planned in this bill as quickly as possible, would override the the Louisiana Legislature which has frequently and seriously considered the adverse effects this would have on the economy and the employment stability and security of many groups

Only once in 29 years has the Congress seen fit to violate the implied agreement that the States would determine their own employment security measures. That was in 1955 when federal standards were changed to force the states to cover employers of four or more rather than eight or more.

Fifteen years before such action, Louisiana in its own judgment had extended such coverage. Since then thousands of manhours have been devoted to the study of the economic advisability of further extension by many groups and by the Legislature. The legislature until now has not found it to be in the best interest of the state's economy and employment security to cover certain groups. Some 25 State Legislatures, however, have along the way covered employees in various and specified groups in accordance with their judgment of what was best for the general good in their particular area.

H.R. 8282 would deny the Louisiana Legislature and the 49 other States (including the 25 which now cover one or more only in specified employment) the right to determine and legislate according to their judgment and knowledge what specific inclusion or exclusion would contribute most to the State's own stabilization and employment security.

Certain fundamental principles are basic to the proper functioning of the unemployment compensation system. Demands made on the system will vary from State to State because of differences in industrial, economic, and social characteristics. What may be sound policy for one State may be unsound for another in this as well as other programs. It is neither fair nor sound to establish a standard based upon a high industrial economy for application in a non-industrial State or a semi-agricultural-industrial community.

As the economy of a State changes, the Legislature recognizes it immediately and acts to adjust its programs, including employment security, to meet the challenge of the new economic structure. In principle H.R. 8282 implies that the Legislatures have not done this and therefore do not have the capacity to determine what is best for the general good.

The bill provides:

(a) Extension of coverage to certain workers effective July 1, 1966; and

(b) Establishment of Plans as soon as possible to extend coverage to all groups with first attention to agricultural workers, migratory workers, domestic workers in private households and employees of States and their political subdivisions.

(a) Extension of Coverage to Certain Workers Effective July 1, 1966

(1) Anyone who pays wages to an individual on any day (unless that worker is specifically excluded by federal law) would be subject to the tax.

(2) Employees of religious and non-profit organizations not presently covered would come under the law if they received $15 or more per week.

(3) Agricultural organizations now exempt would no longer be exempt if in any calendar quarter they used 300 or more "man-days" of farm labor. A "man-day" is defined as any day on which a hired person worked, regardless of the time worked.

Examples would be 4 men for 75 days, or 10 men for 30 days or 30 men for 10 days or 300 men for one day. Should any of these or other combinations exist in a calendar quarter, the farm or organization would be subject to tax on all of its employees for the calendar year.

Organizations, now exempt, which would be subject include stock, dairy, poultry, fruit, fur-bearing animal and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural commodities, orchards, etc.

(4) Other workers, now exempt, such as agent-drivers, outside salesmen and similar occupations.

Here again the Louisiana Legislature must have had good and sufficient reason to legislate for the general economic good of the State and its people and in the interest of employment stabilization and security. These same measures have often been proposed and the Legislature in its combined knowledge and judgment consistently declined to enact them.

Obviously, the Committee on Ways and Means could not be expected to have the benefit of the many discussions, hearings and deliberations of Legislative Committees on this subject year after year for the past decade. Neither can a concise summary of all of these now be submitted. However, a few basic objections to coverage now proposed might afford the Committee a sample of the objections in each of the above categories, as follows:

(1) There is no accurate count of the additional small Louisiana employers now proposed to be brought under the statute. However, a recent estimate is about 25,000 small businesses, comprising small service shops, retail outlets, lawyer, doctor, accounting and non-professional offices and others with one, two or three employees.

Ordinarily there is little or no turnover except to advance to a better paying job in these categories. Among the many objections, the tax that would be imposed is minor. The major objection is that it becomes more difficult to keep employees who are more critically essential in continuous operations of a small unit when unemployment benefits, particularly where no disqualifications may be imposed, become greater and greater. This becomes aggravated when jobs are plentiful and easily secured after benefits have been exhausted.

(2) A large percentage of employees of religious and non-profit organizations work sporadically. There has always been a dearth of such workers in Louisiana. It has been considered bad for the economy to encourage such workers to seek tax-free benefits for 26 weeks as soon as they have

worked 20 weeks, thus increasing the dearth of workers in the many worthwhile and even vital services performed by such organizations.

(3) Various independent groups have made exhaustive studies in various fields of seasonal work in Louisiana, so that:

(a) In 1952 the Louisiana Legislature unanimously excluded those engaged for a very short time each year in drying rice.

(b) In 1956, it again overwhelmingly excluded those engaged a very short time each year in ginning moss and in the handling, care and sale of nursery stock.

(c) In 1960 the Louisiana Legislature adopted a seasonal provision applicable to annually recurring production periods in agricultural related production that did not exceed 16 weeks. Workers in those periods can draw benefits commensurate with their earnings in the posted season.

In each of these cases, studies had been conducted for a long period. Among the paramount reasons for adoption was that the Legislature was fully convinced that the vast majority of workers engaged in such production *did not have this occupation as their principal pursuit,* and that benefits became supplemental to their continuing self-employment income during the non-posted period. Among such pursuits are fishing, trapping, hunting, truck-farming, etc.

Practically all Louisiana farm owners and operators, to the maximum extent possible, spread the work of improvement and maintenance to provide continued employment, outside of planting and harvesting season, for their regular work force who do not have self-employment.

Considered opinion of those groups coordinating good farm management is that if benefits are made available to such workers, there will be no incentive to the worker or the agricultural producer to stabilize employment. Inevitably the taxes paid on the earnings of those workers would be insignificant compared with amount of benefits drawn. A subsidy tax thereby falls on all employers and government. Vast improvements accomplished during the past several years in Louisiana in farm connected production management with the aim of a completely self-supporting industry would thereby be impaired.

Louisiana's dependence on agricultural production is far greater than many states. The effect of H.R. 8282 on that industry here would be considerably greater than in those states.

(4) Coverage proposed for agent-drivers, outside salesmen and similar groups is in effect making unemployment benefits available to the self-employed. The natural sequel would be to extend benefits to individuals in independent trade, occupation, profession or business and obtain the tax from the businesses they served. Such a bill was submitted in 1964 with no success to the Louisiana Legislature.

(*b*) *Establishment of Plans to Extend Coverage as soon as Possible to all Groups with First Attention to all Agricultural Workers, Migratory Workers, Domestic Workers in Private Households and Employees of States and their Political Subdivisions*

H.R. 8282 sets up machinery to plan to extend coverage as quickly as possible to:

(1) All agricultural workers

(2) Migratory workers, who apparently would have no incentive to work as soon as they had enough weeks of employment to draw full benefits

(3) Domestic workers in private households, who certainly would be sorely tempted by tax-free remuneration for not working

(4) Employees of Louisiana and of all of its political subdivisions. There are presently 143,000 such employees. Annual comparative employer unemployment taxes, federal and state, would amount to more than $31 million to come from any source determined by the Legislature

The coverage of the above, according to the bill, is in the planning stage. *It does not provide for the Louisiana Legislature to have a voice in the determination other than to provide the tax money.*

VII. Conclusion and recommendation

Every proposal made in H.R. 8282, with the exception of paying federal unemployment benefits, has been presented time and time again to the Louisiana Legislature for its consideration.

The Legislature Consistently Declined to Adopt a Single One of Such Proposals.

H.R. 8282 would demand that the Legislature now rescind or amend the entire structure of its statute, principally among which are: R.S. 23:1471—1472—1536—1540—1542—1592—1595—1596—1600—1601—1711—1713.

The result would be a federally dictated law with a Louisiana label.

Louisiana, and presumably every other State, had good and sufficient reason to enact and subsequently amend practically each section of its law during the past 28 years. If enacted, the bill could be considered an indictment by the Congress of the United States that the Louisiana Governors and the Legislatures did not then nor do they now have the capacity to govern.

Certainly, the Committee on Ways and Means would find it difficult to fully evaluate the financial, economic and sociological effects that the mandatory changes would have on Louisiana. Presumably, the United States Department of Labor did not properly evaluate the possible effects when it issued its estimates *uniformly* to all State Employment Security Divisions, to the effect that the average increase in benefit costs by reason of formula change for high quarter states would be 8% for the first two years, 14% for the next two years and 17% thereafter.

Confidence of Louisiana diminishes year after year in the assumptions and estimates presented to Congress by the Department of Labor. As an example, only two years ago that department's estimate for hospitalization for the aged was that it could be financed by as little as $24 per year per worker. Its revised estimates this year resulted in the enactment of an additional tax for that purpose amounting to as much as $105.60 per year per worker.

In fact, Title III—Miscellaneous, Section 301 of H.R. 8282, infers at the outset that the Secretary of Labor doesn't know the effects. Accordingly, that section provides that the Secretary, *a major proponent*, independently name an Advisory Commission to begin its studies of such effects *three years after enactment* and report its findings *to him five years after enactment.*

In these times of relatively full employment and numerous federal cover-all programs, there is no urgency for passage of this type of legislation.

Louisiana Business respectfully urges the Committee on Ways and Means to reject the proposals of H.R. 8282 and preserve to Louisiana the right and the responsibility of legislating in the field of employment security according to the will of the people.

LOUISIANA BUSINESS RECOMMENDS

Enactment of a requirement that an Advisory Commission be established within and by each State, comprised equally of members of management, labor and the public, named in a manner prescribed by its Legislature. Such Commission would be required to study and timely report its findings and recommendations to the Legislature. The Legislature would be required to make its report and recommendations to the House Ways and Means Committee. Until that was accomplished no changes in the Federal Unemployment Act would be proposed to the Congress.

There are ample funds available in the Federal Unemployment Account to appropriate sufficient money to the States to do this job.

Coordinated, endorsed and respectfully submitted by:

American Rice Growers Cooperative Association.
American Sugar Cane League of the U.S.A., Inc.
Automotive Wholesalers Association of Louisiana.
Baton Rouge Chamber of Commerce.
Chamber of Commerce of the New Orleans Area.
Construction Industry Association of New Orleans.
Deep South Farm and Power Equipment Association.
Deep South Retail Bakers Association.
Louisiana Automobile Dealers Association.
Louisiana Building Material Dealers Association.
Louisiana Dairy Products Association, Inc.
Louisiana Farm Bureau.
Louisiana Highway & Heavy Construction Branch of 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.
Louisiana Wine & Spirits Foundation, Inc.
New Orleans Steamship Association.
Shreveport Wholesale Credit Men's Association.
The Waterfront Employers of New Orleans.

I Hereby Certify that the 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.

Senator TALMADGE. Senator Williams?
Senator WILLIAMS. No questions.
Senator TALMADGE. Senator Gore?
Senator GORE. No questions.
Senator TALMADGE. Senator Morton?
Senator MORTON. I take it from your statement that you do not want anything, but if you have to take something, you will take the House bill; is that about it?
Mr. LACEY. That just about summarizes it; yes, sir.
Senator TALMADGE. Thank you very much, Mr. Lacey.
Mr. LACEY. Thank you.
Senator TALMADGE. The next witness is Mr. Paul P. Henkel, Council of State Chambers of Commerce.
You may proceed, sir.

STATEMENT OF PAUL P. HENKEL, CHAIRMAN, SOCIAL SECURITY COMMITTEE, COUNCIL OF STATE CHAMBERS OF COMMERCE: ACCOMPANIED BY WILLIAM R. BROWN, ASSOCIATE RESEARCH DIRECTOR

Mr. HENKEL. Mr. Chairman and members of the committee.
My name is Paul Henkel. I am manager of payroll taxes for Union Carbide Corp. and I am chairman of the Social Security Committee of the Council of State Chambers of Commerce. I appear here today to present the views of that committee and the member State chambers of commerce in the council which have specifically authorized me to appear in their behalf and which are listed at the end of this statement.
Appearing with me today is Mr. William R. Brown, the associate research director of the council.
Mr. Chairman, in the interests of time, I will try to abbreviate my statement and request that the statement and the attachments be included in the record as though read.
Senator TALMADGE. Without objection, they will be inserted in the record following your oral presentation.
Mr. HENKEL. We are appearing today to urge that your committee refrain from amending H.R. 15119 by adding provisions of H.R. 8282 or its counterpart S. 1991 which were rejected by the Ways and Means Committee and the House of Representatives. We recommend that you give favorable consideration to H.R. 15119 as passed by the House.

At the outset we wish to point out that our statement represents the broadest positive approach obtainable in reflecting the varying opinions of State chambers of commerce and individual companies, both large and small. We urge your committee to consider the import of this broad consensus of the employer community that H.R. 15119 should be approved without further amendment. Surely it is no secret that employers throughout the country were forced by the extreme provisions of H.R. 8282 to rise up in protest. It should be significant, therefore, that business and industry is coming forward at this time to support H.R. 15119 despite the fact that some of its important provisions are not consistent with the views of the employer community.

Senator GORE. May I ask a question there?

Senator TALMADGE. Yes.

Senator GORE. Isn't this the first time that the business community has given its support to an unemployment compensation bill?

Mr. HENKEL. As a whole bill, sir, perhaps that is true. I would imagine that there have been previous times where business and industry have supported portions of a bill.

Senator GORE. I do not raise that as a point of criticism. In the years that I have been closely associated with this program and this legislation, I believe this is the first time I have seen this broad, possible support for a bill to improve unemployment compensation.

Mr. HENKEL. Yes, sir.

Mr. BROWN. If I might add, Mr. Chairman, I believe there was some legislation some years ago regarding the Reed loan fund which had general business support, but they have not generally supported Federal changes. It is quite common for business groups to support improvement in State laws at the State level.

Senator GORE. One other point, with respect to your statement: You referred to the employer consensus; I hope there is an employee consensus that is worthy of consideration.

Mr. HENKEL. Certainly there is, sir, but we cannot speak to that consensus.

Senator GORE. I was not asking you to speak to that.

Mr. HENKEL. If I might add, sir, we have seen a private opinion poll which indicated that some 7 or 8 out of 10 individuals do not favor the Federal Government creating benefit standards for the States or setting maximum duration.

Senator GORE. You are referring now to the so-called Federal Standards?

Mr. HENKEL. Yes, sir.

Senator GORE. Thank you very much.

Senator TALMADGE. You may proceed, sir.

Mr. HENKEL. H.R. 15119 is, as the Ways and Means Committee said in its report, "the product of the broadcast and most intense review this committee has given to the unemployment compensation program since it was enacted in 1935." This remarkable task, performed with the aid of the Interstate Conference of Employment Security Agencies, and the overwhelming 374–10 vote of approval in the House, compel the conclusion that this bill will be generally acceptable to the public.

UNDESIRABLE PROPOSALS REJECTED BY THE HOUSE

Of major concern to employers who are the taxpayers in this instance are the proposals contained in H.R. 8282 that were considered but were rejected, by the Ways and Means Committee. Such proposals:

(1) Would have permitted the elimination of the "experience rating" tax system which rewards employers with lower tax rates for providing stable employment.

(2) Would have imposed Federal standards for the amount and duration of benefits and for eligibility and disqualification provisions in State laws.

(3) Would have established a Federal program for a half year of extended benefits payable after exhaustion of State benefits and payable in good times as well as bad times.

(4) Would have increased the taxable wage base to $5,600 in 1967 and to $6,600 in 1971.

Employers generally will vigorously oppose any efforts to amend 15119 with proposals such as these. In lieu of presenting repetitious information, we respectfully refer your committee to prior testimony of the Council of State Chambers of Commerce in opposition to these proposals. This testimony was presented by a panel of five witnesses and is set forth on pages 992 through 1069 of volume 3 of the Ways and Means Committee hearings on H.R. 8282.

CASE NOT MADE FOR FEDERAL BENEFIT STANDARDS

Of prime importance to employers is the fact that the Ways and Means Committee correctly concluded that the proponents of Federal benefit standards had not made a convincing case; thus, that committee rejected their proposals. We do not believe it is appropriate, necessary, or desirable for State maximum weekly benefit standards to be set by the Federal Government. We do not agree that Congress can be the best judge of local needs and circumstances in a given State. Moreover, any other alternate Federal benefit standard other than those already suggested, which is computed as a percent of either a statewide after-tax average weekly wage or an average weekly wage of all claimants, would still be objectionable as a matter of principle.

We contend that the States as a whole have made substantial progress in improving benefit levels. There are now some 16 States and the District of Columbia which have automatic escalator provisions that increase their maximum benefits as their average wage increases. However, there is considerable difference between a State enacting such a provision on its own initiative to meet the particular needs of that State and the Federal Government imposing such a provision on it and on other States with entirely different needs. Most States continue to believe that factors other than average wages should be considered in increasing maximum benefits. Factors such as "take-home" pay, increases in the cost of living, and the general economic conditions in the State are certainly worthy of consideration. Some States also consider the number of dependents. It would be impossible for a federally imposed benefit standard to include all of these factors, as can now be done on a State-by-State basis.

It has been contended that interstate competition to keep unemployment compensation benefits and taxes low has prevented a satisfactory increase in State maximum weekly benefit amounts among the States. It has been contended that Federal benefit standards would eliminate this type of interstate competition and this resulting disparity. The proposed maximum weekly benefit standards in H.R. 8282 and S. 1991 would actually increase the disparity in maximum benefit levels among the States. In support of this we are attaching a table from American Enterprise Institute's Legislative Analysis No. 8 dated July 1, 1966. (See attachment I.) You will note that when the table was prepared last year individual State maximum benefits, exclusive of dependency allowances, varied from a low of $32 to a high of $56 per week. Thus, there was a difference of $24 between the high and low State. As can be seen from the projections in the attached table, under the provisions of H.R. 8282 and S. 1991 we could have in 1971 a low of $59 and a high of $125 or a difference between the high and low State of as much as $66.

We believe, contrary to the arguments of proponents of H.R. 8282, that the States have created a satisfactory record for raising benefit levels as a whole.

From 1939 to 1964, the average weekly State benefit increased by 237 percent. In 1965, some 30 States increased their maximum benefits either through amendment or operation of an escalator provision. States that did not have legislative sessions in 1965 are having sessions this year. In current year, out of 15 States with "regular" legislative sessions, 7 have thus far enacted increases in maximum benefits by legislative action. Two more have increased benefits through operation of an automatic escalator. Of the remaining seven States with "regular" sessions this year, four had regular sessions last year and increased maximum benefits at that time, and at least one more State may increase their maximum this year. A summary giving State-by-State legislative changes during 1965 and 1966 is attached. (See attachments II and III. Since this summary was prepared, Louisiana has increased its benefits to $45.)

In light of the impressive record of State action and assurance that the States will continue to make major improvements in accordance with their own needs, the factual case for Federal benefit standards is very weak indeed.

OBJECTIONS TO TAXABLE WAGE BASE INCREASES

We believe that if additional Federal or State unemployment compensation taxes are needed, they should be raised primarily by an increase in tax rates rather than by an increase in the taxable wage base.

We believe that the States should not be compelled to raise their taxable wage bases solely because more Federal unemployment taxes are needed to finance administrative costs and an extended benefit program. In this respect, we question whether employment service administrative costs for programs other than unemployment compensation should be charged to employers and should be financed from Federal unemployment taxes. Moreover, we do not believe it has been proved that the States must raise their taxable wage maxi-

mums in order to protect their trust fund reserve positions. In fact, we believe the States should no longer be required to use the Federal wage base as a minimum State wage base.

We do not agree that the unemployment compensation taxable wage base should conform with the social security taxable wage base merely to simplyfy tax calculations for the employer. The advantage of such simplification is minimal in comparison to prospective tax cost increases.

We have set forth on attachment IV a comparison of tax costs per employee under H.R. 8282 and H.R. 15119. This basis of comparison of the various wage bases is more significant as it applies to all employers—large and small. You will see that the tax cost increases under H.R. 15119 are far more moderate.

FURTHER OBJECTIONS TO H.R. 15119

There are provisions in H.R. 15119 with which we are not in agreement; however, we are not recommending changes at this time.

We believe that a State should be left free to determine the trigger-point for activating its own recession benefit program. In any event, we believe that a 3-percent rate of unemployment is too low a trigger to signal a recession period.

We object, as a matter of principle, to the Federal standards remaining in H.R. 15119 which prevent (1) the total cancellation of wage credits; (2) the payment of a second round of benefits without intervening employment; (3) the alleged discrimination against maritime employees and interstate claimants; and (4) the disqualification of claimants who are undertaking an approved training or retraining program.

May I reiterate that we are objecting to this in principle as a matter of establishing Federal standards only.

Thank you for the opportunity of presenting this testimony, and we respectfully request that you give favorable consideration to H.R. 15119 as passed by the House of Representatives.

(The prepared statement of Mr. Henkel, with attachments, follow:)

STATEMENT OF PAUL P. HENKEL, ON BEHALF OF MEMBER STATE CHAMBERS OF THE COUNCIL OF STATE CHAMBERS OF COMMERCE, WITH RESPECT TO UNEMPLOYMENT INSURANCE AMENDMENTS, H.R. 15119

My name is Paul Henkel. I am Manager of payroll taxes for Union Carbide Corporation and Chairman of the Social Security Committee of the Council of State Chambers of Commerce. I appear here to day to present the views of that Committee and the member State Chambers of Commerce in the Council which have specifically authorized me to appear in their behalf and which are listed at the end of this statement.

I am appearing today to urge that your Committee refrain from amending H.R. 15119 by ading provisions of H.R. 8282 or its counterpart S. 1991 which were rejected by the Ways and Means Committee and the House of Representatives. We recommend that you give favorable consideration to H.R. 15119 as passed by the House.

At the outset I wish to point out that our statement represents the broadest positive approach obtainable in reflecting the varying opinions of State Chambers of Commerce and individual companies, both large and small. We urge your Committee to consider the import of this broad consensus of the employer community that H.R. 15119 should be approved without further amendment. Surely it is no secret that employers throughout the country were forced by the extreme provisions of H.R. 8282 to rise up in protest. It should be significant, therefore,

that business and industry is coming forward at this time to support H.R. 15119 despite the fact that some of its important provisions are not consistent with the views of the employer community.

H.R. 15119 is, as the Ways and Means Committee said in its report, ". . . the product of the broadest and most intense review your Committee has given to the Unemployment Compensation Program since it was enacted in 1935 . . ." This remarkable task, performed with the aid of the Interstate Conference of Employment Security Agencies, and the overwhelming 374–10 vote of approval in the House compels the conclusion that this bill will be generally acceptable to the public.

UNDESIRABLE PROPOSALS REJECTED BY THE HOUSE

Of major concern to employers who pay *all* of the Federal and State unemployment tax costs, except in three States, are the proposals contained in H.R. 8282 that were considered, but rejected, by the Ways and Means Committee. Such proposals:

1. Would have permitted the elimination of the "experience rating" tax system which rewards employers with lower tax rates for providing stable employment.
2. Would have imposed Federal standards for the amount and duration of benefits and for eligibility and disqualification provisions in State laws.
3. Would have established a Federal program for a half year of extended benefits payable after exhaustion of State benefits and payable in *good* times as well as bad times.
4. Would have increased the taxable wage base to $5,600 in 1967 and to $6,600 in 1971.

Employers generally will vigorously oppose any efforts to amend H.R. 15119 with proposals such as these. In lieu of presenting repetitious information we respectfully refer your Committee to prior testimony of the Council of State Chambers of Commerce in opposition to these proposals. This testimony was presented by a panel of five witnesses and is set forth on pages 992 through 1069 of volume 3 of the Ways and Means Committee hearings on H.R. 8282.

CASE NOT MADE FOR FEDERAL BENEFIT STANDARDS

Of prime importance to employers is the fact that the Ways and Means Committee correctly concluded that the proponents of Federal benefit standards had not made a convincing case, thus that Committee rejected their proposals. We do not believe it is appropriate, necessary, or desirable for State maximum weekly benefit standards to be set by the Federal Government. Moreover, any other alternative Federal standard—computed as a percent of either a statewide after-tax average weekly wage or an average weekly wage of all claimants, would still be objectionable as a matter of principle.

We contend that the States as a whole have made substantial progress in improving benefit levels. There are now some 16 States and the District of Columbia which have automatic escalator provisions that increase their maximum benefit as average wage increases. However, there is considerable difference between a State enacting such a provision on its own initiative to meet the particular needs of that State and the Federal Government imposing such a provision on it and on other States with entirely different needs. Most States continue to believe that factors other than just average wages should be considered in increasing maximum benefits. Factors such as "take-home" pay, increases in the cost of living, and the general economic condition in the State are certainly worthy of consideration. Some States also consider the number of dependents. It would be impossible for a Federally imposed benefit standard to include all of these factors, as can now be done on a State-by-State basis.

It has been contended that interstate competition to keep unemployment compensation benefits and taxes low has prevented a satisfactory increase in State maximum weekly benefit amounts and so has resulted in substantial disparity in benefit levels among the States. The proposed maximum weekly benefit standards in H.R. 8282 and S. 1991 would actually increase the disparity in maximum benefit levels among the States. In support of this we are attaching a table from American Enterprise Institute's Legislative Analysis #8 dated July 1, 1966. (See Attachment I.) You will note that when the table was prepared last year *individual* State maximum benefits, exclusive of dependency allowances, varied from a low of $32 to a high of $56 per week. Thus, there was

a difference of $24 between the high and low State. As can be seen from the projections in the attached table, under the provisions of H.R. 8282 and S. 1991, we could have in 1971 a low of $59 and a high of $125 or a difference between the high and low State of as much as $66.

We believe, contrary to the arguments of proponents of H.R. 8282, that the States have created a satisfactory record for raising benefit levels as a whole.

From 1939 to 1964, the average weekly State benefit increased *by 237%*. In 1965 some *30* States increased their maximum benefits either through amendment or operation of an escalator provision. States that did not have legislative sessions in 1965 are having sessions this year. In the current year, out of 15 States with "regular" legislative sessions, six have thus far enacted increases in maximum benefits by legislative action. Two more have increased benefits through operation of an automatic escalator which increases the maximum benefits as average wages in the State increase. Of the remaining seven States with "regular" sessions this year, four had regular sessions last year and increased maximum benefits at that time, and at least two more States may increase their maximums this year. A summary giving State-by-State legislative changes during 1965 and 1966 is attached. (See Attachments II and III.)

In light of the impressive record of State action and assurance that the States will continue to make major improvements in accordance with the needs of the individual States, the factual case for Federal Benefit Standards is very weak indeed.

Finally, we do not agree that Congress is in a better position to judge the individual and peculiar needs of each of the 50 States.

OBJECTIONS TO TAXABLE WAGE BASE INCREASES

We believe that if additional Federal or State unemployment compensation taxes are needed, they should be raised primarily by an increase in tax rates rather than the taxable wage base.

We believe that the States should not be compelled to raise their taxable wage bases solely because more Federal unemployment taxes are needed to finance administrative costs and an extended benefit program. In this respect, we question whether employment service administrative costs for programs other than unemployment compensation should be charged to employers and should be financed from Federal Unemployment taxes. Moreover, we do not believe it has been proved that the States must raise their taxable wage maximums in order to protect their trust fund reserve positions. In fact, we believe that the States should no longer be required to use Federal wage base as a minimum State wage base.

We do not agree that the unemployment compensation taxable wage base should conform with the social security taxable wage base merely to simplify tax calculations for the employer. The advantage of such simplification is minimal in comparison to prospective tax cost increases.

We have set forth on Attachment IV a comparison of tax costs per employee under H.R. 8282 and H.R. 15119. This basis of comparison of the various wage bases is more significant as it applies to all employers—large and small. You will see that the tax cost increases under H.R. 15119 are far more moderate.

FURTHER OBJECTIONS TO H.R. 15119

There are provisions in H.R. 15119 with which we are not in agreement; however, we are not recommending changes at this time.

We believe that a State should be left free to determine the "trigger point" for activating its own recession benefit program. In any event, we believe that a 3% rate of unemployment is too low a trigger to signal a recession period.

We object, as a matter of principle, to the Federal standards remaining in H.R. 15119 which prevent (1) the total cancellation of wage credits, (2) the payment of a second round of benefits without intervening employment, (3) the alleged discrimination against maritime employees and interstate claimants, and (4) the disqualification of claimants who are undertaking an approved training or retraining program.

We thank you for the opportunity of presenting this testimony and respectfully request that you give favorable consideration to H.R. 15119 as passed by the House of Representatives.

The following member State Chambers of Commerce in the Council endorse this statement:

Alabama State Chamber of Commerce.
Arkansas State Chamber of Commerce.
Colorado State Chamber of Commerce.
Connecticut State Chamber of Commerce.
Delaware State Chamber of Commerce.
Florida State Chamber of Commerce.
Georgia State Chamber of Commerce.
Idaho State Chamber of Commerce.
Illinois State Chamber of Commerce.[1]
Indiana State Chamber of Commerce.
Kansas State Chamber of Commerce.
Kentucky Chamber of Commerce.
Maine State Chamber of Commerce.
Michigan State Chamber of Commerce.
Mississippi State Chamber of Commerce.
Missouri State Chamber of Commerce.
Montana Chamber of Commerce.
New Jersey State Chamber of Commerce.
Empire State Chamber of Commerce
Ohio Chamber of Commerce.
Pennsylvania State Chamber of Commerce.
South Carolina State Chamber of Commerce.
Greater South Dakota Association.
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.

ATTACHMENT I

Following table is reproduced from AEI Analysis No. 14, August 17, 1965 (pp. 14, 15):

Estimated weekly unemployment benefit maximums under proposed standards of H.R. 8282 and S. 1991 (reflecting assumption of continuing increases, corresponding to past 10-year trend, in average weekly wages in employment covered by unemployment compensation)

State	Average weekly wage in unemployment compensation-covered employment [1]		Maximum weekly unemployment compensation benefit—present laws [2]	Estimated ranges of required weekly benefit maximums under proposed standards		
	1953	1963		1967	1969	1971
Alabama	$59	$84	$32	$47-49	$60-64	$70-75
Alaska	121	153	45	84-85	104-107	120-125
Arizona	73	102	43	57-60	72-76	84-90
Arkansas	51	71	38	40-42	51-54	59-64
California	79	117	65	67-70	84-91	99-109
Colorado	71	99	51	56-58	70-74	82-87
Connecticut	77	109	50	61-64	77-82	90-97
Delaware	76	113	50	64-68	81-88	95-104
District of Columbia	68	102	53	58-61	73-79	86-94
Florida	60	88	33	50-53	63-68	74-81
Georgia	56	82	35	47-49	59-64	69-76
Hawaii	57	86	60	50-52	63-68	74-81
Idaho	65	87	48	48-50	60-63	70-74

See footnote at end of table.

[1] The Illinois State Chamber of Commerce is presenting its own testimony, but it is in general agreement with this statement.

Estimated weekly unemployment benefit maximums under proposed standards of H.R. 8282 and S. 1991 (reflecting assumption of continuing increases, corresponding to past 10-year trend, in average weekly wages in employment covered by unemployment compensation)—Continued

State	Average weekly wage in unemployment compensation-covered employment [1]		Maximum weekly unemployment compensation benefit—present laws [2]	Estimated ranges of required weekly benefit maximums under proposed standards		
	1953	1963		1967	1969	1971
Illinois	$81	$112	$42	$63-65	$79-83	$92-98
Indiana	78	106	40	59-61	75-78	87-92
Iowa	67	94	49	53-55	67-71	78-83
Kansas	72	94	47	52-53	65-67	75-79
Kentucky	66	90	40	50-52	63-66	73-77
Louisiana	63	93	40	53-56	67-72	78-86
Maine	60	83	45	47-48	59-62	68-73
Maryland	65	94	48	53-56	67-72	78-85
Massachusetts	66	97	45	55-58	70-75	81-89
Michigan	89	122	43	68-70	85-90	99-105
Minnesota	70	99	47	56-58	71-75	82-89
Mississippi	50	73	30	41-43	55-56	61-67
Missouri	76	101	45	57-60	72-77	84-91
Montana	66	91	34	51-53	64-68	75-79
Nebraska	65	89	40	50-52	63-67	73-78
Nevada	78	115	41	65-69	82-89	96-105
New Hampshire	59	85	49	48-50	61-65	71-77
New Jersey	78	111	50	63-65	79-84	92-99
New Mexico	66	92	36	52-54	65-69	76-81
New York	78	113	55	64-67	80-86	94-102
North Carolina	54	76	42	43-45	54-58	63-68
North Dakota	65	87	46	49-50	61-64	71-75
Ohio	79	110	42	62-64	78-82	91-97
Oklahoma	70	92	32	51-53	64-67	74-78
Oregon	76	101	44	56-58	70-73	81-86
Pennsylvania	70	99	45	56-58	70-74	81-87
Rhode Island	65	88	47	49-51	62-65	72-76
South Carolina	57	74	40	41-42	51-53	59-62
South Dakota	62	85	36	48-49	60-63	70-74
Tennessee	61	84	38	47-49	59-62	68-73
Texas	68	93	37	52-53	65-68	75-80
Utah	66	94	48	53-56	67-71	78-84
Vermont	63	85	45	47-49	59-62	69-73
Virginia	60	85	36	48-50	61-64	71-76
Washington	76	110	42	62-65	79-84	92-100
West Virginia	74	100	35	56-57	70-73	81-86
Wisconsin	75	103	56	57-60	72-76	84-89
Wyoming	67	91	47	51-52	64-67	74-78

[1] Source of data: "Handbook of Unemployment Insurance Financial Data, 1946-63," Bureau of Employment Security, U.S. Department of Labor.

[2] Benefit maximums exclusive of dependents' allowance and higher maximums by reason of dependents that are payable in some States.

NOTE.—The lower amounts of the estimated ranges of required benefit maximums shown in this table are based on simple extensions of the average dollar amount per year increases in average weekly wages during the 1953-63 period. The higher amounts of the estimated ranges are calculated on the basis of extensions of the average annual percentage increases of 1963 weekly wages over 1953 wages (percentage increase 1953 to 1963, divided by 10). By these methods, ranges of assumed average weekly wages in 1967, 1969, and 1971 were obtained and the respective ratios of benefit maximums to statewide average weekly wages, as provided in the bill, were applied.

ATTACHMENT II

1965 changes in maximum benefit [1]

State	From	To	State	From	To
Alabama	32	38	Missouri	40	45
Arkansas	36	[2] 38	Nebraska	38	40
California	55	65	Nevada	37.50–57.50	41–61
Colorado	50	[2] 51	New Hampshire	45	49
Connecticut	45–67	50–75	New York	50	55
Hawaii	55	[3] 60	North Carolina	35	42
Idaho	45	[2] 48	North Dakota	44	[3] 46
Illinois	38–59	42–70	Rhode Island	36–48	[3] 47
Indiana	36	40–43	South Carolina	38	[2] 40
Iowa	30–44	[3] 49	South Dakota	34	36
Maine	34	[3] 45	Tennessee	36	38
Maryland	46	48	Utah	47	[3] 48
Massachusetts	45	50	Vermont	43	[3] 45
Michigan	33–60	43–72	Wisconsin	55	[2] 56
Minnesota	38	47	Wyoming	46	[2] 47

[1] Where two amounts are shown it indicates the range in dependent's allowance or variable maximum States.
[2] Operation of escalator.
[3] New escalator formulas: 50 percent in Iowa, Maine, and Rhode Island; 66⅔ percent in Hawaii.

ATTACHMENT III

1966 LEGISLATIVE INCREASES IN MAXIMUM UNEMPLOYMENT BENEFITS [1]

Alaska: From $45 to $55 a week.
Delaware: From $50 to $55 a week.
Georgia: From $35 to $43 eff. 7/1/66 and $45 eff. 7/1/67.
Kentucky: Escalator provision—from $40 to $45 (est.).
Maryland: From $48 to $50.
Virginia: From $36 to $42.

STATES AUTOMATICALLY ESCALATING MAXIMUM UNEMPLOYMENT BENEFITS WITH AVERAGE WAGES [2]

Arkansas	Kansas	Utah
Colorado	Kentucky	Vermont
Dist. of Columbia	Maine	Wisconsin
Hawaii	North Dakota	Wyoming
Idaho	Rhode Island	
Iowa	South Carolina	

[1] New Jersey and Louisiana still may increase benefits this year.
[2] Maximum benefits increase automatically each year as average wages increase.

ATTACHMENT IV

Effects of S. 1991 and H.R. 8282 on maximum tax payable by employers, per employee (using selected experience rates for State unemployment compensation tax)

If the State unemployment compensation tax rate is		0.1 percent	0.5 percent	1.0 percent	2.0 percent	2.7 percent
Maximum taxable wage at present, $3,000 [1]	State tax	$3.00	$15.00	$30.00	$60.00	$81.00
	0.4 percent Federal tax	12.00	12.00	12.00	12.00	12.00
	Maximum tax per employee	15.00	27.00	42.00	72.00	93.00
Maximum taxable wage, 1967-70, $5,600	State tax	5.60	28.00	56.00	112.00	151.20
	0.55 percent Federal tax	30.80	30.80	30.80	30.80	30.80
	Maximum tax per employee	36.40	58.80	86.80	142.80	182.00
Maximum taxable wage, 1971 on, $6,600	State tax	6.60	33.00	66.00	132.00	178.20
	0.55 percent Federal tax	36.30	36.30	36.30	36.30	36.30
	Maximum tax per employee	42.90	69.30	102.30	168.30	214.50
1971 tax as a percent of 1966 tax		286	257	244	234	231

[1] This assumes that the State taxable wage base is the same as the Federal base of $3,000 per employee, as it is in most States. The following States currently have a State taxable wage base higher than $3,000: Tennessee, $3,300; Delaware, Hawaii, Idaho, Massachusetts, Michigan, Oregon, Pennsylvania, Rhode Island, Vermont, West Virginia, and Wisconsin, $3,600; Nevada, $3,800; California, $4,100; Utah, $4,200; Minnesota, $4,800; Alaska, $7,200.

Effects of H.R. 15119 on maximum tax payable by employers, per employee (using selected experience rates for State unemployment compensation tax)

If the State unemployment compensation tax rate is		0.1 percent	0.5 percent	1.0 percent	2.0 percent	2.7 percent
Maximum taxable wage at present, $3,000 [1]	State tax	$3.00	$15.00	$30.00	$60.00	$81.00
	0.4 percent Federal tax	12.00	12.00	12.00	12.00	12.00
	Maximum tax per employee	15.00	27.00	42.00	72.00	93.00
Maximum taxable wage, 1967-68, $3,000 [1]	State tax	3.00	15.00	30.00	60.00	81.00
	0.6 percent Federal tax	18.00	18.00	18.00	18.00	18.00
	Maximum tax per employee	21.00	33.00	48.00	78.00	99.00
Maximum taxable wage, 1969-71, $3,900	State tax	3.90	19.50	39.00	78.00	105.30
	0.6 percent Federal tax	23.40	23.40	23.40	23.40	23.40
	Maximum tax per employee	27.30	42.90	62.40	101.40	128.70
Maximum taxable wage, 1972 on, $4,200	State tax	4.20	21.00	42.00	84.00	113.40
	0.6 percent Federal tax	25.20	25.20	25.20	25.20	25.20
	Maximum tax per employee	29.40	46.20	67.20	109.20	138.60
1972 tax as a percent of 1966 tax		196	171	160	152	149

[1] This assumes that the State taxable wage base is the same as the Federal base of $3,000 per employee, as it is in most States. The following States currently have a State taxable wage base higher than $3,000: Tennessee, $3,300; Delaware, Hawaii, Idaho, Massachusetts, Michigan, Oregon, Pennsylvania, Rhode Island, Vermont, West Virginia, and Wisconsin, $3,600; Nevada, $3,800; California, $4,100; Utah, $4,200; Minnesota, $4,800; Alaska, $7,200.

Senator TALMADGE. Senator Williams?

Senator WILLIAMS. No questions.

Senator TALMADGE. Senator Gore?

Senator GORE. Yes, Mr. Chairman.

How many States, to your knowledge, have disqualification provisions with respect to misconduct or voluntary quitting?

Mr. HENKEL. Sir, according to the latest publication of the Bureau of Employment Security that I have in the voluntary quit area, there are 24 States that disqualify for good cause connected with work.

There are, in connection with a discharge for misconduct, 18 or 20 States, 18 States, that postpone benefits for a fixed number of weeks. There are 24 that postpone benefits for a variable number of weeks, and 24 that disqualify for the duration of the unemployment, sir.

Senator GORE. Thank you, Mr. Chairman.

Senator TALMADGE. Senator Morton?

Senator MORTON. I see on page 7 of your statement that some 28 States or the State chambers of some 28 States endorsed your statement.

Mr. HENKEL. Yes, sir.

Senator MORTON. Which means that some 22 States are not associated——

Mr. HENKEL. There are 32 members of the Council of State Chambers of Commerce.

Senator MORTON. I see.

Mr. HENKEL. There are some States that do not have State chambers of commerce, and for that reason it is 28 out of 32.

Senator MORTON. Your own company operates in a good many States. To your knowledge—and this is just a question of your opinion and knowledge on the subject—would most of these, the business community in most of these, States, that (1) are not members of your association and (2) that did not see fit, those members that did not see fit to go along on this statement, would it be implied that their position is similar to that which the gentleman from Louisiana stated earlier this morning, that if there is to be a bill, they would prefer this bill?

Mr. HENKEL. I think it would be a fair statement, sir, because, from my personal knowledge, this has been the general impression and the general feeling of most business concerns and those in industry with whom I have talked.

Senator MORTON. How many States does your own company operate in?

Mr. HENKEL. We operate in 48 States, sir.

Senator MORTON. Forty?

Mr. HENKEL. Forty-eight, sir.

Senator MORTON. Forty-eight States.

Mr. HENKEL. To varying degrees, of course.

Senator MORTON. Don't take a payroll away from Kentucky.

Mr. HENKEL. I might say that the Union Carbide Corp. position is four-square with this.

Senator MORTON. That is all.

Senator TALMADGE. Thank you very much, sir.

The next witness is Mr. Matt Triggs, representing the American Farm Bureau Federation.

STATEMENT OF MATT TRIGGS, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. TRIGGS. Thank you, Mr. Chairman.

I would like to use my time to read our summary statement, which is the first page, and then request that the balance of our statement be incorporated in the record.

Senator TALMADGE. Without objection, the balance will be inserted in the record, Mr. Triggs.

Mr. TRIGGS. At our last annual meeting, the voting delegates of the member State farm bureaus approved the following policy recommendation:

> We favor retention of experience rating policies and the preservation of State responsibility to determine eligibility and benefits. The inclusion of farmworkers would be impractical because of the temporary character of most such employment and the large number of multistate workers involved.

We are therefore in general accord with the revisions made by the House of Representatives and incorporated in H.R. 15119 and must oppose the provisions of S. 1991.

Since many witnesses will deal with the issues of experience rating and State responsibility and only a few with the proposal to cover farmworkers, we will limit our testimony to the latter issue.

Most farm labor employment is temporary and seasonal. Most hired farmworkers are not regularly attached to the labor force. Sixty-eight percent of the hired farmworkers worked less than 75 days a year as farmworkers and averaged 23 days of farm employment (1964 data). During the balance of the year most such workers were students, housekeepers, unemployed, retired, operating their own farm, et cetera. Very few of this group of workers would become eligible for unemployment benefits, but unemployment taxes would nevertheless be collected in connection with their employment if employed by a covered employer. This would be particularly typical of States in the northern half of the country where the period of farm labor employment is relatively short.

Thirty-two percent of the hired farmworkers worked more than 74 days a year as farmworkers. A substantial percentage of such workers who were employed by covered farm employers would become eligible for unemployment insurance benefits. To the extent that limited experience and studies provide any basis for a conclusion, it appears that, if employers of this group of workers were taxed on a 3-percent-of-payroll basis, benefits paid to such workers would be three to five times tax revenues, and quite probably more, thus representing a heavy drain on the unemployment insurance funds of many States. This is the reverse of the situation described in the preceding paragraph, but would be particularly true of the States in the southern half of the country where the period of farm labor employment is long enough for many farmworkers to become eligible for benefits.

About 5 percent of the farm labor force consists of interstate migrant workers who work for a series of employers in two or more States. Many such workers would become eligible for unemployment benefits since migratory workers usually work more weeks per year than local seasonal farmworkers. This would involve major problems of administration, of enforcement, of determination relative to eligibility for and amounts of benefits, of interstate transfer of records, and of division of the costs of benefits among the States in which such workers were employed.

I think I should take a minute to comment on the modified proposal relative to farmworker coverage presented to this committee by Secretary Wirtz on July 13.

Secretary Wirtz suggested that coverage be extended to farmers who report at least 50 workers for OASDI purposes but only for those workers who had wages of at least $300 in a calendar quarter.

The Secretary said that this modified proposal was made to meet some of the objections presented with respect to the Department's original proposal.

It appears to us that the same objections would be applicable to the revised proposal as were applicable to the original proposal even though applicable to a greatly reduced amount of employment.

It would still be true that a large percentage of the covered farmworkers would not acquire eligibility for benefits even though payroll taxes were paid by covered employers.

It would still be true that in States where substantial numbers of workers worked sufficiently to establish eligibility for benefits, that because of the temporary and seasonal character of most such employment, the benefits paid would exceed by several times the amount of taxes paid in connection with such employment.

It would still be true that a substantial percentage of those with sufficient employment to qualify for benefits would have an employment history of employment by a series of employers in two or more States with all the problems this involves of acquiring data to determine eligibility for and amounts of and the duration of the benefits, and the sharing of the costs by the States involved.

It would also be true that since it must be assumed that farmers payroll taxes would be at the maximum rate that a major incentive would be created to accelerate mechanization of farm operations so as to reduce employment below the covered level.

It does not appear to us that this modified proposal has been the subject of very careful economic analysis that would warrant serious legislative consideration.

Thank you very much, Mr. Chairman.

(The balance of Mr. Triggs' statement follows:)

SUPPORTING FACTS

It was orginally proposed in H.R. 8282, and is proposed in S. 1991, that any farmer who employed 300 or more man days of labor in any quarter would be required to pay state and federal unemployment taxes with respect to all farm labor employment, and that such employment would be included in determining the eligibility of workers for benefits

Understanding of the impact of the proposal to extend coverage to farm workers involves consideration of the nature of the farm labor force and the farmer-worker relationship, which is summarized briefly below:

The number of farmworkers is declining

Total hired farm labor employment is declining rapidly due to advances in new technology, a critical shortage of available farm workers, and increasing regulatory complications relating to the employment of farm workers. Annual average hired farm labor employment has been as follows:

1930	3,190,000
1940	2,679,000
1950	2,329,000
1960	1,869,000
1964	1,604,000
1965	1,482,000
1966 estimate[1]	1,355,000

[1] Based on comparison of first 6 months of 1966 with same period of 1965.

Farm labor employment is highly seasonal

A second major feature of the farm labor force is its seasonal variation, as illustrated by the following monthly data for the United States from USDA reports for 1965:

[Thousands of hired farmworkers]

January	745	July	2,350
February	842	August	2,036
March	972	September	1,978
April	1,325	October	1,749
May	1,642	November	1,148
June	2,276	December	770

The seasonal variations in a state will usually show stronger contrasts than for the United States as a whole. Thus in 1964 farm labor employment in Michigan varied from 18,000 at the lowest point in December to 80,000 at the peak in July.

So far as the individual farmer is concerned the variation in employment for most seasonal crops will be even greater than for the state. Typically, producers of fruit or vegetables may not employ any workers during most of the year, but at harvest time employ 10 or more workers for a period of several weeks.

Most farmworkers are not attached to the regular work force

A third pertinent feature of the farm labor situation is that most workers employed by farmers who produce crops with high seasonal labor requirements are not a regular part of the labor force. This feature of the farm labor force is indicated in a recent USDA publication, "The Hired Farm Working Force of 1964." This report estimates the distribution by length of employment as follows:

Duration of employment in agriculture	Number of workers	Average duration of employployment		
		Farm	Nonfarm	Total
Less than 24 days	1,369,000	9	53	62
25 to 74 days	924,000	44	39	83
75 to 149 days	413,000	108	25	133
150 to 249 days	326,000	198	14	212
250 days or more	338,000	321	11	332
All workers	3,370,000	80	38	118

The first two groups listed in the above table, 2,293,000 workers or 68 percent of all farm workers, averaged only 23 days of employment in agriculture and 50 days of employment outside of agriculture.

It should also be noted that, short term as most farm labor employment is, as indicated in the above table, the average duration of farm labor employment is getting shorter. "Not only is agricultural employment declining, but also farm jobs for hired workers are becoming of increasingly short duration." (Quoted from page 121 of "Farm Workers, A Reprint from the 1966 Manpower Report," U.S. Dept. of Labor.)

So, even if it is assumed that 100% of the farm labor employment were to be covered—and even if it is assumed that all of the non-farm work engaged in by farm workers were covered—about 68% of all farm workers would never become eligible for benefits because the total of their covered employment is insufficient to establish eligibility. Since neither of these assumptions is correct the actual percentage of farm workers who would not become eligible for benefits would be much larger than 68%.

That most farm workers are not a regular part of the work force is also indicated by the fact that the 3,370,000 persons who did some farm work during

the year, included 2,140,000 whose chief activity during the balance of the year is reported as follows:

Not in labor force:	
Keeping house	548,000
Attending school	1,122,000
Other nonlabor force	155,000
Total	1,826,000
Farmers or unpaid farm family labor	218,000
Unemployed	96,000
Total	2,140,000

Numbers of farmworkers employed by individual farmers

The 1959 Census of Agriculture (Volume II, Chapter IV, Table 4) estimates the number of farm employers who employed specified numbers of workers as follows:

	Number of farms reporting employment of—	Number of workers employed
1 or more workers	547,611	1,584,153
1 hired worker	303,178	303,178
2 hired workers	112,786	225,572
3 or 4 hired workers	65,507	232,582
5 to 9 hired workers	38,177	238,555
10 or more hired workers	23,963	584,266

This data is only indicative since (1) the data reported is for the week prior to the date the census enumeration was taken and may not repersent an average situation and (2) the number of hired farm workers has declined 31 percent since 1959.

Migratory workers

Although most hired farm workers are local people, there are a substantial number of migratory farm workers, estimated by the U.S. Department of Labor in "Farm Labor Market Developments," as follows:

Employment of migratory farmworkers, 1964

	Intrastate	Interstate [1]	Total
January	20,684	16,416	37,100
February	18,037	15,472	33,509
March	15,756	16,269	34,025
April	21,864	22,659	44,523
May	36,813	66,658	103,571
June	48,879	150,993	199,872
July	77,835	186,336	24,171
August	70,840	158,422	229,262
September	61,335	140,580	201,915
October	60,281	100,649	160,930
November	33,806	25,266	59,072
December	26,184	19,538	45,722

[1] Includes from 70 to 9,000 contract workers from Puerto Rico.

Experience with farm worker coverage

The only state with any significant experience with the coverage of farm workers by unemployment insurance is North Dakota. The North Dakota statutes permit 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 a crop involving seasonal labor. Even though this eliminates seasonal workers, and even though the payroll tax is several times as much as for non-farm employers, the benefits paid to

such farm workers have been over twice the tax collections. The following information is from the North Dakota Unemployment Compensation Division:

	1960	1961	1962	1963	1964	1965
Number of units	89	118	162	153	136	134
Average tax rate, percent	5.95	6.15	5.82	5.85	5.83	6.63
Average benefit rate	5.64	13.06	10.05	16.07	16.17	15.17
Ratio	.95	2.12	1.73	2.75	2.78	2.29

Cumulative experience, 1960–65

Contributions	$105,152
Benefits	$227,579
Ratio, benefits to contributions	2.16
Costs, percent of taxable payroll	13.01

During the 1965 spring session of the California legislature consideration was given to bills to extend unemployment insurance to agricultural workers. The Director of the California Department of Employment, testifying relative to bills favored by the Governor, reported to the Assembly Committee taht the proposal would return annual employer contributions, at a flat 3.2% payroll tax, of about $24 million, that annual benefit payments would be about $75 million, and that the deficit to the state fund would be about $50 million a year.

Conclusions relating to proposed coverage of farmworkers by unemployment insurance

1. Most farm workers are temporary, short term workers, and are not a part of the regular work force except when employed in agriculture.

2. In many cases farm workers would not acquire eligibility for benefits because the number of days of employment or earnings from employment would be insufficient. Of those who are employed less than 75 days (68 percent of the total), only a small percentage would qualify. An additional substantial number of workers would not qualify because they work for non-covered employers or for a mixture of covered and non-covered employers, or are self-employed when not working as hired farm labor. Yet unemployment tax collections would be made from covered farmer employers in connection with all such employment.

3. Because of the seasonal character of most farm labor employment, most of those workers who would acquire eligibility for benefits resulting from their farm labor employment would become withdrawing beneficiaries and would receive benefits for an extended period of time. This would represent a particularly heavy burden on the unemployment insurance funds of states with comparatively long periods of available farm employment, such as in Florida and California.

This, of course, is the direct opposite of the situation reviewed in 2 above. But both situations would exist depending on the length of employment provided and the nature of the particular segment of the work force in an area. Most farm labor employment would fall into the one group (i.e., tax collections but no benefits) or the other group (i.e., benefits far outrunning tax collections).

4. The migratory farm labor force would constitute a particularly difficult administrative problem. Although reciprocal interstate agreements provide for exchanging data and sharing of benefit costs with respect to multi-state employment—the extension of coverage to the many multi-state workers in agriculture would represent a complex and difficult administrative problem.

5. A major protection of unemployment insurance funds is that most workers want to get another job as soon as they can. In the case of many farm workers the incentive to do so would be much less (1) because they are not and do not want to be a part of the permanent work force and (2) because most available farm work is temporary. For example, a worker in Florida who has acquired eligibility for benefits would be less inclined to follow his customary practice of going north for employment in New York, Indiana, or elsewhere.

6. Another major protection of unemployment insurance funds is that employers seek to avoid abuses to improve their experience ratings. In the case of farmer coverage the incentive to self-police the program would be eliminated because the benefit cost ratio of most farmers would be so heavily in a deficit position that they could not expect to improve their experience ratings.

7. Major problems of eligibility would be created. For example, let us assume a worker was employed for 15 weeks harvesting citrus fruits for 3 farmers in Florida, 10 weeks harvesting vegetables for 2 farmers in Pennsylvania and 1 week picking apples in Virginia; and then returns to Florida, where he applies for unemployment insurance because he can find no farm work in Florida. He could have continued to pick apples in Virginia for another 6 weeks. If we assume that all employers are covered employers, is he eligible for benefits in Florida and how are the costs of these benefits to be shared among the three states? Or, for example, a resident of Memphis, Tennessee participates in "day-haul" employment in Tennessee, Arkansas and Mississippi, working a total of 150 days for 40 different employers in 3 states. He turns down an offer of a permanent job in Arkansas, and applies for unemployment insurance in Tennessee where he asserts that he can obtain no employment. Is he eligible for benefits? If so, how are the records to be gotten together, and how are the costs of benefits to be allocated?

Senator TALMADGE. Senator Williams?

Senator WILLIAMS. Mr. Triggs, I understand that you would prefer the enactment of the House bill without any substantial changing amendments; is that correct?

Mr. TRIGGS. This is correct. I should state that there are many provisions in the House bill with respect to which we simply do not have policy. Let me say that there are no provisions in the bill that we would feel we would have to vigorously oppose.

Senator WILLIAMS. That is what I was meaning. From the standpoint of agriculture you had no objection to the provisions as they are incorporated in the House bill?

Mr. TRIGGS. That is correct.

Senator WILLIAMS. Thank you.

Senator TALMADGE. Senator Gore?

Senator Morton?

Thank you very much, Mr. Triggs.

Mr. TRIGGS. Thank you very much, Mr. Chairman, and members of the committee.

Senator GORE. Mr. Chairman?

Senator TALMADGE. The Senator from Tennessee.

Senator GORE. I have the pleasure of having a very distinguished constituent in this committee room who is scheduled to testify next Monday but who, up to now, because of the situation prevailing in the airlines, has been unable to get a reservation to return.

I would ask the indulgence of the committee that I may introduce him out of order, for him to make a preliminary statement, with the understanding he will be accorded the privilege of submitting a fuller statement for the record.

Senator TALMADGE. Without objection, that will be done.

The next two witnesses were Mr. Clarence Mitchell and Mrs. Geraldine Beideman. If they have no objection, we will be delighted to take the distinguished witness from Tennessee at this point.

Senator GORE. Mr. Chairman, I would like to present Mr. Weber Tuley from Nashville, Tenn., a friend of mine of very long standing, a very reputable and highly recognized lawyer who represents a number of interests in Tennessee.

Senator TALMADGE. We are delighted to have you at this time, Mr. Tuley. You may proceed at will.

STATEMENT OF C. WEBER TULEY, NASHVILLE, TENN.

Mr. TULEY. Thank you very much, Mr. Chairman.

I regret the necessity for this interruption of the hearings by this committee. I will have a statement sent to the committee for filing in the record.

Senator TALMADGE. Without objection, the statement will be received and inserted in the record.

Mr. TULEY. Thank you, Mr. Chairman. It will be substantially along the lines presented by others here representing the business community, except that it will be confined almost exclusively to a rebuttal, if I may call it that, to the proposals made by Mr. Wirtz relating to the 1 to 13-week disqualification for voluntary quits and misconduct discharges. We have some facts and figures on that subject which we think will be of interest to the committee, and my statement will be confined almost exclusively to that subject.

Thank you very much.

Senator TALMADGE. Thank you.

Senator GORE. Would you be able to supply additional copies to the clerk of the committee to mail to the offices of each member of the committee?

Mr. TULEY. Yes, sir.

Senator WILLIAMS. Mr. Tuley, may I ask a question?

Do you support substantially the House-passed bill as it passed without amendments?

Mr. TULEY. Yes, sir, without amendments.

Senator TALMADGE. Senator Gore, any questions?

Thank you, Mr. Tuley.

(The prepared statement of Mr. Tuley was received, and follows:)

STATEMENT OF C. WEBER TULEY, ON BEHALF OF TENNESSEE MANUFACTURERS ASSOCIATION

Mr. Chairman and Members of the Committee, my name is C. W. Tuley. I am a resident of Nashville, Tennessee and occupy the position of Executive Vice President-Secretary of the Tennessee Manufacturers Association on behalf of which organization this statement is submitted. The Tennessee Manufacturers Association is a General Welfare Corporation chartered by the State of Tennessee in 1912. It is an Association essentially of business operating in the State of Tennessee engaged in manufacturing, processing and mining. Its membership is composed of some 1,000 firms employing an estimated 90% of the labor force in the state engaged in the classifications of industry described. Association policy is formulated by an elected Board of Governors of 51 members together with past presidents as ex officio members. The position and views to be expressed in this statement are fully supported by long standing formally adopted policy of the Association on the subject to be covered. To further demonstrate my personal interest in the subject I should like the Committee to know that for many years I have had the honor of serving as a member of the statutory State Advisory Council of the Tennessee Department of Employment Security.

I should like to express deep appreciation to the Chairman, the Committee and its Council for making it possible for us to file this statement in lieu of personal appearance as generously granted for July 26th which appearance appeared to be impossible because of transportation difficulties resulting from a current strike of certain airline personnel.

As set out in my letter requesting permission to present our views to the Committee on the subject now under consideration I wish to offer support of H.R. 15119 and to oppose amendments to it which have been proposed during the course of the hearings.

Proposals for amending the Bill have been presented by the Department of Labor through the testimony of the Honorable W. Williard Wirtz, Secretary of Labor. Secretary Wirtz proposed numerous amendments and other witnesses are presenting the general views of the business sector of the economy on many such proposals. This statement will be confined to an expression of support for H.R. 15119 and in general opposition to the amendments proposed by Secretary Wirtz with specific emphasis on the proposal that an individual who voluntarily leaves his employment without good cause connected with his work and an employee who is discharged for misconduct be paid full benefit entitlement after a waiting period of not more than thirteen weeks.

The original proposal on the subject of Unemployment Compensation considered by the Committee on Ways and Means of the House of Representatives was H.R. 8282. That Bill proposed that no state could disqualify a voluntary quit, a person discharged for misconduct or a person who refused to accept suitable work when directed to so do by the State Administrator, for more than a waiting period of six weeks. This, as evidenced by H.R. 15119, was rejected by the Committee on Ways and Means and the House of Representatives.

Secretary Wirtz now proposes that unemployment compensation may not be denied by a State to an otherwise eligible individual by reason of a State disqualification provision for a period in excess of thirteen weeks with certain exceptions such as labor dispute cases and those involving fraud in connection with the claim.

While we are not aware of the availability of recent statistics on the subject some years ago we requested a special study of the extent of the application of the waiting period of those unemployed under the disqualifying circumstances in question. At that time the State of Tennessee provided that a voluntary quit or a person discharged for misconduct could be disqualified for a waiting period of from one to six weeks after which he could be entitled to receive Unemployment benefits to the maximum duration of his benefit eligibility. At the time the study was made the average so called "penalty" in such cases was approximately two and one-half weeks or about one-third to one-half the penalty which could have been invoked. Thus should Secretary Wirtz's proposal of not more than a thirteen week waiting period be adopted, in all likelihood, the average penalty would be less than six weeks.

It should be pointed out also that a somewhat new approach to "extended benefits" was made by Mr. Wirtz. It is now proposed that, without regard to economic conditions either locally or nationwide, there be an extended benefit payment for thirteen additional weeks beyond the original twenty-six weeks of benefits.

Thus should these two proposals of Secretary Wirtz be adopted an individual who voluntarily quits his work without good cause attributable to the employer or in connection with the work or who is discharged for misconduct or being unemployed, refuses to accept suitable work when directed to so do by the State Administrator, could be expected to suffer a penalty of some six weeks of waiting for benefits and then begin receiving his full entitlement and continue to receive such sums each week for thirty-nine weeks which is, of course, three calendar quarters.

For many years the Tennessee Manufacturers Association has been greatly concerned with the moral as well as the high cost problem arising from law which provides for payment of Unemployment Compensation Benefits to persons who leave employment voluntarily without good cause connected with their work and those who are discharged for misconduct.

To review briefly the basic principle of Unemployment Compensation Insurance reference is made to that portion of the Tennessee statute enacted in 1936 (which is quite similar to that of most states), and to this day unamended, which pronounces public policy with repsect to the subject of involuntary unemployment.

The declared State Public Policy of the 1936 Act of the General Assembly of Tennessee is as follows:

"*Involuntary unemployment* is therefore a subject of general interest and concern which requires appropriate action . . ." " . . . for the compulsory setting aside of unemployment reserves to be used *for the benefit of persons unemployed through no fault of their own.*"

Nothwithstanding this clear and unequivocal statement of policy it is astounding—yes, almost unbelievable, that subsequent sections of the original Unemployment Compensation law of Tennessee and that of many other states in which policy was pronounced provided for payment of benefits to those who

voluntarily quit their work or who were discharged for misconduct subject only to a waiting period, in most instances of up to but not more than five or six weeks.

In the days and years following enactment of Unemployment Compensation laws, employers were, to say the least, not overly pleased with the added cost to them of doing business. But as the years moved along and experience rating was adopted it developed that the remaining principal complaint which the employer taxpayers harbored was that most irritating provision of law which required payment of benefits to a voluntary quit, a person discharged for misconduct and to a person who failed and refused to accept suitable work when directed to do so by the Commissioner or Administrator of Employment Security. The payment of benefits to such persons caused the law to become a mockery of justice and equality. Such payments brought about not only loss of respect and acceptance on the part of the employer taxpayer but of the general public as well. More importantly, respect for and confidence in the law by the honest, industrious worker was lost when he could see the Trust Fund, ostensibly being created and funded to assist him who he should become unemployed through no fault of his own, raided and depleted, in some cases almost to insolvency, by freeloaders, malingerers and persons not truly in the labor force.

So it was as the years have gone along that many States have taken effective steps to bring their laws into conformity with public policy defined by statute which provides that benefits shall be paid only to persons who have demonstrated by a work record a real attachment to the labor force and who are unemployed through no fault of their own.

The Amendment proposed by Secretary Wirtz would completely destroy these worthwhile, logical, honest and moral protective features of law designed by the respective States as their legislative and executive departments have found to be in the best interest of their state, their people and their peculiar economy.

Since the enactment of the first Unemployment Compensation law in Tennessee in 1936 every Amendment to the Act has been adopted by the General Assembly as a result of suggested legislation submitted by the Department Administrator and Governor following extended conferences participated in by members of the State Advisory Council, the Administrative staff, representatives of organized labor, representatives of employer taxpayers and other competent, qualified individuals. Because of the careful and thoughtful attention given to amendments and with full consideration being given to the needs of the people of Tennessee and to the protection and perservation of a solvent and actuarially sound Unemployment Compensation Trust Fund, changes in the Tennessee Law relating to eligibility and disqualification have been few. At the same time the benefit schedule has been changed repeatedly to provide greater benefits in keeping with the economy, the tax base has been increased and provisions for penalty rate for deficit employers enacted to further assure Trust Fund solvency.

In 1963 by conference, negotiation and compromise the executive and public advisory group mentioned was able to recommend to the General Assembly effective legislation to rid Tennessee of the iniquitous and immoral practice of paying any unemployment benefits to persons who voluntarily quit their jobs without good cause connected with their work or who were discharged for misconduct or who refuse to accept suitable work as directed by the Commissioner or Administrator.

Because, as indicated, the experience of Tennessee in this area is perhaps the latest available for statistical comparison we should like to report it to this Committee.

In 1961 more than 15,000 claimants who voluntarily quit or who were discharged for misconduct were awarded benefits in a total amount of something more than $5 million. The Amendment to the Act adopted in 1963 which disqualified for benefits such categories of unemployment until the claimant should re-enter the labor force and earn five times his weekly benefit amount, resulted, for the period April 1964 through March 1965 in the disqualification of some 11,154 claimants. During this period the average weekly benefit payment was $27.24 and the average duration of payment was 13 weeks. Of the total number of disqualified claimants approximately 7,300 had voluntarily quit their work and 3,821 were disqualified for other reasons. While it must be assumed that a voluntary quit would draw benefits for the maximum duration of 26 weeks, even at the average, the cost to the Trust Fund of paying benefits to all disqualified claimants could have depleted the Trust Fund by an estimated approximate $4 million. Thus, should H.R. 15119 be amended as proposed, the

Trust Fund of the State of Tennessee and a large number of other states would be substantially depleted, experience rating seriously jeopardized and the employers of the State saddled with additional heavy and burdensome taxation and at the same time *the incentive to provide full employment as contemplated by public policy with respect to unemployment compensation would be virtually destroyed.*

Secretary Wirtz attempts to soften his proposal for paying benefits to voluntary quits and those discharged for misconduct by suggesting providing a "non-charge" to the account of the affected employer whose account otherwise would be charged with benefit payments thereby affecting his tax rate under the experience rating formula. This is no answer to the moral questions involved as previously pointed out and certainly could not serve in most cases to protect the affected employer. Under the experience rating system the balance in the Trust Fund is a significant factor in determining applicable rates and should the Trust Fund be substantially reduced in balance on a given date the rate of every employer would thereby be affected adversely.

In conclusion we would again like to express to the Committee our support of H.R. 15119 and strongly urge that this measure, after mature consideration by the Finance Committee be reported to the Senate without amendment in *any* respect. In requesting this action by your Committee, and perhaps being repetitious, may we remind the Committee that H.R. 15119 is the result of long and arduous months of study in which the views of every conceivable interested person or group were considered. It appears to us to be a well balanced Bill even though some of its provisions are highly objectionable to many employer taxpayers. Notwithstanding these objections it would seem to us that it would be to the best interest of all that such a well balanced piece of legislation not be subjected to amendments which would bring it to an imbalance.

We are quite certain the Committee is aware that the system providing funds for the payment of Unemployment Compensation benefits is in effect, if not actually, an insurance program. The Congress, in enacting the Unemployment Insurance Program as a part of an overall Social Security system, contemplated and required the establishment and maintenance of the Unemployment Compensation benefits portion of Social Security upon sound actuarial principles. By no reasonable interpretation of statutory language can it be asserted that the Congress intended the Unemployment Compensation program to provide social welfare benefits or that it should ultimately become a welfare program.

It is our considered view that should H.R. 15119 be adopted sound actuarial principles applicable to a social insurance program will be fully sustained and that the high principle, the basis for the original enactment, will not have been nullified and destroyed.

Senator TALMADGE. The next witness is Mr. Clarence Mitchell, representing the National Association for the Advancement of Colored People.

You may proceed at your pleasure, Mr. Mitchell.

STATEMENT OF CLARENCE MITCHELL, DIRECTOR OF THE WASHINGTON BUREAU OF THE NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

Mr. MITCHELL. Mr. Chairman and gentlemen of the committee, thank you for having me. If I may insert my full statement in the record, and if I may summarize it——

Senator TALMADGE. Without objection, that will be done.

Mr. MITCHELL. That will be appreciated.

What happened a few minutes ago is characteristic of your congenial and courteous manner in handling people that I have noticed ever since you have been a Member of the U.S. Senate.

Senator TALMADGE. Thank you, sir.

Mr. MITCHELL. I think that the record ought to show that a committee of the U.S. Senate, if it chose to do so, can call witnesses in any

order that it would care to call them, but you were generous and courteous enough to ask whether the witnesses objected to having someone being called out of order. Of course, we did not object.

But I always appreciate a generous and courteous act, and, if I have the opportunity, I would like to make it a part of the permanent record.

Senator TALMADGE. Thank you. I am deeply grateful indeed for the witness' comments. I think everyone in the U.S. Senate tries to be courteous to all witnesses, but at the same time we necessarily have to remain to some degree flexible to accommodate witnesses who travel from long distances and under the existing order of things when plane tickets are scarce and hard to get, I felt that the committee and the witnesses would concur in receiving the witness from Tennessee out of order.

I want to thank not only you, Mr. Mitchell, but Mrs. Beideman for that same courtesy.

Senator GORE. I thank you, too.

Mr. MITCHELL. I might say, Mr. Chairman, what I said about your courtesy certainly applies to the Senator from Tennessee, in fact to all members of this committee who have always been more than considerate to those of us who come presenting views. It does not necessarily follow they agree with our views, but they have always given us a courteous hearing.

Senator TALMADGE. Thank you.

Mr. MITCHELL. I would like to point out, Mr. Chairman, in 1960 more than one-half million Negro men were in service trades usually associated with menial jobs, and one-half million Negro women were similarly employed. Over 100,000 worked in the laundry and dry cleaning industry. We believe that these people should be covered by unemployment compensation.

I would also like to point out that in 1964, more than a quarter of a million Negro men were farm laborers, an occupation that has been traditionally low pay, unstable, and now more recently affected by automation.

We believe that it would be a step forward to include workers on large farms.

We endorse the principle that all farmworkers should be given every right and every protection enjoyed by the industrial worker. Anything short of this is second-class citizenship.

Further, we believe that compensation of 50 percent of one's weekly wage will be a step forward, and particularly helpful to those on the bottom of the pay scale. But we agree with the AFL-CIO that 65 percent is a more realistic figure.

I would like to say also that our organization believes that uniform Federal standards will help to insure unemployment compensation programs will not be set up or administered in a discriminatory fashion.

In conclusion, Mr. Chairman and members of the committee, I would like to say that we associate ourselves with the statement submitted by Senator Clifford Case of New Jersey in which he pointed out that he believes that the House bill does not go far enough. He suggested that S. 1991 would boost the current coverage of 49.7 million by 4.7 million, by including groups not covered by the House bill.

I think it was particularly pertinent when he included this statement:

About a half million workers would be brought under the program by including workers in the employ of persons or firms who hire anyone at anytime.

It does not seem to me, if we are going to come to grips with the problems created by unemployment, and give to people who are out of work a chance to have their self-respect as far as possible, we ought to make such compensation as they receive something related to their work, rather than putting them on relief and exposing them to other charitable categories.

I thank you very much, Mr. Chairman.

(The prepared statement of Mr. Mitchell follows:)

STATEMENT OF CLARENCE MITCHELL, DIRECTOR OF THE WASHINGTON BUREAU OF THE NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

Mr. Chairman, and members of the Committee, I am Clarence Mitchell, Director of the Washington Bureau of the National Association for the Advancement of Colored People.

We believe that unemployment compensation must be increased, coverage must be expanded and standards modernized and made more uniform along the lines of the McCarthy-Mills Bill. This is essential to provide employment security for the American people and to meet the new problems of the technological revolution.

While the majority of those whose living conditions will be improved by the new legislation, and the country as a whole stands to benefit, Negro Americans are among those who desperately need the legislation.

It has become almost a statistical and historical cliche that that Negroes are the first to be fired and the last to be hired. Nevertheless, it remains a true description of the plight of black Americans, which has left its mark of oppression by denying Negroes the education and skills to participate in the new American technology. As a result of these barriers and successive economic recessions that have adversely affected millions of black and white Americans, leaving them jobless, particularly the poor, the uneducated and the unskilled—categories that are more and more becoming synonomous given the requirements and sweeping changes in our economy.

Today the rate of Negro unemployment is more than double that of white unemploymenfit, and one of the results is that Negroes, who are ten percent of the population today, number twenty-five percent of the poor.

We suffer the general hardships caused by poverty and unemployment and we join with all Americans of good-will in acting to remedy this. We are particularly motivated to seek quick and effective solution to these difficulties because of the unique nature of problems they create in the Negro community and often unbearable burden they place on the Negro family.

This is why we have taken special note of the fact that too many of our fellow citizens do not clearly understand the depths of the problem confronting Negro family life in the ghettoes and slums of our country. This lack of understanding has led some to mistakenly conclude that the next most decisive battle for Negro advancement will not be fought in the political arena—or economic or social fields—but in the Negro home.

It should be made clear that the roots of Negro family problems lie deep in the economic and social conditions of the ghetto. They come not only out of the Negro past—the result of the more than three centuries of slavery, segregation, and discriminations—but exist in the Negro present.

The Negro male, who must become the mainstay of his family, has to face each day the debilitating effects of massive unemployment, low wages, and inferior housing. He is caught up in an evil cycle, for without the dignity and authority that comes from a decent job and a stable income, he cannot assume his rightful role as father and breadwinner, a role necessary to the maintenance of stable family relationships. The Negro family crisis will continue into the Negro future unless we understand its economic roots.

The problems of the Negro family cannot be solved unless we deal intelligently and effectively with problems of Negro economic insecurity. The pas-

sage of the McCarthy-Mills Bill to provide increased employment security is an important and necessary first step in the right direction. By extending unemployment compensation for almost five million additional workers the Bill will help to socially and economically uplift both the Negro and white communities.

Many of the Negro poor and disproportionately concentrated in low paying jobs in the new areas covered by the Bill: workers in small establishments, in non-profit organizations, in service industries; on large farms, and in agricultural processing companies. According to Herman P. Miller, an outstanding expert on the subject, in 1960 more than one-half million Negro men were in service trades, usually in menial jobs, and one-half million Negro women were similarly employed. (One hundred thousand alone worked in laundry and dry-cleaning industries.)

Many thousands of those who, because of low wages and job instability have heretofore been left to fend for themselves or to seek relief, will be covered under the new legislation. Many thousands of others equally in need—domestic workers and the majority of farm workers—should also receive coverage.

In 1960, more than a quarter of a million Negro men were farm laborers, an occupation that has been traditionally low-paid, unstable and, now more recently, affected by automation. We believe it is a step forward to include workers on large farms (12% of the Nation's farms) under unemployment compensation provisions. We endorse the principle that all farm workers should be given every right and protection enjoyed by the industrial worker. Anything short of this is second-class citizenship.

We must act now to remedy the neglect that keeps so many of the unemployed from receiving benefits. We must act so that those who are covered by unemployment benefits receive a livable wage. Last year there were fourteen million persons who lost income through unemployment. Less than half received any jobless pay. Only four out of every ten unemployed right now are entitled to a weekly benefit check. It is because of this that many Negro families who live on the edge of poverty are pushed into impoverishment when a wage earner becomes unemployed.

Short term unemployment can wreak tremendous hardships. But as is more often the case in the Negro community, unemployment is of long time duration and ultimately the unemployed are forced to seek public charity and relief. The human cost is staggering. Unemployment insurance was originally designed to eliminate the loss of dignity resulting from this dependency on public assistance. This is why the proposed Employment Security Amendment of 1965 to increase benefits and extend their duration is essential to eliminating human suffering and insuring family stability.

It is essential that benefits be increased. The average wage of a majority of Negro workers is far below what the government has determined necessary to have a "modest but adequate" urban family budget. Those who are lucky enough to receive unemployment insurance benefits when they are laid-off correspondingly receive less than half of what it takes to adequately maintain their families. In 1962 one-third of the poor families were headed by an unemployed person.

An increase in benefits will help these families and their communities. The economy of the Negro community which functions on a depression level will be spurred by the increased buying-power as will the national economy.

Compensation of 50% of one's weekly wage will be a step forward and particularly help those on the bottom of the pay scale, but we agree with the AFL-CIO that 65% is much more realistic a figure.

Extension of coverage is also essential. A by-product of the technological revolution and recurring economic recession has been long-term unemployment, most dramatically in job categories automated out of existence. These problems have hit poor and unskilled Negro and white workers hard, and are especially acute among a large percentage of Negroes who lack skills as a result of inferior and discriminatory education.

Extension of the duration of coverage can enable those lacking skills to participate in the new retraining programs under the government anti-poverty program. An example of the irrationality of the present system is exemplified by the fact that in some states workers who go to school to learn a new skill lose their unemployment benefits on the grounds that school attendance made them unavailable for work. In other cases, workers who move to other states in search of employment either lose or receive decreased benefits in the new area.

With thousands of Negroes moving across the country and pouring into Northern cities in search of employment and a brighter future, the lack of uniform and fair standards contribute to community problems and instability.

Uniform federal standards will help to insure that unemployment compensation programs will not be set up or administered in a discriminatory fashion.

Senator TALMADGE. Thank you, Mr. Mitchell.

Senator Williams?

Senator WILLIAMS. No questions.

Senator TALMADGE. Senator Gore?

Senator GORE. Very good statement.

What is your attitude, as is the attitude of your organization, toward the Federal standards with respect to disqualification such as voluntary quit and dismissal for cause?

Mr. MITCHELL. I would think, Senator Gore, that it would be very desirable to have Federal standards in that respect. It has been our experience that sometimes when the persons handling unemployment compensation claims are subject to local pressures and customs, there is a tendency to find that people are not qualified as beneficiaries, even though a reasonable man, free from any other prejudices or against the claimant, would conclude that the claimant was qualified to receive benefits. Therefore, I think that if you can have a uniform standard, it would be more desirable than the present system.

Senator GORE. Would it be fair to conclude that you believe that Federal standards would be to prove benefits more generously than if left to State determination?

Mr. MITCHELL. I would say more realistically, and by that I mean, in accordance with the facts of each individual case.

Senator GORE. Wouldn't it appear that people on the local level could more readily deal realistically and be more conversant with the circumstances than someone in Washington?

Mr. MITCHELL. Well, I would say that we, of course, have Federal standards but they are administered by people locally, and to me I think that if a local person recognizes his obligation to conform to a Federal standard, he can resist pressures and pleas to a better extent than someone who is conforming to a State standard which may be lower, and the individual who is doing the job knows that he could be called on the carpet even if he makes a reasonable decision.

Senator GORE. Well, I must say I have not reached a conclusion on this. My State is one of those States that has a State law in this regard.

Would it be your view that a person who was dismissed because of theft or other reprehensible misconduct should be entitled to unemployment benefits?

Mr. MITCHELL. I think, Senator Gore, it would depend upon the circumstances of the case. First would be, of course, whether it is proved that the individual is actually guilty of theft or other reprehensible conduct. In my judgment, the best proof of that would be a conviction for a crime that a person was accused of committing.

Now, if there is no conviction and no prosecution and no intention to procedure, but an out-of-hand dismissal on a charge of theft or some other reprehensible conduct, I would question that very much, and I would think that unless the facts clearly showed that such was the case, to the satisfaction of the judgment of a reasonable man, I think the individual ought to receive benefits.

Senator GORE. I can certainly recognize the inadvisability of convicting a person without due process. But, on the other hand, on the administrative problem of making determinations such as this with respect to small amounts, thousands of employees, consideration must be given to the administrative burden. It might also be the more cruel of the courses of action to seek prosecution and conviction and sentencing of a person who had pilfered a small item, small change; yet, that might be sufficient reason for an employer to dismiss. This is a delicate problem, and I wanted to get your views about it.

Mr. MITCHELL. I appreciate your giving me an opportunity to mention this, Senator Gore, because I think that we always are confronted with the question of where will you draw the line in assuring an individual due process. It does seem to me that if an employer has the right to say that an individual has pilfered something, and this is accepted as an established fact, we are placing the employer in a position of prosecutor and of the judge and of the jury, and while I think he has every right if he wants to accept his findings as final to dismiss the employee, assuming that the findings are based on reasonable facts, I do not believe that he has a right to say that this employee must thereafter in some ways scrounge around for the means of keeping alive in the period between the dismissal and the time he either finds other employment or becomes eligible for benefits. I think that we are really opening the door to compounding misdeeds by having people do things they might not ordinarily do in order to just keep alive.

Senator GORE. To what extent do the State laws, if you are familiar with them, provide machinery for review and adjudication?

Mr. MITCHELL. So far as I know there is machinery for review of decisions and adjudication of it. I do not know how extensive it is. I know it is true in my State.

Senator GORE. I thank you for giving me the benefit of your views.

Mr. Chairman, in case Mr. Mitchell would like to submit some supplementary data with respect to this question, which is one that will be before the committee, I request that he have the privilege of so doing.

Senator TALMADGE. Without any objection, any further data that you may wish to submit will be inserted in the record.

Mr. MITCHELL. Thank you, Mr. Chairman.

Senator TALMADGE. Senator Morton?

Senator MORTON. Mr. Mitchell, you developed with Senator Gore the point on the question of the right of States to prescribe disqualifications.

There is another important difference, I think, between the House-passed bill and the bills which you support, 8282, and the bill introduced in this body by Senator McCarthy. That is in the matter of the experience rating for employers. The differences between the two, as I understand it, are that under 8282, a State can or cannot use the experience rating, whichever course it wants to pursue. Under the bill now before us, the House-passed bill, the State is required to use the experience rating. I trust you have no serious objection to that provision of the House-passed bill, making it mandatory upon the States to use an experience rating?

Mr. MITCHELL. I am not prepared to say, Senator Morton, whether we would or would not, because we have not treated that particular question.

But I would say, generally speaking, of course we want the States to follow a uniform pattern, but I would think that there is always a possibility for a lot of variations when it is based on the experience of an individual State, experience of the individual States.

Senator MORTON. Let me phrase this a different way: Don't you agree it is a good thing to keep an incentive live for employees to try to avoid unemployment?

Mr. MITCHELL. Oh, yes. If that incentive is one which is based on their ability to keep people on the job rather than their ability to find valid reasons why unemployment compensation should not be paid to people who are dismissed, and I assume that since most people want to do the right thing, that any system which is based on an incentive, which says to an employer: "As long as you keep your people working and you do not show a record of large dismissals, whether the people dismissed are able to get compensation or not, that is a good thing, and your payments ought to be reduced accordingly." I think that is a good incentive.

Senator MORTON. That is the point I wanted to make. I remember in 1933, I think it was, prior to any unemployment compensation act, I happened to have the responsibility of running a mill in Louisville, and we were operating about an average of three and a half days a week, and everybody was starving to death, the stockholders as well as the employees. I called the employees together one day, and I said, "We are going to guarantee 40 hours a week. We will all sink or swim together."

We took a lot of cheap, cutrate business. We did not make any money on it. Some days we had them washing windows, a millwright washing windows, just to live up to the 40-hour agreement.

I think that that incentive under any bill that we pass ought to be read to an employer, to give steady employment, and the incentive should be in the form of lower taxes, because of an experience rating.

In other words, what is the incentive to an employer if he has to pay a lot of unemployment taxes, and he does not lay anybody off, he just guarantees them 40 hours a week, and then you come along and throw a tax on him equal to a tax on a fellow who closes his plant down everytime a black cat walks by.

Mr. MITCHELL. That might be a good reason. But in any event, I would certainly say, Senator Morton, I am 100 percent in agreement with that philosophy. I think in automobile liability insurance, we try to lower rates in accordance with people who do have a large number of accidents. What you suggest seems very fair to me.

Senator MORTON. I think your analogy is a good one, because if you have a good rating over the years, no accidents, I think you should get a better rate than somebody who manages to run into another car everytime he drives to work.

I just wanted to be sure that in your endorsement of the Mills-McCarthy bills, you did not preclude this feature of incentive for the man who does not lay employees off just because his business is a little slow.

Mr. MITCHELL. As I said, with the safeguards that you do not let an employer out who dismisses people for unjust cause and thereby deprive them of getting compensation.

Senator MORTON. I agree with you on that, certainly.

Thank you very much.

Senator TALMADGE. Thank you, Mr. Mitchell.

The next witness is Mrs. Geraldine Beideman, representing the California Retailers Association.

STATEMENT OF GERALDINE M. BEIDEMAN, REPRESENTING SELECTED CALIFORNIA EMPLOYERS AND EMPLOYER ASSOCIATIONS

Mrs. BEIDEMAN. Mr. Chairman and members of the committee, my name is Geraldine M. Beideman, and I am representing a number of California employers and employer associations.

These employers and employer associations account for the bulk of private industry employment in California. The list of sponsors of this presentation are on the final page of my text.

I would like to speak very briefly on these employers' views on Federal unemployment insurance legislation and request that my statement be made a part of the record.

Senator TALMADGE. Without objection, your statement will be inserted in the record, and you may speak as you see fit.

Mrs. BEIDEMAN. Thank you, Mr. Chairman. It is the view of the California employers that the House-passed bill, H.R. 15119, is worthy of support as it came out of the House.

The important reason for our support of that bill is that it respects the long-established definition of Federal and State responsibilities for unemployment insurance legislation.

Traditionally, the Federal Government has had responsibility for certain facets of unemployment insurance legislation, including coverage of Federal taxation, extended duration benefits, and many other features of that kind.

I should say that California is in a somewhat different position than many of the other States which have been represented here today, and in previous testimony, and that we have already anticipated many of the changes that are in H.R. 15119. We have extended coverage, we have provided for recession benefits, we have allowed training benefits to employees who are drawing unemployment insurance, and we have raised the taxable wage base and made a number of other changes.

Many States, however, have not been in this position, and have waited for Federal action, and it is within the Federal prerogative to take into account these kinds of legislative changes.

I should mention, too, that while we have anticipated many changes in the law, California employers are going to be subject to a considerable increase in their unemployment insurance taxes, as a result of the House-passed bill. When the bill comes fully active, it will be increased by 110 percent, which is a significant increase.

In contrast to the House-passed bill, S. 1991 does change the role of the Federal Government and the State government in unemployment insurance compensation. The Senate bill would set various Federal requirements which would give a series of floors and ceilings, defining the weekly benefit amount, the length of time they could be paid, the conditions under which benefits would be granted, and a number of other conditions.

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I would like to mention, since there was some interest in the committee on this matter of disqualification, S. 1991 provides currently for a 6-week postponement of benefits for people who leave their jobs under certain conditions, and the Secretary, in his presentation last week, modified that by suggesting, perhaps, as long as a 13-week postponement. California had a postponement of benefits of 5 weeks for about 30 years, and it became the general impression throughout the State that there was considerable room for abuse of the program, because people could simply wait out the 5-week period, and then draw their full term of benefits, which, in California, is quite a considerable amount, that is, a maximum of $65 a week times 26 weeks of benefits at the top end.

So, in 1965, the California Legislature—and you undoubtedly know it is a fairly liberal legislature—came in with a committee bill which included a requalifying requirement for disqualifications on voluntary quits and misconduct discharges. In other words, the claimant who left his job under those conditions had to go back to work in bona fide employment and earn five times his weekly benefit amount before he could draw benefits. That would be somewhere five times $25 at the bottom and five times $65 at the top.

I might mention that our disqualification for voluntary quits includes good cause which has to do with personal reasons. It is not strictly limited to quitting in connection with the work.

The Governor not only signed that bill, he had independently come in with his own recommendation that there be a provision for canceling the benefits for each week of disqualification, somewhat different from the legislators' proposal. But I am mentioning it only to say that there was a very general feeling throughout the State that something had to be done in reference to this voluntary quit, misconduct situation.

I could speak on a number of other facets, but there is no point in taking the time of the committee unless you have interest, because they are all outlined in the statement.

We would respectfully request that the Senate consider favorably the House-passed bill and not S. 1991.

(The prepared statement of Mrs. Beideman follows:)

STATEMENT OF GERALDINE M. BEIDEMAN, ON BEHALF OF SELECTED CALIFORNIA EMPLOYERS AND EMPLOYER ASSOCIATIONS

SUMMARY

The value of H.R. 15119

The measure proposes significant improvements in the federal unemployment insurance law. While it is true that some of these proposed changes already have been incorporated in the California law, many states have awaited federal action to extend coverage, furnish recession benefits, permit benefit payments to trainees, and raise the tax base. Generally, over the years it has been the federal responsibility to enact provisions such as these. It should be noted that the proposed legislation calls for increases in employers' federal payroll taxes. It is recognized, however, that the recession benefit program must be funded and that there is a need for additional monies to administer the employment security program.

Changes in the Federal-State relationship required by S. 1991

In contrast to H.R. 15119, S. 1991 not only would make significant changes in the federal unemployment insurance provisions but it also would assume for the federal government many important legislative responsibilities that from the start of the program have been left with the states. In California, S. 1991 would have the effect of increasing weekly benefits, lengthening the duration

of payments for many seasonal and intermittent workers, lowering the admittance requirements for benefit eligibility, and liberalizing some of the disqualification provisions. In addition, it would require a substantial increase in California employers' state payroll taxes to support the federally-devised benefit requirements. Furthermore, S. 1991 would increase California employers' federal payroll taxes far beyond the rise proposed in H.R. 15119. Federal and state unemployment insurance taxes on California employer payrolls now approximate 2.0 percent; if S. 1991 were enacted, the tax on California payrolls would rise to at least 2.8 percent.

Recommendations

Representative employers of California suggest that H.R. 15119 not only represents an important updating of federal unemployment insurance provisions but that it also adheres to the long-established legislative roles of the federal and state governments. Over the years, the California Legislature has given very careful attention to the particulars of the California labor force and the employment conditions and have designed an unemployment insurance program that "fits" California. S. 1991 largely would substitute federally devised requirements for the comprehensive program review and modification that the California Legislature undertakes regularly.

The California employers whose views are presented in this statement respectfully request favorable consideration of H.R. 15119. The measure contains important improvements and at the same time maintains the balance in federal and state responsibilities for unemployment insurance legislation.

THE ADVANTAGES OFFERED IN H.R. 15119

In this federal-state system of unemployment insurance, H.R. 15119 provides an important updating of the federal role in the program. Over the years since the Social Security Act was passed, federal responsibilities have encompassed the following:

1. Defining the pattern of coverage by designating the employer groups that are subject to the tax;
2. Safeguarding workers' rights in relation to the maintenance of labor standards and the appeals process;
3. Setting up two special programs for the payment of extra benefits during times of recession;
4. Taxing the payrolls of insured employers to support the administration of the employment security program, finance the federal loan fund, and pay for the special recession benefits.

Left with the states ever since 1935 have been the responsibilities of:

1. Determining the size of the weekly benefit payments;
2. Deciding upon the length of time these payments could be made;
3. Establishing the conditions under which benefits would be granted;
4. Raising the necessary monies to pay unemployment insurance benefits.

The provisions of H.R. 15119 generally maintain this division of responsibility for unemployment insurance. At the same time, H.R. 15119 contains significant improvements which would have far-reaching effects on the system.

Application of H.R. 15119 to the California law.—California has anticipated many of the changes called for by the proposed legislation. Employees in firms having one or more workers have been protected ever since 1946, and agricultural processing workers were insured even earlier. California's extended duration program to pay extra benefits to claimants during times of high unemployment dates back to 1959 and so, too, does the provision for paying benefits to claimants who are enrolled in retraining courses. The state's lag-period provision to guard against the "double-dip" goes back some 15 years.

Because these provisions so far have not been a part of the federal law, however, many state programs have not contained these features. The enactment of H.R. 15119 thus would up-grade the entire federal-state system.

Two provisions in H.R. 15119 are especially worthy of note. That which establishes a permanent program for paying extra benefits when unemployment is high has a number of advantages. One of these advantages is that the program would go into operation automatically in the times when it is needed—that is, when jobs are hard to find and individual claimants have used up all their regular benefits and still are unemployed. Another advantage is that the program is designed to operate nationwide when the general economy turns down and also to operate individually in any state experiencing heavy unemployment, even

though labor market conditions elsewhere may be prosperous. Moreover, the program calls for orderly pre-funding to meet the cost of the extra benefits that may be paid.

Twice in recent years Congress has responded to the need to extend the length of unemployment insurance payments during times of general recession. While these temporary programs were commendable, they had certain limitations. The timing of the extra payments was one; they came into effect some time after high-level unemployment became apparent and they remained in effect some time after employment was on the upturn. Another disadvantage was that the differences in unemployment levels among the states were not taken into account; the temporary measures, in other words, operated on a nationwide basis. A third problem concerned financing. Employers were assessed extra federal taxes after the benefits were paid. California employers, for example, had to pay these special federal taxes on their 1962, 1963 and 1964 payrolls to repay the cost of the extended benefits under the Temporary Unemployment Compensation Act of 1958 and the Temporary Extended Unemployment Compensation Act of 1961. And yet, in those years of repayment, unemployment was at a very high level in California. The substitution of an automatic and prefunded system to operate on a state-by-state or on a nationwide basis as provided for in H.R. 15119 overcomes the problems encountered under the emergency measures.

The second provision that is subject to special mention is the one which gives the states the right to protest the Secretary of Labor's findings on issues of conformity and compliance. In any situation where one government agency has administrative jurisdiction over another—as in the case of the Department of Labor over the state employment security agencies, including the California Department of Employment—there is the opportunity for arbitrary interpretation or application of the law. The judicial review provision in H.R. 15119 furnishes a safeguard against such contingencies.

The cost of H.R. 15119 to California employers.—There is a price attached to H.R. 15119 in the form of higher federal payroll taxes to be levied on employers. Moreover, many California employers, especially those employing fewer than four workers, would be required to pay the federal unemployment insurance taxes for the first time. With California employees' average annual earnings in insured employment approximating $6,500 now, it can be expected that employers will experience higher taxes than currently, not only as a result of the rate increase, but also because of the provision raising the taxable wage base.

What California employers will pay in federal unemployment insurance payroll taxes for each employee earning up to the taxable wage base, as compared with the current amount, is shown in the following table:

Tax year	Employer tax per employee	Increase over 1966	
		Amount	Percent
1966	$12.00		
1967	18.00	$6.00	50
1968	18.00	6.00	50
1969	23.40	11.40	95
1970	23.40	11.40	95
1971	23.40	11.40	95
1972	25.20	13.20	110

Undesirable as a tax increase may be, most in industry believe that the one called for in H.R. 15119 is the price that employers would have to pay for the favorable aspects of H.R. 15119. It is understood that a new benefit provision such as the permanent extended duration program must be financed. Prefunding, moreover, is a preferable method to the reimbursements required under the two recent temporary programs. In addition, there apparently is a need for additional administrative funds, and a portion of the tax advance would satisfy this requirement.

It should be noted that H.R. 15119 would not require an increase in California payroll taxes. While relatively minor adjustments in the taxable wage base would have to be made, the state tax rate could be adjusted accordingly.

THE CHANGE IN THE FEDERAL ROLE THAT WOULD RESULT FROM S. 1991

Unlike H.R. 15119 which adheres generally to the traditional legislative role of the federal and state governments for unemployment insurance purposes, S. 1991 calls for the federal government to assume many of the responsibilities heretofore reserved to the states. The proposed legislation would materially change the California law, as the discussion below indicates.

Qualifying requirements

Ever since the California program has been in operation, claimants have had to earn some minimum amount of wages in their base year in order to gain benefit entitlement. There is no time-worked requirement such as 20 weeks of work in the base year. The base-year earnings requirement customarily has been kept low in comparison with prevailing wages. California typically has many short-time workers in its labor force because of the nature of our industries. Here, large numbers of people are needed to work in logging and lumbering activities, in fishing and fish canneries, in fruit and vegetable canneries and packing houses, and in various services related to agriculture. Here, too, is the main concentration of the entertainment industry—motion picture, radio, and television production and similar activities. The tourist industry also is an important one in California, and it requires extra workers for the winter season at desert and ski resorts and for the summer season in the mountain and beach areas.

Because much of the labor demand has been for less than year-round workers, the California Legislature has consistently rejected any eligibility requirements that would rule out of benefit status those workers who were employed more than just casually. Consequently, from 1955 to 1965, the minimum earnings requirement in a base year was held at $600. In the 1965 Session of the California Legislature, the money requirement was raised to $720, a modest increase of 20 percent compared with a 47 percent rise in wages, a 150 percent advance in the minimum weekly benefit, and a 97 percent increase in the maximum weekly benefit during the same period.

S. 1991 would require that the benefit entitlement provision be no more than 20 weeks in the base year or the equivalent. The equivalent—the provision California would have to follow—is defined as five times the average weekly wage. Depending upon the coverage provisions adopted, California's base year earnings requirement would have to drop back to $600 or $625. This would return it to about where it was starting in 1955.

Under present coverage provisions, the average weekly wage is $125. To meet the current $720 base-year qualification, only 5.8 weeks of work is needed. At the minimum wage of $52, only 13.7 weeks of base-year work is required. These qualifications for admission to benefit status appear quite easy, and yet under S. 1991 they would become easier still.

The Administration has noted that there has been a tendency for states to balance increases in benefits with increases in minimum qualifying requirements. This tendency appears to be the reason for the proposed ceiling on eligibility provisions. And, yet, if wages increase and thus push up benefits, it would seem logical that the same wage gains should result in increases in the minimum entitlement provisions.

Allowed, too, in the proposed ceiling to be placed on state eligibility requirements is that states might adopt provisions to eliminate short-time workers. In addition to the base-year earnings of five times the average weekly wage, states might also require claimants to have either: (1) one-third of their base-year earnings outside their quarter of highest earnings, or (2) base-year earnings of 40 times their weekly benefit.

The problems of trying to fit work patterns into such artificial time spans as the calendar quarter are well-known in California. For some years, the California law contained a secondary eligibility requirement which was intended to rule out the very short-term workers. Known as the "75-percent rule", in its most recent form it applied only to claimants having very low base-year earnings—those between $600 and $750. If these claimants earned more than three-fourths of their base-year wages in a single calendar quarter, they had to have more earnings to qualify for benefits than did claimants whose previous wages were spread over a longer period of their base year. This special provision resulted in certain inequities. For example, two claimants might work the same length of time in their base year and earn the same amount of wages; yet because of the timing of their employment, one might qualify for benefits while the other

would not. Over the years, the California Legislature modified the provision a few times and finally elimiated it completely in 1965. At the end, relatively few claimants were affected at all by the provision because most earned $750 or better in their base year. The secondary requirement permitted by S. 1991 that claimants have one-third of their base-year wages outside their quarter of highest earnings is more restrictive than California's recently repealed 75-percent rule.

The alternative allowable eligibility requirement of 40 times the weekly benefit amount would have even more stringent effects on California claimants. Because the smallest weeky benefit payable is $25, at the minimum a claimant would have to have $1,000 (40 x $25) in base-year earnings as well as meeting the $600 or $625 minimum the bill also calls for.

It is recognized, of course, that both of these secondary requirements for benefit entitlement are ceilings, and that states could go below them. California, for example, could enact a provision that would reestablish the 75-percent rule and apply it to all claimants, the high earners as well as the low ones. Or, instead of the 40-times provision, perhaps a 30-times requirement could be enacted.

In any case, though, it would be extremely difficult to turn back the clock. Many California claimants who are accustomed to drawing benefits would be cut off the rolls by either of these two provisions that states could adopt. The requirement of earnings outside the high quarter would eliminate 12 percent of present claimants. The 40-times-the-weekly-benefit-amount provision would cut off 18.5 percent of the claimants now eligible. Without trying to second-guess the California Legislature but taking into account the legislative history of eligibility provisions in the California unemployment insurance program, it would seem that either course would be unacceptable even if the maximum requirements were modified. If this were the case, the California law would have to be revised simply to return the base-year money requirement to $600 or slightly higher, thus reducing further any attempt at requiring claimants to have some reasonable degree of past labor market attachment.

The Administration has advocated that the qualifying requirement "should be high enough to eliminate workers with insignificant past employment. . . ." Yet the proposed qualifying standard would have quite a different effect upon the California program.

The weekly benefit requirement

California's weekly benefit payments long have been among the most generous of any in the country. The smallest weekly payment a claimant can receive is $25, an amount that is nearly one-half of the minimum weekly wage of $52 for full-time work. At the top is the maximum weekly benefit of $65, which is 52 percent of average weekly insured wages in California.

Currently estimated is that slightly more than six out of every 10 claimants draw benefits that are 50 percent or more of their former gross weekly wages. Another three—the especially high-paid workers—are limited by the $65 maximum from being compensated for one-half of their previous gross wages. Within the range of the minimum and the maximum, therefore, only one out of every ten claimants—because of the complexities of the benefit formula—gets a little less than one-half—say 49 percent—in weekly benefits of what his former gross weekly wages amounted to. If the weekly benefits are related to take-home or after-tax wages, all claimants except the extremely high earners would receive payments amounting to at least one-half of their prior earnings.

Instead of merely following some arbitrary standard in arriving at weekly benefit amounts, the California Legislature regularly takes a careful look not only at the weekly earnings but also at the claimants' base-year wages and usual work patterns in arriving at an appropriate benefit schedule. The 1965 legislative changes, for example, were based on a two-year study of the program. This interim study included a comprehensive survey of the characteristics of claimants—who they were, how much they worked, where they worked, how much they earned, their movements into and out of the labor force, their contributions to the family income, and many other factors. Here there is, in other words, some valid and logical foundation for determining what the maximum weekly benefit should be and also what the extent of wage-loss compensation should be below the top weekly payment.

The benefit standard proposed in S. 1991 would seem in practice to call for an automatic escalation of the maximum weekly benefit in accordance with increases in the average weekly wage. California had just such an automatic

feature in a related program, the temporary disability insurance program, from 1961 to 1965. Because top weekly benefits moved up without legislative review and action, a number of program difficulties occurred. To remedy the situation, the California Legislature in the 1965 Session removed the automatic provision and returned to the practice of regularly considering necessary benefit increases. Some states apparently have found the automatic feature to be a feasible method of keeping benefits in line with wages. The California experience, however, was to the contrary.

The duration requirement

The length of time that California claimants can draw benefits varies with their previous employment experience; between the minimum number of weeks of payment and the maximum, claimants receive one week of benefits for the equivalent of one week of work. A claimant who worked the equivalent of 12 or fewer weeks in his base year would be entitled to the minimum duration of regular payments—12 weeks. At the top of the range, a claimant having the equivalent of at least 26 weeks of work in his base year could draw 26 weeks of regular benefits. This variable duration feature reflects the character of California's employment patterns described above. The short-term workers receive payments for a fewer number of weeks than do the workers who are employed more steadily.

The duration requirement proposed in S. 1991 would upset this balance. This is because the bill proposes that as a minimum all claimants having the equivalent of 20 weeks of work be entitled to 26 weeks of benefits. Thus, many California claimants who typically work less than half a year could draw benefits for 26 weeks or one-half a year, more weeks of compensation than they had of employment. Now, 71 percent of the California claimants are entitled to 26 weeks of benefits; the proposed change would entitle about 88 percent to the top duration. Adoption of the proposal would mean that many short-time workers would be compensated to the extent of nearly all of their previous year's earnings, while the steady workers would recover considerably less. It also would mean for the claimants who usually work only a part of the year that the benefits would be more of a wage subsidy than an insurance payment.

The disqualification standard

California law provides that a claimant who leaves his employment without good cause or who is discharged for misconduct in connection with his work is disqualified from benefits until he has gone back to work in bona fide employment and earned five times his weekly benefit amount. "Good cause" for voluntarily leaving a job includes personal reasons as well as those which are work-related. This provision was enacted in 1965 as the result of general awareness that the program was open to misuse by some claimants. Previously, such disqualifications called for a five-week benefits postponement.

The present provision was a part of the Legislature's "Committee Bill". Awareness of the growing problem, however, was not confined to the Legislature. The Governor's recommended legislation also included a stricter provision for voluntary quit and misconduct discharge disqualifications than the one that had been in force.

The California labor force is an unusually mobile one. Workers move into and out of the state, from one part of the state to another, and from one job to another. Even when unemployment is high as it has been in recent years, employment growth continues. New job opportunities and those resulting from voluntary labor turnover provide substantial numbers of openings. The availability of jobs coupled with labor force movements tend to contribute to the substantial numbers of voluntary separations from employment.

A federal disqualification requirement that would limit the state provision to mere postponement of payments would give rise to the same situations that led to the enactment of the 1965 provision. The six-week maximum period of postponement specified in S. 1991 would be less effective than the 13-week ceiling recommended by the Secretary of Labor in his presentation before this Committee on July 13, 1966. In either case, though, the door would be left open to the claimant interested only in occasional work and who was able to wait out the disqualification period.

Federal unemployment adjustment benefits

S. 1991 includes a provision calling for the payment of 26 weeks of extra benefits in both good times and bad to claimants having some specified amount of

previous labor market attachment. These added benefits have been termed Federal Unemployment Adjustment Benefits (FUAB). Subsequent to the passage of H.R. 15119 by the House, the Department of Labor has recommended an alternate scheme, should FUAB not be acceptable. This second proposal would serve as a "nudge factor" to states to extend the duration of regular benefits beyond one-half year by providing for federal sharing of the states' costs for such benefits. In addition, the federal government would pay the full cost of recession benefits instead of sharing the cost as proposed in H.R. 15119.

California has had a program of extended duration benefits ever since 1959; only a handful of other states have similar provisions. Whenever unemployment in California is high—that is, when the unemployment rate of insured workers is at least six percent—California claimants are entitled to extra benefits of half again as much as their regular entitlement so that they will have additional time to look for work whenever jobs are hard to find. Because California's unemployment levels have been well above the national average in recent years, the extended duration program was in effect for several months each year until 1966. Part of the usual employment problem in California is seasonal in nature, and for some years the seasonal workers along with the others were drawing these extra benefits as a kind of bonus in months when they customarily would not have been at work anyway. Recognizing this partial misdirection of the program, the California Legislature amended the law in 1965. Under usual unemployment levels, claimants are required to have some reasonable amount of previous employment—20 weeks of work—in order to draw the added benefits. Whenever unemployment rises to a level above that for the preceding two years, however, all claimants can draw the added payments regardless of their previous employment records.

The California program would seem to come within the framework of unemployment insurance. Unemployment insurance is a wage-replacement program designed to help unemployed workers maintain themselves and their families during temporary periods of joblessness. "Temporary" can have a different meaning depending upon prevailing economic conditions. When times are good, most workers should be able to find jobs fairly quickly and a maximum duration of 26 weeks of benefits would seem adequate. In recession periods when jobs are more difficult to find, many unemployed workers need more time to effect their reemployment.

FUAB, in contrast, appears to offer a prolonging of payments to people who have moved outside the province of unemployment insurance; that is, beyond the period of temporary joblessness however it may be defined. It is suggested that people who are unable to compete in the job market and who are still out of work when their unemployment insurance benefits are exhausted are in need of a constructive program to treat the causes of their joblessness. Mere income maintenance is not the answer and might only postpone their rehabilitation.

Many federal programs have been developed to take care of the "hardcore" unemployed, including those provided under the Manpower Development and Training Act, Area Redevelopment Act, Public Works Acceleration Act, Trade Expansion Act, and Economic Opportunity Act. It would appear that extensions of these programs instead of longer income-maintenance payment periods would be the desirable course.

As for the alternate proposal, it well may be that the usual time for reemployment of some workers in some states extends beyond one-half a year during prosperous times. It would seem, however, that this is an individual state matter, to be determined and financed by the states. We would suggest that the federal monies would be put to better use in helping fund the cost of recession benefits.

The employer cost of S. 1991

The Administration's unemployment insurance proposals go beyond those contained in H.R. 15119. They not only call for federal tax increases in excess of those in the House bill but they also would require added state taxes to support the higher benefits, longer duration, and reduced eligibility and disqualification provisions that are specified. If S. 1991 were in full effect now, California employers' state and federal unemployment insurance taxes would average about 2.8 percent of their total payrolls. This percentage compares with an average combined tax rate on total payrolls of approximately 2.0 percent at the present time.

When the various payroll taxes are considered individually, their impact on costs is not so apparent. It must be remembered, however, that Social Security taxes also have risen markedly and that further substantial increases are scheduled. California employers' payroll taxes for these two social insurances represented 4.6 percent of the annual earnings of the average employee in 1965. By 1971 when S. 1991 would be in full effect, the payroll taxes would amount to 7.3 percent of the estimated annual earnings of the average California employee. In considering the current proposal, we would suggest that the Committee take into account the economic effect of these taxes on jobs.

There are two other financing items which should be mentioned. One concerns the Secretary of Labor's statement in his July 13, 1966 presentation before this Committee that benefits paid to claimants following a disqualifying act should not be charged against employers' experience-rating accounts. Perhaps this recommendation is appropriate, but what should be recognized is that such benefits must be charged against some account and must be financed accordingly. California law has the kind of noncharging provision that the Secretary suggests, but it also has a balancing account to pay for noncharges of this type as well as for other socialized costs of the program. Employers pay a uniform tax of one percent to fund this balancing account. The money to pay the benefits, in other words, must come from somewhere.

The second items has to do with interstate competition. It has been indicated that S. 1991 could have the effect of equalizing benefit costs among the states and thus easing any competition that may exist to keep unemployment insurance taxes low. There are a number of factors affecting the cost of state unemployment insurance programs, and the program provisions themselves are only one of them. California, for example, is a high-benefit-cost—and, therefore, high-tax-state. It is true that the program is more liberal than the average because of the long-time political and social philosophies that have prevailed in the state. However, the rate of insured unemployment is also an important cost factor, and California's insured unemployment rate has been well above that of most other states for the past several years. Moreover, wage rates exert a significant influence on benefit costs. Because benefits are wage-related, the higher the wages are the higher the benefit payments become. It would seem, on balance, that S. 1991 would exert comparatively little influence in equalizing costs among the states. Wage rates, unemployment rates, and other factors would appear to outweigh the influence of any leveling up of program provisions. Moreover, the "interstate competition" argument has yet to be validated. There is no evidence that unemployment insurance taxes affect companies' decisions to locate or expand operations in a state or to move out of a state. Company decisions of this nature are based upon a combination of many factors, among which unemployment insurance taxes play a comparatively negligible part.

The Summing Up

In assessing H.R. 15119, the California employers that I represent have concluded that the measure's provisions come within the scope of federal responsibility for the federal-state program of unemployment insurance. Furthermore, H.R. 15119 would substantially update the existing federal unemployment insurance law. Additional workers would be brought under the protection of the program. Financing of the federal-state employment security program would be improved. A permanent system for paying extra benefits during recessions would be established. Opportunity would be furnished the states for judicial review of the findings of the Department of Labor. At the same time, H.R. 15119 would leave with the states the latitude to develop and improve their unemployment insurance programs. The responsibility for determining benefit levels, duration of regular payments, the general terms under which benefits are granted, and the financing of the benefits would continue within the province of the states.

S. 1991, on the other hand, would substantially change the respective roles of the federal and state governments in the unemployment insurance program. It would put within the federal scope many important responsibilities that since the start of the program have been assigned the states.

CALIFORNIA EMPLOYERS AND ASSOCIATIONS ON WHOSE BEHALF THIS STATEMENT IS MADE

California-Western States Life Insurance Company
General Telephone Company of California
Pacific Gas & Electric Company
Occidental Life Insurance Company
Pacific Lighting Service and Supply Company
Pacific Mutual Life Insurance Company
San Diego Gas & Electric Company
Southern California Edison Company
Southern Californa Gas Company
Southern Counties Gas Company of California
Association of Motion Picture and Television Producers Inc.
California Banking Association
California Manufacturers Association
California Newspapers Publishers Association
California Retailers Association
California State Chamber of Commerce
California Trucking Association
Merchants and Manufacturers Association
Motor Car Dealers of Southern California
Western Oil and Gas Association

Senator TALMADGE. Senator Williams?

Senator WILLIAMS. No questions.

Senator TALMADGE. Thank you very much, Mrs. Beideman.

The list of witnesses having been concluded, the committee will stand in recess until 9 a.m., tomorrow morning.

(Whereupon, at 10:20 a.m., a recess was taken until 9 a.m., Wednesday, July 20, 1966.)

UNEMPLOYMENT INSURANCE AMENDMENTS OF 1966

WEDNESDAY, JULY 20, 1966

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

The committee met, pursuant to recess, at 9:15 a.m., in room 2221, New Senate Office Building, Senator Vance T. Hartke presiding.

Present: Senators Long (chairman), Gore, Hartke, Williams, and Morton.

Also present: Tom Vail, chief counsel.

Senator HARTKE. The committee will come to order.

All the testimony we are going to receive today comes from business groups. The first witness today is Mr. Lyle H. Fisher, vice president, Minnesota Mining & Manufacturing Co., St. Paul, Minn., representing the Chamber of Commerce of the United States.

Mr. Fisher, you may proceed in any way you like.

Your entire statement will appear in the record as it is presented.

All right, sir.

STATEMENT OF LYLE H. FISHER, REPRESENTING THE CHAMBER OF COMMERCE OF THE UNITED STATES; ACCOMPANIED BY KARL SCHLOTTERBECK, MANAGER OF ECONOMIC SECURITY, CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. FISHER. I am Lyle H. Fisher, vice president in charge of personnel and industrial relations for the Minnesota Mining & Manufacturing Co. of St. Paul, Minn. I appear before this committee as a witness for the Chamber of Commerce of the United States, and have served as a member of its committee on labor relations. With me is Mr. Karl Schlotterbeck, manager of economic security matters for the national chamber.

Senator Hartke, to preserve time, I would like to present the salient points of the prepared testimony, but would appreciate it if the entire presentation were to be included in the record.

Senator HARTKE. As I indicated, the entire statement will appear in the record as though it were read.

Mr. FISHER. Thank you, sir.

The national chamber appreciates this opportunity to present its views on H.R. 15119 and S. 1991, dealing with the problem of unemployed workers.

We support H.R. 15119 as a reasonable bill, effecting certain changes in the existing Federal-State system of unemployment compensation.

We do not support S. 1991 because it contains:

1. Certain provisions dealing with both the short-term and the long-term unemployed through the existing Federal-State unemployment compensation system which violate sound unemployment insurance principles;

2. Other provisions dealing with the very long run unemployed through a new Federal program which propose the same solution in good times and in recession, although the character of the problem is not the same under both condtions.

Such provisions are fundamentally unsound, and S. 1991 should be rejected in its entirety.

We recommend, instead, two courses of action contained in H.R. 15119. The first would strengthen State freedom and flexibility so every State may continue to make needed and sound, constructive improvements in unemployment compensation, as they have for the past quarter century. The second would provide additional protection to those regularly attached to the labor force against very long term unemployment in time of recession, when job openings are not readily available.

In this presentation we will discuss, first, those provisions in S. 1991 which would directly and adversely affect the existing Federal-State unemployment compensation system; and second, the other provisions in S. 1991 dealing with the problem of very long term unemployment.

Finally, we will turn to H.R. 15119.

PROPOSED CHANGES IN STATE UNEMPLOYMENT COMPENSATION PROGRAMS

S. 1991 contains numerous provisions amending the existing Federal-State system of unemployment compensation. Briefly, these would—

(1) Permit any State to allocate its benefit costs on a basis other than the unemployment experience of individual employers;

(2) Establish for the first time Federal requirements for State unemployment compensation relating to cost-determining factors;

(3) Provide a Federal subsidy to any State with so-called excess benefit costs;

(4) Require States to increase the taxable wage base from $3,000 to $5,600 in 1967 and to $6,600 in 1961.

Advocates of these various changes have contended that the existing Federal-State system of unemployment compensation has "not kept pace with the times." They have stated that "the twin recessions of 1958 and 1961 exposed the system as being largely obsolete * * *. It was plain that the system constructed in the 1930's was too fragile for the 1960's, that it could not withstand the major crisis." These and similar contentions are reflected by the broad accusation that "no major improvements have been made since its original enactment 30 years ago."

We believe that a fair, objective appraisal of the independent performance by the 50 States during the past quarter century refutes these contentions.

INDIVIDUAL EMPLOYER EXPERIENCE RATING

One provision of S. 1991 (sec. 208) would permit a State to abandon experience rating. This is a device by which a State adjusts its tax rate for each employer according to his unemployment experience. This mechanism is in line with the original concept for unemployment compensation as expressed by President Roosevelt in his 1935 message to Congress:

An unemployment compensation system should be constructed in such a way as to afford every practicable aid and incentive toward the larger purpose of employment stabilization.

Senator GORE. May I ask a question there, Mr. Fisher?

Mr. FISHER. Yes, sir.

Senator GORE. You say that S. 1991 would permit a State to abandon experience rating. I thought States could do that now.

Mr. FISHER. No, not now. Experience rating is part of the requirements of the present Federal law.

Senator GORE. As to each individual employer.

Mr. FISHER. That is correct.

Senator HARTKE. I see some people shaking their heads out there. Do we have somebody here from the Labor Department?

Mr. FISHER. You see, they cannot reduce tax rates unless they do it by experience rating.

Senator GORE. I see. That clarifies it.

Mr. FISHER. Maybe we could say it would encourage the elimination of experience rating by permitting the reduction in the State unemployment compensation tax rate on a flat uniform basis.

Senator GORE. That clarifies it. Thank you.

Mr. FISHER. Today, when one of our national goals is to stabilize employment, individual employer experience rating should be preserved in every State program.

I can prove from the experience of my company that, in those States where a sound experience-rating plan exists, we make every possible effort to regulate our employment. For example, one of our plants in Wisconsin providd only seasonal employment for about 20 employees on one production job. When we laid them off, we had a potential benefit cost liability of around $20,000—year after year. We found that we could transfer production to this plant and provide regular year-round jobs for these 20 people, and thus saved roughly $20,000 a year in unemployment compensation benefit tax costs.

In a plant in Minnesota we provided seasonal employment for about 130 women in connection with a product for the Christmas holiday season. Here our potential benefit-cost liability totaled approximately $40,000 a year when we laid them off. By careful rescheduling and better production planning, we were able to provide full-time, year-round jobs for 80 of these people, with substantial savings in tax costs.

In another operation some 2 or 3 years ago we were planning to lay off 140 workers permanently. The potential benefit-cost liability was approximately $120,000. Some of our staff were assigned on a full-time basis to find new jobs with other employers for these 140 people so they could start work on a new job immediately upon separa-

tion from our company. It was concluded we could well afford at least $40,000 of special staff expense, if it were necessary, to find other employment for a majority of these. We succeeded and realized a very substantial savings in benefit costs. And we found it didn't cost us $40,000 to do it.

Recently, we constructed a new building at our research, services, and administration complex in St. Paul. We handled some of the construction job with our own company personnel. In connection with pouring the concrete, we took on 40 common laborers. When the concrete work was completed, these workers—employees of ours—were to be separated from our employment. If we allowed them to become unemployed and register at the employment service, we were faced with a considerable potential benefit cost liability. Rather than allow them to become unemployd, then wait for the employment service to find them jobs, and for unemployment compensation benefits to be paid in the meantime, certain staff people were assigned to contact other possible employers in the Twin City area and succeeded in finding them jobs immediately upon their separation from us.

Senator HARTKE. Mr. Fisher, as I understand your contention, it is that the desirability of requiring the retention of the employer experience rating is that it encourages employers to find, according to these examples it encourages employers to find regular work for at least a substantial part of those who ordinarily would be part-time workers; it that true?

Mr. FISHER. This is for the purpos of stabilizing employment, that is correct.

Senator HARTKE. For the purpose of stabilizing employment.

Mr. FISHER. The emphasis is on the stabilization of employment in this case, yes.

Senator HARTKE. In other words, what you are trying to do is to provide for them wage stability so that they will have a wage throughout the entire year rather than depending upon valleys and peaks. That is, by an employment wage and then an unemployment check; is that true?

Mr. FISHER. That is correct.

Senator HARTKE. So, then, you would be willing to advocate a guaranteed annual wage for employees if you had an incentive method which would provide this; is that correct?

Mr. FISHER. That is not the point at all.

Senator HARTKE. Why would not the two be compatible and why would not the theory be basically the same?

Mr. FISHER. You see, you indicate that you provide an income by employment and also unemployment compensation. Our point is that we ought to provide employment and not unemployment compensation.

Senator HARTKE. I agree with that. I mean I would rather see, and I think most workers would agree that they would rather have a job than an unemployment check.

Mr. FISHER. Yes, but a guaranteed annual wage does not guarantee a job.

Senator HARTKE. What we would have to do is have the type of incentives provided, or put a penalty on an employer who could not provide a guaranteed annual wage and employment. I mean, wouldn't

the same type of theory work if such an incentive work in the Unemployment Compensation Law?

Mr. FISHER. Senator Hartke, you have that penalty today in the experience-rating program.

Senator HARTKE. How?

Mr. FISHER. If you do not provide stability in your employment, you are penalized through additional unemployment taxes, you see. So now, I do not believe it is needed to do more. I do not think you can tax a business out of business either.

Senator HARTKE. I am not interested in taxing a business out of business.

Mr. FISHER. I know you are not.

Senator HARTKE. I am interested in providing stabilization of employment. I do not want to proceed too far down that line. The only thing about it is, you might find yourself meeting yourself one of these days before one of these committees when we come back to what is ultimately going to be a serious question, and that is whether you are going to have a guaranteed annual wage through a guaranteed annual wage system or a guaranteed annual employment system.

Mr. FISHER. I would like to accept that challenge.

Senator HARTKE. Yes.

The Senator from Kentucky.

Senator MORTON. Along this line, Mr. Fisher, I think you made your point clear when you referred to those who poured the concrete. This is not in your business normal for you to keep 20, 25 people pouring concrete. This was an unusual situation. You met it, and I think the question of a national wage or a guaranteed wage, guaranteed annual wage, we must take into account differences in industries. In certain industries, this is not a problem, but in many industries, where you have a high seasonal fluctuation or even, let us take the automobile industry, where you have period of retooling of some several months, this year longer than usual perhaps, because of Mr. Nader and others, but the fact remains that you cannot just say that everyone could guarantee an annual wage. We would have a lot of companies that would go out of business, and you would have a lot of jobs lost if you did that.

I do not think the argument or the position that you made necessarily makes an annual wage inevitable, because I think the two problems are entirely different, and I think the illustration of those in pouring the concrete clearly indicates that.

I know that Minnesota Mining or Minnie Mouse, as I call it, has a lot of diversified products and diversified operations.

At the same time, I do not think that you keep those who pour concrete on as a regular part of your business. This was an unusual and a special situation.

Mr. FISHER. This is correct, Senator Morton. It is unusual, and we do have lots of operations that have seasonal implications.

Senator GORE. I concur in the observations of my colleague from Kentucky.

As I understand your point of view in advocating the continuation of employer experience rating, you wish to give an incentive to stabilize employment.

Mr. FISHER. Emphasis on employment rather than unemployment, yes.

Senator GORE. Like Senator Morton, I recognize that some types of industry, many types of industry, can take advantage of this, and I know from my personal experience that many do, in order to take advantage of it, they hesitate to lay a man off. They try to find something for him to do because if they maintain a satisfactory employment record, then their rate of taxation for unemployment compensation is reduced.

Now, this is one program with which I have been closely associated for many years.

As commissioner of labor in my State some years ago, I inaugurated the administration and helped write the act which set up the first unemployment compensation program in my State. Therefore, having set up the program in my State and having been intimately involved in it, I have, as a legislator, closely followed it, and I have been greatly interested in it.

I would certainly recognize from a practical standpoint the merits of the employer rating system. I think it does contribute to stability of employment.

Mr. FISHER. We know it does, Senator.

Senator GORE. This must be measured, however, against the—I will not say unfair burden, but the disproportionate burden upon those types of businesses described by Senator Morton as being seasonal in nature or in which because of retooling, et cetera, there are periods of maximum employment and periods of minimal employment.

I have always, even though I have been intimately associated with this program, been torn between the merits and demerits of this system.

Now, you have described well the merits of it. As an experienced businessman, what would be your attitude toward these businesses, like the automobile industry, like the feed business, in which Senator Morton and I in our private lives used to be associated? In the wintertime the cows have to be fed. In the summertime, they can graze. How does a feed manufacturer keep steady employment?

Mr. FISHER. Senator, in my opinion, this is the cost of those businesses doing that kind of a business, and they ought to assume those costs or they ought to in some way provide for employment to take up the slack where the slack exists. But these are individual situations that ought to be absorbed and handled by the individual employer, and an incentive ought to be provided so that he will do something about it personally in the individual instance.

Senator GORE. Well, Mr. Fisher, the other argument is that these are unavoidable situations, and the individual business in this particular case ought not to bear all the burden but instead it should be absorbed in the entire unemployment compensation system. Maybe we can make the same arguments supporting the same point. It depends on who bears the burden, or to put it another way, whose pocketbook is open.

Mr. FISHER. Well, this is the cost of goods produced by that company, in my opinion, and they are the ones that ought to handle the problem or be given a less tax forgiveness in this particular kind of an instance. We find to be true, you see, in our seasonal business, as you know or maybe do not know, because we have a roofing granule

operation where we provide materials that go into the construction of roofs, the ceramic-rock-type material.

Well, in our part of the country, especially in Minnesota, you do not put on very many roofs in the wintertime. So, as a roofer, we do have a seasonal fluctuation of employees. The employment count goes up and down, based on the seasonal fluctuation.

We have paid unemployment compensation for a good many years before we became smart enough to realize that we could make pallets for moving materials around in this plant during the wintertime, so we put the people to work that were working on the roofing granules in the summertime and making pallets in the wintertime, and we eliminated these costs. This is the type of thing employers will come to if they find it is going to be costly not to.

Senator GORE. I agree with you. I have seen it; I have witnessed it, and in numerous instances. You have cited another.

Well, now, just as the incentive system operates to encourage stability of employment on the part of those industries and businesses in which it is possible, the high costs to the employer who cannot attain a merit rating surely encourages him to lay off a man at the very first possible opportunity.

Mr. FISHER. This is true. But at the same time, if the high cost of unemployment compensation exceeds the cost of trying to find some other work for him, then, of course, he is going to try to find some other work for him.

So, I think the incentive really ought to be increased rather than lessened in this area, because the name of the game is putting the fellow to work; isn't it, really?

Senator GORE. Some of these times, I would love to invite you out to my apartment for dinner some night and then get another gentleman who is in the type of business that cannot take advantage of the merit system, and then I will sit back and enjoy the argument.

Mr. FISHER. I would really like to do it because, you see, you have to work this into the price of the product.

We have both kinds in our business, and we scramble with both types. I, unfortunately, or fortunately rather, state to you that my company is expanding rapidly, and, as a result, we are able to maintain a high level of employment. Mr. Hartke knows this to be true, in Indiana certainly. We hope that this is always going to be the emphasis that our economy is going to be an expanding economy so that we can always maintain a high level of employment. This is really the answer.

Unemployment compensation, guaranteed annual wage, all these things are a negative approach to the problem. The positive approach, in my opinion, is to maintain the economy at such a level that there is not any unemployment, that we maintain jobs for people because people want to work. This is the first premise we have to operate on, in my opinion.

Senator GORE. I agree with you completely on that.

I thank you.

Senator HARTKE. Mr. Chairman, I would like to say that the 3M's is a progressive organization, and I in no way want to take away from it. These examples which you cite are very commendable, and certainly could be extended nationwide into every industry; even

though those which are capable of it today are not trying to do it in many cases, unfortunately. I do not think necessarily, it is a case of intentions, it is probably as much neglect as anything else.

But the point of it is, as I understand the basic theory of stabilization of employment, that one of the items upon which it is premised is not employment for the job's sake alone, but rather providing a steady income to the employee; isn't that the whole idea of stable employment?

Mr. FISHER. I do not think you can separate the two, sir.

Senator HARTKE. This is what I am trying to say, really.

When you talk about stabilization of employment, you are talking about providing for stabilization of income.

Mr. FISHER. Well, you are doing more than that, sir. I do not think providing income without a job is very dignified.

Senator HARTKE. I think that providing income without a job is not alone foolish but it is also very dangerous, I agree with that.

But the point also remains: If the incentive system works toward stabilization of employment under the workmen's compensation law, why wouldn't it then be advisable to provide for an overall incentive system? We could provide such a severe penalty that unemployment compensation would no longer be attractive to anyone and, at the same time, provide for continuous employment for all workers.

Mr. FISHER. Well, I think your premise is a little faulty, in that you are assuming that they have a job, just because you are going to pay them a wage. This is not necessarily true, and I do not believe——

Senator HARTKE. I am assuming they are going to receive wages because they have a job.

Mr. FISHER. But you cannot reverse it, sir. You cannot assume they are going to have a job, because they are receiving wages.

Senator HARTKE. I understand that. But the point about it is that if you have an incentive to stabilize employment, wages will be stabilized with them, will they not?

Mr. FISHER. If you have a job.

Senator HARTKE. If you have a stabilization of employment.

Mr. FISHER. This is true of those who have jobs to provide, right; this is true.

Senator HARTKE. If you have——

Mr. FISHER. I agree with you.

Senator HARTKE. If you have labor stabilized, if you have all of the workable labor force employed and stabilized on an annual basis so they are not in a seasonable category, such as Senator Morton implied, the net result of it will be that you will have a guaranteed annual wage for those people.

Mr. FISHER. In effect, this is what occurred.

Senator HARTKE. That is right.

Mr. FISHER. But you do not have to force this, because this will be true regardless of legislation or anything else.

Senator HARTKE. All right. But the incentive method—all I am coming back to is that if the incentive method is good enough under the unemployment compensation laws to achieve this type of individualized result, why would it not also be good enough to achieve the overall effect?

Mr. FISHER. I just cannot conceive that the two are compatible. I do not believe that the unemployment compensation——

Senator HARTKE. I do not want you to see it and accept it as a challenge, but I think the logic, if it is logical on this basis, has to be logical on the broader spectrum.

Mr. FISHER. Well, I would like to debate that with you sometime.

Senator HARTKE. I am not interested in debating it. If you want to think about it, that is all right.

Mr. FISHER. All right.

Senator HARTKE. Let me ask you one other question.

One important and significant factor involved in these examples to which you refer, and the thing to which you alluded a moment ago is that we have an expanding economy now, and have had for the last 5½ years, although there are some dark clouds on the horizon at the moment. Whether they are going to materialize into a storm is hard to say, but they are there.

The truth of it is: If you had not had an expanding economy you probably would not have been able to achieve all of these results, or possibly any of them; isn't that true?

Mr. FISHER. I think they could, in some instances.

Some of these items I have cited occurred much prior to 5 years ago, and it has been our contention that this our responsbility. When we assumed the responsibility of employing an individual, we like to think that we just do not have him come and go like the wind; that we have a responsibility to try to continue that person's employment, either with us or with someone else.

Now, we are not able to achieve this in every instance, but I believe if all employers made the same kind of an effort that this could be improved upon a great deal, sir.

Senator HARTKE. And if all employers do not make this kind of effort, which you have to admit they do not, isn't that true——

Mr. FISHER. Well, a good many of them do it, more than I thought did.

Senator HARTKE. Yes, I know. But a great many of them do not do it.

Mr. FISHER. A lot of them.

Senator HARTKE. And a great many of them are not in position to do it.

Mr. FISHER. Where it is possible to do it.

Senator HARTKE. In other words, you have those who can and won't, and you have those who can't.

Mr. FISHER. In the communities which are relatively small, and you are the principal employer, it is a little difficult to work out this problem.

Senator HARTKE. So if this is good for 3M, why isn't it good for the country as a whole? Why isn't it good as a social approach?

Mr. FISHER. The securing of employment?

Senator HARTKE. Yes.

Mr. FISHER. Well, that is the effort being emphasized here.

Senator HARTKE. All right. I am just going to say that if the incentive system on the rating experience is a good method here, I would say that it certainly deserves consideration for effectuating the requirements of the Employment Act of 1946.

Mr. FISHER. I would certainly agree that the incentive here helps to promote that kind of an approach.

Senator HARTKE. All right.

Senator MORTON. Mr. Chairman, to develop this a bit more, I do not want to drag this out, but, of course, the Senator of Indiana is talking about employment, employment opportunity, guaranteed annual wage. He has not mentioned the word "money." You have got to pay these people.

Now it is perfectly alright to go along on your theory, except how are you going to pay them? How are you going to meet that payroll every week? This is important, it seems to me.

Senator HARTKE. I would relate it to employment.

Senator MORTON. Let us take strawberries, for example. We are raising strawberries, they all come in at one point. If you are going to guarantee an annual wage for these people raising strawberries, you are not going to raise many strawberries.

Senator HARTKE. Well, Senator Morton——

The CHAIRMAN (presiding). Just 1 minute, gentlemen. If the Senator wants to ask the witness a question or make a statement in his own right, he can; but I am going to insist that the witness have a chance to answer the question.

Senator MORTON. I reserve the balance of my time. [Laughter.]

Senator HARTKE. Let me say to the chairman, Kentucky is not so far away. I live in Evansville; I will hop across the river and talk to my friend from Kentucky.

The CHAIRMAN. The Senator can make a statement, but I would like to keep the Senators from debating this matter here. We will have plenty of time to debate this in executive session.

Do yon have any question, Senator?

Senator MORTON. No.

The CHAIRMAN. Let me ask you about this: I have been trying to find why it was that when this act started out, the maximum benefits, the maximum weekly benefits, were relatively much higher than they are now. I tried to explore the history of this with Mr. Rauschenbush, who is perhaps known to you. He was in charge of the Wisconsin program when this program went into effect back in 1935. I wanted to know why it was that the State benefits tended to be rather uniform, percentagewise, at that time and why there is such a wide disparity now. And also why the benefits paid at that time appeared to have been about 63 percent of weekly wages, when today they are far below that.

Here is what he said:

Well, in the early history of Federal participation a few years after we passed our law—

Meaning the Wisconsin law—

I was asked to help draft a bill which the Social Security Administrator might send out to the States, and in the process of drafting that bill what figure did I put in? I put in a $15 maximum weekly benefit figure.

Now, frankly, that is a figure that they just recommended in parentheses in a 1935 report to the President that I saw. I think that is how it got there. He goes on to say:

I did not try to say how much each State should roll its own and under the pressures of the time limits and the like, a good many States just took that $15 figure.

Now, Senator, as you know, a flat dollar figure would be a very uneven percentage of wages in a great many different States. So that is partly a historical accident that it started out that way.

Now, over the years in every State year by year in their legislatures they have been considering what the proper figure ought to be. What should be the maximum benefit amount for the highest paid workers, and they have been adjusting this from time to time.

Then, he goes on to take Wisconsin to show what they have done.

Here is the kind of thing I find.

Maritime puts out bids to build a ship. For example, here is a contract for $50 million of shipbuilding, a single contract. Avondale bids on it at New Orleans. Maybe a shipyard at Alabama, at Mobile, bids on it, and this outfit up here at Maryland, at Baltimore, bids on it.

Now, we win it by $100,000. That is one-fifth of 1 percent of the contract, by which we win that bid. As I mentioned to a previous witness, it was not all over with. They went uphill and downdale trying to invoke something of a Defense Act to bypass the Louisiana bid, but they did not get away with it. So we got the business, and we were $100,000 low.

Assuming that wages are at least 50 percent of the cost of that, when Alabama bids on that they are looking at, let us say, an average unemployment top rate of 1.1 which they have to pay.

Now, in Louisiana, we are looking at an average rate of 1.8, so we have got to offset seven-tenths of 1 percent.

I am not sure Alabama actually bid on it, but if they did we found other factors to overcome it.

Alabama pays a maximum unemployment benefit of $38 and we are paying $40, but we have some other incremental benefits that they do not have.

Now, then, here is Maryland with a $50 benefit, and an unemployment top rate of 1.9. That 1.9 just happens to be the difference by which we put them out of business.

Having beaten them on that bid, the next time they bid against us, we are going to have a much greater advantage because we have a much better experience rating in Avondale where we are keeping the yards in work.

Now, I personally would like to see these States quit competing with one another—based on who can do the least for their unemployed workers. Short of voting for some kind of Federal standards, could you tell how you can help bring that about?

Mr. FISHER. Well, I do not think that there is any one factor, sir, that causes these bids to be equitable or inequitable. I think that efficiency of operation, other than unemployment compensation, and a lot of other factors have a good measure to play in whether or not you are a low bidder or a high bidder.

I think that we can compete with Japan; I think we can compete with some other foreign countries.

The CHAIRMAN. Sir, I am just talking about States competing with one another.

Mr. FISHER. Well, I am—the principle is the same, you see. It is the cost of doing business and whether or not you are more efficient.

The CHAIRMAN. Did I hear you say that we can compete with Japan in building ships?

Mr. FISHER. I do not know about building ships, but I say in many kinds of other products.

The CHAIRMAN. If we did not have a subsidy to build ships, we could not build the first steel ship to compete with Japan.

Mr. FISHER. That may be true of ships. I have never been in the shipbuilding business, so I do not know.

The CHAIRMAN. I just got a cold because I rode down the ways with a ship. We rode down the ways. My little daughter broke a bottle of champagne over the ship.

Mr. FISHER. I feel the same way. I get seasick on them.

The CHAIRMAN. I had to serve on them during the war. But the Japanese costs are far below ours. Are you familiar with that minority group who recommend that we buy our ships from Japan rather than build them ourselves, because their costs are so much lower than ours?

Mr. FISHER. I do not know about building ships, but I know we can compete because of efficiency in this country.

The CHAIRMAN. Here is what I am talking about. Here we are bidding on a shipbuilding contract, and just to take one example, we are biding on a shipbuilding contract, and here is one fellow in one State—look at the highest State. Here is a State that has a 2.7-percent unemployment tax. There might be some higher, but that is one of the high ones. They have higher benefits, and they have a 2.7 tax.

Here is some fellow competing with them and he has lower benefits and he has got—let me see what is the low—0.5.

If you have got to sharpen your pencil and squeeze out all the costs, and you have got a lot of unemployed workers and your bid is in bad shape because you are not getting enough business. In a shipbuilding contract, a good competitor is going to whip you everytime, if he has got a 2.2-percent advantage over your going to win other factors being the same.

Now, I dislike to see one State competing with another to attract an industry by having a poor program, inadequate payments for their unemployed workers.

When it first started out, that was not the case. The States all apparently adopted a pretty uniform set of standards to go by, and that is because Mr. Rauschenbush here and these people over in the agency sat down and wrote up what they regarded as a model statute, and because the States themselves knew so little about it, they just took the statute and passed.

But if you would like to get the States in line to where they are offering pretty much the same incentive to their workers and trying each to provide a benefit that would be appropriate compared to what the next State is doing, how are you going to do it short of passing and imposing some sort of Federal standards?

Mr. FISHER. Well, I really believe, sir, that the State has, and every company has, its own problems.

Now, you are assuming, of course, that everything else is equal which, of course, is a pretty large assumption.

The CHAIRMAN. Well, those folks in Maryland had more to overcome than that. They had a union, and there is no union in that Louisiana plant. But, they also had some advantages. They were sitting alongside a steel mill, and the New Orleans plant was not.

By the time you take all of those factors, and you add up two columns of figures, leave out this unemployment insurance item, and the bid of those two firms would have been virtually indentical on a $50 million contract.

Both these bidders are very efficient operators, both good shipbuilders, one with an advantage that is offset by the other's advantage, and you look down here, and you look down here at your employment insurance program, and that is the difference between a company staying in business or a company losing out, going out of business. Wouldn't it seem fair that the unemployment insurance benefits ought to be pretty even, percentagewise, State against State when they are bidding on Federal work?

Mr. FISHER. I just do not believe it, sir. I agree that you can isolate an instance, but you do not burn down the house to catch a mouse, you see.

It is my opinion that this is an isolated instance. Also, sir, if you are to take another factor of labor cost, did not take the unemployment compensation cost in this particular instance—I do not know what it is, but if you took the labor costs, you probably would find there is a disparity there also between one contractor and another.

The CHAIRMAN. But the point is—by the time you get through with all these different factors, it winds up both people have practically the same cost on the overall, except for this one advantage which winds up putting the Louisiana firm ahead of the other one. Right now, that helps Louisiana, that our firm has a lower unemployment insurance cost.

Mr. FISHER. But why isolate this one, this particular item, why isolate it when you could also apply the same principle to wages, you could apply it to labor unions, one having a labor union and another does not, which restricted flexibility in your work force, and all the things you have with it?

You can isolate it by saying if you do not have that one item there would be an equal bid approach, too.

Now, if you try to equalize employers' costs in every department, then why bid? Just pick one.

The CHAIRMAN. Well, Mr. Fisher, you represent the chamber of commerce. I have worked with chambers of commerce in Louisiana, in my home town, and in Shreveport, New Orleans, or any other city that importunes me to help them. I have worked with them to try to help bring industries into my State and, frankly, everytime we talk about increasing benefits or improving our unemployment insurance program, they raise this point: we are having to compete with other States to bring industry in here, and if we are going to get this cost up here, it is going to make it more difficult.

I have talked to a lot of industrialists, and you have, too, who tend to tell you: "Well, look, it comes down to deciding where we are going to put this plant; we are going to put in all the costs that we can predict, including our wage rates and including this unemployment insurance and the taxes we will pay in your State, and everthing else, we put them all down. As far as we are concerned, when we add up that column of figures, whichever State shows up with the lower production cost figures, that is the State we are going to choose."

That is how most industrialists tend to do it, is it not?

Mr. FISHER. This is true, but you take just one tax item, sir. There are about seven or eight factors that you consider, at least, in locating a plant in the area. You do not take a temporary advantage in a tax situation necessarily as the sole reason. There are a lot of factors that you have to consider in locating a plant in an area.

For instance, in this example you cite, I do not know what the tax, the income tax, situation is in these States as far as the State tax is concerned. This could be a factor also, and I am sure that employers object to increasing the State income tax, wouldn't they, also, on the same basis of increasing the unemployment compensation tax, because it would give them a disadvantage in competing with other States that had a lower tax?

The CHAIRMAN. Here is the point I am getting to. I would hope there would not be any great deal of advantage for States that do not provide adequate unemployment insurance benefits over a State that does in seeking new industries.

Can you tell me how on this committee I can help see that that result does not obtain?

Mr. FISHER. Well, sir, I believe if the unemployment compensation——

The CHAIRMAN. What would you recommend I do if I would like to try to see that Louisiana, Alabama, and Maryland, for example, or any other States are not competing with one another for industry with the competitive advantage going to the fellow who does the least for their unemployed workers?

Mr. FISHER. Well, sir, I really believe that the State that is doing the least for the unemployed worker is not going to have skilled workers to be employed, and they are going to have considerable difficulty attracting business if they do not have the employees in the State that are going to provide the type of labor that they need to do the job.

Now, the incentive there, if you do not have reasonable benefits in the State, the employees are going to go some place else, work in some other State, and this law provides that opportunity, sir, H.R. 15119, which eliminates the inability of a person to receive benefits in one State if he leaves another State. I believe that there are some factors——

The CHAIRMAN. My experience has been it works just the other way around. We had skilled workers in New Orleans, they had skilled workers in Baltimore. We outbid them, and the difference is right here in the unemployment insurance rates. Their workers are out of work. We are filled up, and are looking for more workers. Their workers are on their way to Louisiana to help build ships, if they are looking for work. Louisiana is filled up.

I want to get your reaction as to how to keep States competing with one another by preventing the State that offers the skimpiest benefits for unemployment insurance from being the State that gets the industry.

Mr. FISHER. Well, my observation on the example you cite is that unemployment compensation is not the guilty item. There are lots of items that have to be considered along with the unemployment compensation disparity.

Senator HARTKE. I would just like to point out that Governor Scranton in his recommendations to the State Legislature of the State

of Pennsylvania, in his argument for reducing benefits in that State when he made his pleas to reduce the benefits, it was on the basis of this: it was impossible for them to be competitive in the field of attracting new industry as long as their benefit rate was as high as it was, and, therefore, they should reduce their benefit.

I also point out another item involved in the unemployment compensation law which the chairman is pointing to, and I think this is one of the factors which bothers me, too, and this is the fact that you are dealing with a Federal law here, you are dealing with a Federal law.

In these other competitive things, you are dealing not with a Federal law but you are dealing with local environmental situations which do not involve us directly. I think there is a difference.

Mr. FISHER. Sir, I do not think there is much of a difference when you are figuring costs, and I think the States where they have an opportunity to control their costs to employers have the same opportunity in unemployment compensation which they have today as they would have in their State tax and all the other factors that go into the costs of doing business in a particular State.

If you take this opportunity away from them, of course, then, their hands are tied, but then they would have more of an incentive to do something in the other areas of costs.

I just do not believe that federalizing the standards is the answer to your problem.

This, so far as this experience rating——

Senator HARTKE. Before we leave the subject, you do not think federalization is the answer—you think it is not an answer. Do you say that this is a factor which is involved? Is it a factor which is involved in the total cost picture?

Mr. FISHER. I certainly think it is a good thing to discuss.

Senator HARTKE. I am not saying—I am talking about the example which the chairman gave. Is the cost, the benefit cost factor, involved in the total bid that is submitted, or is it not?

Mr. FISHER. Well, I think—I do not want to evade your question, because I do not know if I know the answer, because I do not have all the facts.

Senator HARTKE. Well, all right. Under ordinary circumstances, would it not—I am surprised, really, that we cannot get an answer.

Mr. FISHER. Well, here, let me tell you——

Senator HARTKE. It is one of the factors of cost, is it not?

Mr. FISHER. There is no question about it.

Senator HARTKE. That is all I am asking. It is a factor of cost, and if there is a differential, and if there is a disparity, what the chairman has said is that the disparity, in his opinion, was one of the factors which made it possible for the contract to be awarded one place rather than another.

Now, since you say that federalization of standards is not the answer, I am left, too, in that situation. What is the answer?

Mr. FISHER. Well, Senator, I just do not believe that this is the pivotal answer as far as whether or not you locate in a State or whether you provide a bid in a State.

I think there are lot of other factors that are just as important, and if you are going to federalize all of them, then you have a real problem.

Senator HARTKE. Can I offer you—What you are saying is that you do not think it is as much a factor or as significant a factor which warrants changing the statute? Is that what you are saying?

Mr. FISHER. That is true, too. I think there are more disadvantages to doing so.

Senator HARTKE. I am not saying I agree with you, but I think I understand what you are saying.

Mr. FISHER. Thank you, sir.

The CHAIRMAN. My staff assistant points out to me something I did not quite realize.

When I told you about Maryland, those Maryland Senators and Congressmen did everything they could to try to get that bid for Maryland, even though were $100,000 above the bid of the Louisiana shipyard. Of course, we Louisiana boys took care of our constituents, too. It worked both ways. It was just a good fight to see who could get the business. We had the low bid, and we thought we were entitled to it and we should get it.

Their argument was that they had a lot of unemployed people up there, particularly in that shipyard, because they were not getting the business.

If you look at their experience rating and assuming in their case it is correct, that they were suffering from lack of business, then that would tend to give them a poor experience rating, would it not?

So, then, you take a look and see what is the tax rate in Maryland, based on experience rating, and it goes from .8 up to 4.2 percent. You can assume they have to buck a 4.2 unemployment insurance tax in 1965. Avondale, on the other hand by having a big backlog, of almost $500 million of work—they are doing a great job, and they are great shipbuilders—has all kinds of efficiency ratings. In fact, they weld more steel together per hour of work than any shipyard in this country, and, perhaps, in the world. I think it is more than any shipyard in the world.

With all the big backlog, they would tend to have the best experience rating which in Louisiana would put them at the lowest rate of .9 percent. That means that Maryland shipyards bidding against Louisiana has to overcome 3.3 percent bid where the low bidder gets the business. The 3.3——

Mr. FISHER. Well, you see, Senator Long——

The CHAIRMAN. Now, frankly, it worked out to our advantage very much that way.

Mr. FISHER. But, Senator Long, shouldn't this be true: Shouldn't this be the case if a plant is more efficient, is able to keep their employees working, is aggressive and on the ball, shouldn't they have an advantage?

The CHAIRMAN. I do not think that we ought to have an advantage over the other fellow by virtue of providing very, very meager unemployment insurance benefits. It seems to me that is an unfair advantage to have over the other fellow.

Mr. FISHER. You see, I do not know that that is a difference. I think the difference is the efficiency and the fact that their experience rating was much improved. As a result, they had a lower tax cost—as a result of their efficiency, and because they kept the employees at work, whereas, the other company apparently—I do not know—you

understand these are hypothetical ones to me—but the other company was less efficient, they had unemployment, they did not have the shipyard filled up with work, and, as a result, they have a higher experience rating, and they had to pay more tax, because of the bad experience rating.

Now, they had better get going or else they might be out of business.

The CHAIRMAN. Well, frankly, I would concede to you, the point about the experience rating. I am not proposing, and I do not propose, to change the experience rating, but this great difference in level of the benefits where in some States, as it stands now, in six States of this Nation, the benefits are less than 35 percent of the average weekly wage, where in one State the benefits are about the average of what they were when they started the program, 65 to 69 percent, and in some States they are 50 percent of average weekly wage.

Senator MORTON. What page are you on?

The CHAIRMAN. I am looking at page 40 of our blue document prepared for the committee.

Now, they did not start out that far apart, not anything like that. The relative benefits were much greater, and if you wanted to put them relatively in line with where they were to begin with so that the benefits bore a similar relationship to weekly earnings, short of voting for Federal standards, how can I accomplish that as U.S. Senator? That is what I want to know? How would you have me do it, if you were I?

Mr. FISHER. In my opinion, I think this is a problem that the States ought to cope with, and I certainly agree that they ought to raise the standards of their minimum—at least, the majority of the employees, recipients of unemployment compensation, should receive 50 percent of their pay.

The CHAIRMAN. I have a lot of sympathy with that argument.

Let me say this, Mr. Fisher, I made that type argument on the floor of the Senate in the field of civil rights. We southern fellows were doing the best we could with the problem and making headway, but eventually those Senators voted a cloture petition to make us sit down and shut up, and voted for a civil rights bill because they felt we were not moving fast enough and not doing nearly enough about it.

Now, in this case, the States are moving, I will concede that to you, but I think it does present a fair question: Are they moving as fast as they ought to be moving in this field?

Mr. FISHER. Sir, I think that the States have been experimenting with unemployment compensation and going a good job of experimenting with it.

As you say, they started out on one basis, and they have changed it. They have been experimenting, they have been permitted to experiment, and I think they ought to be permitted to experiment so that we find the best solutions to these problems.

I do not think there is a pat answer to all of these things that are confronting all of us today in these areas. So, as a result, I think we have to do some experimenting. I do believe the States have done a good job of improving their unemployment compensation approach to the problem.

I do believe they are going to continue to do this. I think they ought to be encouraged to do it, and I think employers ought to be in the forefront encouraging this. I do not think they ought to be fighting against a fair approach to unemployment compensation provisions of a State.

I think they ought to get in there and do some work to see that they do have fair provisions, and then we would not have problems like this if the provisions were fair. But I think the States ought to work their problems out, because the problems are different in each State.

I do not think you can make them uniform.

The CHAIRMAN. Well, you would concede, or would you, that the kind of example I am giving you where one State has higher benefits, substantially higher benefits, than the other does give that State a competitive advantage over the other?

Mr. FISHER. Not willingly. I would not concede that willingly.

The CHAIRMAN. Well, I will not push you too hard.

Senator HARTKE. He does not want to concede; he thinks it may be true, but he does not concede.

Mr. FISHER. I would like to go into it a lot further than doing it at this point, sir.

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

Mr. FISHER. I would like to continue. I do not know whether there is much use, but I would like to continue.

I do not know what we have said, having covered a lot of things we were going to say, but I have enjoyed this exchange, and I wish we could continue it, because it is refreshing, and I know that we all show our interest in these problems.

The CHAIRMAN. It proves that committee members are listening to you. It proves that much.

Mr. FISHER. This is an interesting revelation. I enjoyed that part of it, too. But I would certainly wish to pass over the remaining statement which deals with S. 1991 and now go to the provisions of H.R. 15119 which, of course, is the bill that we feel is a reasonable bill in proposing changes that are being contemplated by this committee.

It contains really two major provisions, as we see it.

The first will strengthen State freedom and control. The second provides for greater protection against involuntary unemployment, chiefly for the millions who regularly must work for a living.

In appraising the performance of the States, it should be remembered that unemployment compensation was initiated in the depression days of the late 1930's. Within a very few years thereafter, the Nation was engaged in all-out war and total economic activity. This was followed by reconversion, postwar recession, the Korean war, and two subsequent recessions.

We believe Congress showed excellent judgment in giving complete freedom to each State to create, and to tailor its own UC program to changing conditions. With no experience to guide them, State legislatures have truly done a fine overall job during the troublous, turbulent times of the past quarter century. Each State has been a laboratory—free to experiment, to make mistakes, and to correct them. Each State could thus profit from the experience of others.

Examination of the record for the past 25 years would reveal many examples of individual State experimentation. For instance, several years ago, one State shifted from variable benefit duration to uniform duration. After a few years of experience, that State returned to variable duration.

More recently, several States have been experimenting with allowances in addition to weekly benefits for those unemployed workers with family dependents. The results are being observed by other States to determine the desirability and feasibility of this kind of added protection.

Some experimentation, however, has been prohibited by decisions of the Secretary of Labor—or even threat of such decisions—that proposed changes in State UC programs would be found not in conformity with the Federal law. Recently, one State proposed to extend UC coverage to charitable institutions, with such employers being charged only for the cost of benefits paid to their former employees. The Secretary of Labor made a finding that this proposed change would not be in conformity with the Federal law. The State had to abandon this proposal, but it is now specifically recommended in S. 1991 as a requirement for all States. Moreover, this proposed change is precisely the arrangement for UC coverage of Civil Service employees of the Federal Government.

At the present time, one State is proposing to extend coverage to employers with one or more employees. This proposal would limit the number of weeks of benefits charged to the reserve accounts of newly covered very small employers. This is now being reviewed by the Department of Labor as to conformity.

Another example occurred a few years ago. A State endeavored to adjust its UC program to deal with a unique seasonal unemployment situation. It proposed to establish a variable waiting period, with the duration varying with the amount of prior earnings of the UC claimant. The Secretary of Labor made a finding that this would be not in conformity. The State had to abandon this experiment which it felt was needed to deal with a particularly heavy drain on its UC fund.

Without passing judgment on the merit or soundness of such findings by the Secretary, we believe that the freedom of the States to experiment needs to be strengthened by providing for appeal from the Secretary's finding of nonconformity.

This is not a novel proposal, nor would it create a precedent. The Congress has already provided for judicial review by a Federal court of orders or findings of many other departments and agencies of the Federal Government. These include decisions of the Treasury Department, Secretary of the Army, Interstate Commerce Commission, Federal Communications Commission, Federal Trade Commission, National Labor Relations Board, and the Administrator of the Wage and Hour Division of the Department of Labor. I know you gentlemen are familiar that judicial review is incorporated in a good many areas.

We urge that this proposal in H.R. 15119 for judicial review be approved without change.

In our discussion of the Federal extended benefit program proposed in S. 1991, we recognize a problem faced by a good many people who, in normal times, would be regularly employed. They may experi-

ence very long term unemployment, and hence family hardship, only because of declining business activity.

Twice Congress has been faced with this situation, once in 1958 and again in 1961, and both times Congress took temporary action.

If protection is to be provided during recession, it should be extended to those people with truly substantial prior work experience, and for a limited period. We, therefore, suggest that in recession times, an extended benefit program which could be triggered in on a State-by-State basis, or in all States simultaneously is an appropriate added protection.

The recession benefit proposals in H.R. 15119 will meet the needs of the times, and would be reasonably equitable.

H.R. 15119 provides for an increase in the net Federal UC tax rate from 0.4 percent to 0.6 percent, and a two-step increase in the taxable wage base to $3,900 in 1969 and to $4,200 in 1972.

The major purpose is to raise more Federal UC tax revenues to meet rising costs of administration of unemployment compensation and the employment service, and to finance the Federal portion of recession extended benefit costs.

We are confident the committee will consider the advantage of raising the larger Federal funds as needed, solely by increasing the net Federal tax rate, leaving the taxable wage base unchanged. This would obviate the probable necessity of virtually all State legislatures completely restructuring their tax schedules, in consequence of increasing the wage base.

There is one aspect of H.R. 15119 which deserves special mention. This is the fact that the Ways and Means Committee in drafting this bill, and the House in approving it by an overwhelming vote of 374 to 10, rejected insistent proposals for establishing Federal benefit standards—especially a standard on maximum weekly benefit amount. I think we have already discussed our position in regard to what we think of Federal standards.

We do not question the intent of advocates of such standards but believe that, in their militant demand for a federalized unemployment compensation system, they have refused to recognize the outstanding job States have done in improving the protection against involuntary unemployment.

They ignore the fact that States, of their own volition, have extended protection from short-term unemployment to long-term unemployment. Some States have extended protection even to very long-term unemployment.

They ignore the fact that States have increased weekly benefit amounts far in excess of what would be required to compensate for rises in the cost of living.

They ignore the fact that all States have reduced the waiting period before an unemployed person can get his first weekly benefit.

Let me emphasize that these improvements have been made by the State legislatures without any Federal compulsions, and I hope this committee and the Congress will recognize these virtues of State control. Improvements in maximum weekly benefit amount, where needed, can also be achieved without Federal compulsion.

In conclusion, we urge the committee to reject S. 1991 and similar proposals in their entirety, and to approve H.R. 15119.

Thank you.

(The prepared statement of Mr. Fisher follows:)

STATEMENT OF LYLE H. FISHER FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES

I am Lyle H. Fisher, Vice President in charge of personnel and industrial relations for the Minnesota Mining and Manufacturing Company of St. Paul, Minnesota. I appear before this Committee as a witness for the Chamber of Commerce of the United States, and have served as a member of its Committee on Labor Relations. With me is Mr. Karl Schlotterbeck, Manager of Economic Security matters for the National Chamber.

The National Chamber appreciates this opportunity to present its views on H.R. 15119 an S. 1991, deaing with the problem of unemployed workers.

We support H.R. 15119 as a reasonable bill, effecting certain changes in the existing Federal-State system of Unemployment Compensation.

We do not support S. 1991 because it contains—

1. Certain provisions dealing with both the short-term and the long-term unemployed through the existing federal-state Unemployment Compensation system which violate sound unemployment insurance principles;
2. Other provisions dealing with the very long-term unemployed through a new federal program which propose the same solution in good times and in recession, although the character of the problem is not the same under both conditions.

Such provisions are fundamentally unsound, and S. 1991 should be rejected in its entirety.

We recommend, instead, two courses of action contained in H.R. 15119. The first would strengthen state freedom and flexibility to every state may continue to make needed and sound, constructive improvements in Unemployment Compensation, as they have for the past quarter century. The second would provide additional protection to those regularly attached to the labor force against very long-term unemployment in time of recession, when job-openings are not readily available.

In this presentation we will discuss, first, those provisions in S. 1991 which would directly and adversely affect the existing federal-state Unemployment Compensation system; and second, the other provisions in S. 1991 dealing with the problem of very long-term unemployment.

Finally, we will turn to H.R. 15119.

PROPOSED CHANGES IN STATE UNEMPLOYMENT COMPENSATION PROGRAMS

S. 1991 contains numerous provisions amending the existing federal-state system of Unemployment Compensation. Briefly, these would—

1. Permit any state to allocate its benefit costs on a basis other than the unemployment experience of individual employers;
2. Establish for the first time federal requirements for state UC relating to cost-determining factors;
3. Provide a federal subsidy to any state with so-called "excess benefit costs";
4. Require states to increase the taxable wage base from $3000 to $5600 in 1967 and to $6600 in 1971.

Advocates of these various changes have contended that the existing federal-state system of UC has "not kept pace with the times." They have stated that "the twin recessions of 1958 and 1961 exposed the system as being largely obsolete . . . It was plain that the system constructed in the 1930's was too fragile for the 1960's, that it could not withstand the major crisis." These and similar contentions are reflected by the broad accusation that "no major improvements have been made since its original enactment 30 years ago."

We believe that a fair, objective appraisal of the independent performances by the 50 states during the past quarter century refutes these contentions.

Performance by the states

When Unemployment Compensation was established 30 years ago, it was intentionally designed to provide protection against short-term transitional unemployment to persons with substantial job-attachment. It was believed that business could and should do something about reducing such unemployment. Therefore it was logical to finance the benefit costs by a tax on employer payrolls. It was also deemed essential to weave into the program an incentive, in

the form of experience-rating, so employers would make positive efforts to regularize their employment and, thus, minimize their layoffs.

Major improvements have been made in this system of Unemployment Compensation over the years.

The first major improvement has been the transformation of the original UC programs from providing protection against short-term unemployment only, to protection against long-term unemployment as well. When these programs were initiated in the late 1930's, the federal government recommended to the states that benefit duration be 14 to 16 weeks—then, and now, defined as the upper limit of short-term unemployment. In 1939, most states provided benefits for no more than 16 weeks.[1] By 1965, however, all states provided protection against long-term unemployment—that is, unemployment ranging from 16 to 26 weeks. Of the 50 states, there are 48 that provide benefit protection for as long as half a year, and some for even longer.

A second important improvement has been the increase in the buying power of weekly benefit amounts, despite rising living costs. In 1938, the average weekly benefit was $10.66. Had the states merely kept their benefits in step with the rising cost of living, the average benefit at the close of 1965 would have been 126 per cent greater. Actually, by the end of 1965, it was 264 per cent higher. Thus, benefits have been increased much more than the cost of living; and the purchasing power of the average benefit last year was 70 per cent greater than its counterpart prior to World War II.

A third significant improvement has been the reduction in the so-called waiting period—the period immediately following a lay-off during which an unemployed person receives no benefits. In 1939, most states had a two week waiting period and some had three or four weeks. It was also common to require a waiting period for each lay-off. Today, no state has a waiting period of more than one week in 52 weeks, and 3 have no waiting period at all. Obviously, this reduction in the waiting period means that the initial distress on being laid off involuntarily is greatly minimized by reducing the waiting perod for the first benefit.

It is worth repeating that these improvements have been achieved through independent action in each of the 50 state legislatures and have been tested step by step, to assure that they are soundly related to the local needs and resources.

Let me emphasize—these improvements were *not* the result of statutory compulsion by the Congress.

One major improvement was the result of Congressional rather than state action—the establishment of the Reed Loan Fund by the Amendments of 1954. This Fund provides a "contingency reserve" to help any state during financial stringency. Very wisely, Congress insisted that any emergency help received must be repaid by the borrowing state. Thus, any state which borrows funds is induced to take remedial action about chronic high costs that are out of proportion to its own resources.

This brief historical review persuades us that the states have done an excellent job in improving their own UC programs. We now will analyze the implications of various provisions of S. 1991 in relation to essential aspects of state UC programs.

Individual employer experience rating

One provision of S. 1991 (Section 208) would permit a state to abandon experience rating. This is a device by which each state adjusts its tax rate for each employer according to his unemployment experience. This mechanism is in line with the original concept for unemployment compensation as expressed by President Roosevelt in his 1935 message to Congress:

"An Unemployment Compensation system should be constructed in such a way as to afford every practicable aid and incentive toward the larger purpose of employment stabilization."

Today, when one of our national goals is to stabilize employment, individual employer experience rating should be preserved in every state program.

I can prove from the experience of my company that, in those states where a sound experience-rating plan exists, we make every possible effort to regularize our employment. For example, one of our plants in Wisconsin provided only seasonal employment for about 20 employees on one production job. When we

[1] The Department of Labor, in its statistical reports, divides the unemployed into three categories: the short-term unemployed—those who have been jobless and seeking work for 14 weeks or less; the long-term unemployed, jobless for 15 to 26 weeks and the very long-term unemployed, with duration extending for 27 weeks or more.

laid them off, we had a potential benefit cost liability of around $20,000—year after year. We found that we could transfer production to this plant and provide regular year-round jobs for these 20 people, and thus saved roughly $20,000 a year in UC benefit tax costs.

In a plant in Minnesota we provided seasonal employment for about 130 women in connection with a product for the Christmas holiday season. Here our potential benefit cost liability totaled approximately $40,000 a year when we laid them off. By careful rescheduling and better production planning, we were able to provide full-time, year-round jobs for 80 of these people, with substantial savings in tax costs.

In another operation some two or three years ago we were planning to lay off 140 workers permanently. The potential benefit cost liability was approximately $120,000. Some of our staff were assigned on a full-time basis to find new jobs with other employers for these 140 people so they could start work on a new job immediately upon separation from our company. It was concluded we could well afford at least $40,000 of special staff expense, if it were necessary, to find other employment for a majority of these. We succeeded and realized a very substantial savings in benefit costs. And we found it didn't cost us $40,000 to do it.

Recently, we constructed a new building at our research, services and administration complex in St. Paul. We handled some of the construction job with our own company personnel. In connection with pouring the concrete, we took on 40 common laborers. When the concrete work was completed, these workers—employees of ours—were to be separated from our employment. If we allowed them to become unemployed and register at the Employment Service, we were faced with a considerable potential benefit cost liability. Rather than allow them to become unemployed, then wait for the Employment Service to find them jobs, and for UC benefits to be paid in the meantime, certain staff people were assigned to contact other possible employers in the Twin City area and succeeded in finding them jobs immediately upon their separation from us.

Federal benefit requirements

Congress has always left to each state the authority to determine conditions of benefit eligibility, duration of benefits, the amounts of benefits, and disqualifications, because these are the chief factors determining state UC benefit costs. Leaving control over these cost factors with the state was consistent, according to Ways and Means Committee in 1954, with Congress' ". . . original intent that states be charged with ultimate responsibility in financing the benefits which they elect to provide."[8] Thus, authority over costs and the responsibility for financing them were properly assigned to each state. It would be patently unsound to separate full responsibility from complete authority.

S. 1991, however, would actually dilute the authority of each state over these all-important cost-determining factors by establishing certain federal requirements. The first of these would be a provision that no state could require more than 20 weeks of prior work as a condition of eligibility for benefits. Another provision would require every state to pay at least 26 weeks of benefits to all who have had at least 20 weeks of employment in the preceding 52 weeks.

Among the several states, the number of weeks of prior work (or wage equivalent) required for claimants to get 26 weeks of benefits varies substantially. The proposed maximum "prior work" requirement of 20 weeks may approximate the present requirement in some states. Is is substantially less, however, than the requirement in others. This variation among the states in regard to the prior work required for a half year of benefits clearly demonstrates that the proposed maximum requirement would largely repudiate state experience in adjusting their programs to differing conditions and needs.

Some contend that the prevailing state maximum weekly benefits amounts prevent the benefit-formula from yielding a benefit equal to 50 per cent of past wages for too large a proportion of covered workers. A provision in S. 1991 would require every state to adopt a three-step-increase formula for raising the maximum weekly benefit amount. Ultimately the maximum benefit payable would be equal to two-thirds of the state-wide average weekly wage of covered employees.

This proposal is essentially a "numbers game" proposition. The only valid test of this benefit program is how it performs for those who receive its protection.

[8] See "Employment Security Administrative Financing Act of 1953," 83 Cong., 1st, House Report No. 427, p. 3.

How does the majority of claimants fare? Is a majority receiving benefits equal to at least half their former weekly earnings?

Recent experience for the entire federal-state Unemployment Compensation system shows that a majority of claimants are getting at least half their former wages in UC benefits. For the last five calendar years from 55.9 per cent to 58.9 per cent of all UC claimants were receiving adequate benefits. That is, their benefits were equal to half, or more than half, of their weekly pay when last working.

Other provisions in this bill would compel every state to pay UC benefits, intended only for involuntary unemployement, to those who voluntarily chose to be unemployed, or to continue to be unemployed. Specificaly, the bill would require full benefits to those who voluntarily quite their jobs without good cause, to those discharged for willful misconduct on the job, and to continue UC benefits to those who refuse "suitable" work.

States need to vary their treatment of such voluntarily unemployed because the problem of abuse varies widely. The freedom of the states to deal effectively with their own problems in these matters should be preserved.

Federal subsidy of "excess benefit costs" in a state

Under another section in S. 1991 a state would receive a federal subsidy in any year it experiences benefit costs above a certain level. This federal subsidy would be financed half by an increase in the Federal Unemployment Tax on employers and half from the general funds of the Treasury.

Under existing law, each state is obligated to make necessary adjustments, including an increase in tax support, to keep its program on a sound financial basis. Thus, each state must exercise financial responsibility and prudence. In case of emergency, any state may borrow from the Reed Loan Fund in order to continue benefit payments.

Establishment of a subsidy would certainly invite irresponsibility and laxity, especially when it would yield two federal dollars for each state dollar paid out in excessively large benefits. This would be a federal incitement for states to develop, and then to perpetuate, unsound levels of benefits.

Increasing the taxable wage base for state UC

A provision in S. 1991 would increase the federal taxable wage base in two giant steps to the Social Security level of $6600, and also the federal tax rate from 3.1 to 3.25 per cent. The purported objective is to bring the wage base for UC purposes in line with that for Social Security. It is curious that use of the term "taxable wage base" in two entirely different programs should be considered by anyone who understands both to be a logical reason for making the two identical in amount. In Social Security, the taxable wage base is a vital factor in determining the amount of an individual's monthly benefits. In sharp contrast, the UC taxable wage base has no bearing whatsoever in determining the amount of a person's weekly Unemployment Compensation.

The proposed requirement that each state raise its taxable wage base is not essential to the continued operation of a sound UC program. Each state is now free to determine how best to adjust its own taxable wage base and its tax rate schedules so as to raise sufficient revenues to meet estimated benefit costs. The wage base and the tax rate serve only to raise funds needed for benefits.

Nothing greatly constructive would be achieved by this requirement on the states that could not be achieved by increasing the tax rate. Raising the wage base would result in shifting tax costs from companies or industries with lower levels of annual earnings to other employers with higher annual earnings—from some employers who are responsible for a larger relative share of unemployment to those who create relatively less unemployment. This undesirable effect was clearly demonstated by the 1964 New York State Study.[8]

Each employer should bear the expense of unemployment benefits his operations create. This is economically sound, because such benefit costs would be reflected in the prices consumers pay for the goods or services each employer-firm produces. Raising the taxable wage base to the extent proposed in S. 1991 would defeat this sound objective.

[8] See New York State Department of Labor, "A Study of the Tax Base Under the New York State Unemployment Insurance Law."

THE PROPOSED NEW FEDERAL ROLE IN UNEMPLOYMENT COMPENSATION

Certain provisions in S. 1991 would create a new role for the federal government in Unemployment Compensation. These would establish a 100 per cent federal unemployment insurance program which would pay benefits for another 26 weeks to some of the very long-term unemployed. Such benefits would be paid only to those with a prescribed amount of prior employment and who had used up all their state UC benefits. These benefits would be payable in good times like the present, as well as in recessions. Half the benefit costs would be financed from an increase of the net federal tax rate applied to a taxable wage base, increased in two steps from the present $3000 to $6600 by 1971. The other half of the extended benefit costs would be financed from U.S. Treasury general funds.

No one would deny that unemployment lasting more than half a year for those needing and actively seeking full-time jobs is a serious problem, or that people experiencing such unemployment should receive suitable help. However, in this bill, this problem of very long-term unemployment is dealt with as though it were the same, whether business conditions are good or depressed. And hence, a single solution—more benefits—is proposed.

No single solution can fit the variety of circumstances that exist. Some unemployed need to acquire a new skill in order to get another job. In 1962 Congress recognized this when it established the Manpower Development and Training Act. With the amendments of 1963 and 1965 the duration of training projects were extended, the amount and duration of weekly allowances was increased, and eligibility for allowances was liberalized. Funds were also provided for basic literacy training where needed.

Training is not the answer for all the very long-term unemployed in good times. In a free market the possibility that a person may become unemployed, or is unemployed, is one means by which resources are allocated. It is not unusual for an unemployed person to fail to find another job because he has put too high a price on the value of his services. Obviously such individuals need to readjust their sights by accepting employment at a realistic rate of pay—at least for a temporary period until the local job market improves and more suitable jobs become available. Another possible alternative is for such persons to relocate in some other area where the demand for their labor and the compensation is in line with their personal choice.

It may also be noted here that a state may take action to provide jobs where there are pockets of persistent long-term unemployed. In my home state of Minnesota, the exhaustion of high-grade iron ore resulted in a severely depressed area with continuing high unemployment of the miners. The state legislature then adjusted the tax laws to encourage development of the low-grade, complex iron ore known as taconite. As a consequence, the Mesabi iron ore industry has been rejuvenated, creating jobs for many hundreds of these unemployed miners.

In recession, the problem of very long-term unemployment is of a different character. There will of course be those in this group who will not be able to get new jobs even when business conditions improve. There will be others, experienced workers, whose skills will not prove to be obsolete and thus will be re-employed as recovery gets underway.

In the last analysis, business recovery will certainly reveal which ones among the very long-term unemployed need to make real adjustments—chiefly, the acquisition of new skills, and of basic education. Conceivably, basic literacy training could be carried on even in recessions.

Thus, we see that the character of the very long-term unemployment problem in good times differs greatly from that in recession. Nevertheless, this bill provides a single solution, although the underlying needs of the people involved are not one and the same, regardless of the level of business activity and of job opportunities. We therefore conclude that this proposal for a federally financed extended benefit—regardless of economic conditions—is unsound and should be rejected.

In sum, all provisions in S. 1991 amount not only to expanded federal control in Unemployment Compensation but also to a new federal role. This bill is only a continuation of efforts to change the basic character of the system.

Several times during the past two decades, this Committee has considered various proposals for amending federal Unemployment Compensation laws. Invariably, these proposals have been premised on self-serving criteria which cast in an unfavorable light state performance in adjusting Unemployment

Compensation programs. Such legislative proposals always extol the virtues of federal control and specify increased federal domination over the states.

We urge the Committee to reject S. 1991 in its entirety—as well as a more recent suggestion for federal sharing of the costs of regular state UC benefits. Similarly, the proposal for complete federal financing of recession benefits should be disapproved.

H.R. 15119—AN ALTERNATIVE PROPOSAL

As a whole, H.R. 15119 is a reasonable bill. It contains two major provisions. The first will strengthen state freedom and control. The second provides for greater protection against involuntary unemployment, chiefly for the millions who regularly must work for a living.

Strengthening state freedom

In appraising the performance of the states, it should be remembered that Unemployment Compensation was initiated in the depression days of the late 1930's. Within a very few years thereafter, the Nation was engaged in all-out war and total economic activity. This was followed by reconversion, post-war recession, the Korean War, and two subsequent recessions.

We believe Congress showed excellent judgment in giving complete freedom to each state to create, and to tailor its own UC program to changing conditions. With no experience to guide them, state legislatures have truly done a fine overall job during the troublous, turbulent times of the past quarter century. Each state has been a laboratory—free to experiment, to make mistakes, and to correct them. Every state could thus profit from the experience of others.

Examination of the record for the past 25 years would reveal many examples of individual state experimentation. For instance, several years ago, one state shifted from variable benefit duration to uniform duration. After a few years of experience, that state returned to variable duration.

More recently, several states have been experimenting with allowances in addition to weekly benefits for those unemployed workers with family dependents. The results are being observed by other states to determine the desirability and feasibilty of this kind of added protection.

Some experimentation, however, has been prohibited by decisions of the Secretary of Labor (or even threat of such decisions) that proposed changes in state UC programs would be found not in conformity with the federal law. Recently, one state proposed to extend UC coverage to charitable institutions, with such employers being charged only for the cost of benefits paid to their former employees. The Secretary of Labor made a finding that this proposed change would not be in conformity with the federal law. The state had to abandon this proposal, but it is now specifically recommended in S. 1991 as a requirement for all states. Moreover, this proposed change is precisely the arrangement for UC coverage of Civil Service employees of the federal government.

At the present time, one state is proposing to extend coverage to employers with one or more employees. This proposal would limit the number of weeks of benefits charged to the reserve accounts of newly-covered very small employers. This is now being reviewed by the Department of Labor as to conformity.

Another example occurred a few years ago. A state endeavored to adjust its UC program to deal with a unique seasonal employment situation. It proposed to establish a variable waiting period, with the duration varying with the amount of prior earnings of the UC claimant. The Secretary of Labor made a finding that this would be not in conformity. The state had to abandon this experiment which it felt was needed to deal with a particularly heavy drain on its UC fund.

Without passing judgment on the merit or soundness of such findings by the Secretary, we believe that the freedom of the states to experiment needs to be strengthened by providing for appeal from the Secretary's finding of nonconformity.

This is not a novel proposal, nor would it create a precedent. The Congress as already provided for judicial review by a federal court of orders or findings of many other departments and agencies of the federal government. These include decisions of the Treasury Department, Secretary of the Army, Interstate Commerce Commission, Federal Communications Commission, Federal Trade Commission, National Labor Relations Board, and the Administrator of the Wage

and Hour Division of the Department of Labor.[4] Of course, the most recent example is provided by the Social Security Amendments of 1965, which provide for federal court review of nonconformity findings of the Secretary of HEW in connection with any State's changes in Public Assistance.

We urge that this proposal in H.R. 15119 for judicial review be approved without change.

Unemployment protection in recession times

In our discussion of the federal extended benefit program proposed in S. 1991, we recognize a problem faced by a good many people who, in normal times, would be regularly employed. They may experience very long-term unemployment, and hence family hardship, only because of declining business activity.

Twice Congress has been faced with this situation, once in 1958 and again 1961, and both times Congress took temporary action.

If protection is to be provided during recession, it should be extended to those people with truly substantial prior work experience, and for a limited period. We therefore suggest that in recession-times, an extended benefit program which could be triggered in on a state-by-state basis, or in all states simultaneously is an appropriate added protection.

The recession benefit proposals in H.R. 15119 will meet the needs of the times, and would be reasonably equitable.

Additional Federal financing

H.R. 15119 provides for an increase in the net federal UC tax rate from 0.4% to 0.6%, and a two-step increase in the taxable base to $3900 in 1969 and to $4200 in 1972.

The major purpose is to raise more federal UC tax revenues to meet rising costs of administration of Unemployment Compensation and the Employment Service, and to finance the federal portion of recession extended benefit costs.

We are confident the Committee will consider the advantage of raising the larger federal funds as needed, solely by increasing the net federal tax rate, leaving the taxable wage base unchanged. This would obviate the probable necessity of virtually all state legislatures completely restructuring their tax schedules, in consequence of increasing the wage base.

There is one aspect of H.R. 15119 which deserves special mention. This is the fact that the Ways and Means Committee in drafting this bill, and the House in approving it by an overwhelming vote of 374 to 10, rejected insistent proposals for establishing federal benefit standards—especially a standard on maximum weekly benefit amount.

We do not question the intent of advocates of such standards but believe that, in their militant demand for a federalized Unemployment Compensation system, they have refused to recognize the outstanding job states have done in improving the protection against involuntary unemployment.

They ignore the fact that states, of their own volition, have extended protection from short-term unemployment to long-term unemployment. Some states have extended protection even to very long-term unemployment.

They ignore the fact that states have increased weekly benefit amounts far in excess of what would be required to compensate for rises in the cost of living.

They ignore the fact that the total protection available to individual workers has been increased tremendously.

They ignore the fact that all states have reduced the waiting period before an unemployed person can get his first weekly benefit.

Let me emphasize that these improvements have been made by the state legislatures without any federal compulsions, and I hope this Committee and the Congress will recognize these virtues of state control. Improvements in maximum weekly benefit amount, where needed, can also be achieved without federal compulsion.

In conclusion, we urge the Committee to reject S. 1991 and similar proposals in their entirety, and to approve H.R. 15119.

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[4] See: Historical and Revision Notes, U.S.C.A., Title 28, *Judiciary and Judicial Procedure*, 1251–1330, pages 230–231.

APPENDIX

EXPERIENCE RATING IN UNEMPLOYMENT COMPENSATION

How Employers Use It To Provide Steady Jobs and Minimize Lay-Offs[1]

WILLIAM A. SHIRER, INC.

A small construction company in Maryland—

". . . We are certain that most construction industry employers will feel as we do, i.e.: if the experience rating system is dropped, we are certainly going to give up an attempt to stabilize employment levels by such features as taking marginal or low-profit inside work in the wintertime so as to keep our crews together, or the practice of doing our own equipment maintenance in the winter with our own employees . . . Our efforts to provide stable employment in past years was just reflected yesterday when we received our new experience rate from the State U. C. Commission . . . This experience has dropped our rate from 4.2% to 3.1%."

SIGNAL DRILLING COMPANY, INC.

A medium-size drilling company in Colorado—

"Our business is seasonal and mobile. When it is necessary to move a rig employing 15 people a considerable distance (often 50–150 miles), the first impulse is to terminate the crews and rehire in the new area. However, we now, on long moves, pay traveling or moving expenses, or extra days wages, for crews to move, in order to maintain our experience rating at minimum cost . . . Should there be no UC tax savings, we would save this crew-moving expense and hire new crews in the new location. We operate 13 rigs most of which move an average of once per month. Thus, you can see, we would be continually hiring and firing rig crews of approximately 190 men . . . As a member of the American Association of Oilwell Drilling Contractors, I can assure you that other drilling contractors operate in very much the same manner."

NATIONAL TRAVELERS LIFE COMPANY

A medium-size life insurance company in Iowa—

"National Travelers Life has, since the inception of the Unemployment Compensation Law, maintained a policy of refusing to terminate the employment of anyone whose work and attitude were satisfactory. We are, as a matter of fact, rather proud of our record and, thanks to the experience-rating feature of the UC law, have always paid at or near the minimum tax rate . . . The policy of guaranteeing employment to all satisfactory employees has not always been an easy or a cheap one to carry out. For example, during the past five years, the Company, through automation and improved work methods, has been able to reduce its office staff from about 220 to the current 175. This reduction in work force was accomplished entirely by means of normal turnover. Employees whose jobs were eliminated were transferred to other suitable positions in the Company, sometimes at inconvenience and cost to the Company. In some instances, retraining was necessary and was done at Company expense . . . No doubt if the Company did not have the incentive provided by the experience-rating feature of the Unemployment Compensation Law, its attitude in this situation would have been different. . . ."

STEWART-WARNER CORPORATION

A large manufacturer with plants in Connecticut, Illinois, Indiana and North Carolina—

"All of our plants are located in states whose laws provide for experience-rating. The stabilization of employment and the consequent reduction in unemployment taxes is a significant factor in a large number of corporate decisions, some of which are illustrated below:

"(1) Some years ago we acquired a business which manufactured oil and gas household furnaces in Indiana. At the time of acquisition, the employment fluctuated widely based on the season, and the unemployment compensation tax rate was high. We determined to go into the air conditioning business at this

[1] These are case-examples from Chamber member companies, large and small—in virtually all kinds of business and in states across the country—and show how "experience-rating" generate such personnel and management planning practices.

plant. One of the major reasons was that the sales are contraseasonal to those of furnaces and this would stabilize employment and help reduce the unemployment tax rate.

"We also established special sales programs for off-season production, and we gave special credit terms to distributors and dealers in an effort to encourage them to stock our products in these off seasons. As a result we have reduced the unemployment compensation rate to one-half of one per cent which is unusually low for this type of business.

"(2) A few years ago we acquired a manufacturing business in Minneapolis. We determined to consolidate the operations in a plant we already had in Indianapolis, one of the reasons for the consolidation being that it would create greater stability of employment in Indianapolis and thereby reduce our employment compensation rate. On the other hand, the closing of the business in Minnesota subjected us to a possible substantial unemployment compensation liability.

"One step we took was to negotiate an agreement with the Indianapolis union whereby Minneapolis employees would be able to move to Indianapolis and retain their seniority. Many, however, did not wish to move from the Minneapolis area. We, therefore, established a program in Minneapolis where the company actively assisted all the employees in finding other jobs in that area. The net result was that very few went on the unemployment compensation rolls and our potential liability was greatly reduced.

"(3) In every plant there are "make or buy" decisions constantly being made. One of the important factors involved is the effect on stability of employment and on our unemployment tax rate. While other considerations may outweigh this particular factor in particular cases, the net result has been that we have constantly improved our experience-rating in our plants. Our record is better than the over-all results in the various states in which the plants are located."

DIXIE EXPOSIAC, INC.

A medium-size construction company in North Carolina—

"We have a relatively small operation. The construction and the concrete business is highly seasonal, and we have made efforts through the years to perform maintenance with our regular production employees. In order to further minimize seasonal layoffs, we have constructed buildings to house work normally and best performed outdoors in good weather. Moving outdoor jobs indoors has proven to be more expensive but can be justified to provide year-round employment.

"If the incentive of experience-rating should be terminated, we would need to reexamine our policies of providing year-round work at increased cost. It would be my feeling that the indirect effects of eliminating the incentive of experience-rating would be far worse than the direct effects. The economic loss of increasing seasonal employment compared to year-round employment could be tremendous."

TELSCO INDUSTRIES

A medium-size manufacturing company in Texas—

". . . Like most businesses, ours is quite seasonal. Lay-offs are completely avoided by spreading production evenly over 12 months of the year. This requires some astute sales forecasting 12 months in advance. During October-February excess inventories are built. The excess inventory plus level production meets the seasonal sales demand during March-September. In May-June production and sales usually balance out.

"This system does require a heavy investment in off-season inventory which is carried at a cost of 20% including interest, insurance, taxes, and warehousing. This additional cost of carrying excess inventory is offset to a great extent by a saving in UC tax between our experience of 1.1% and the maximum of 3.1%.

"I seriously doubt that we could afford the humanities made possible by leveling production if H.R. 8282 is made into law."

DAIRY EQUIPMENT COMPANY

A medium-size agricultural implement manufacturing company in Wisconsin—

"First of all, our farm bulk milk cooler line is susceptible to sharp sales reductions in winter months, December through February, and we traditionally build finished goods inventories in these months for spring and early summer month sales.

"Secondly, both our transport tank trailer and truck mounted tank lines are subject to fluctuations in sales and therefore in production from month to month. In order to achieve stabilization in production for these lines, we will build so-called "stock" tanks in the slower sales months and gamble on selling them in subsequent months, even though in these lines there is a huge variety of different specifications available to the customer, who may or may not like the features we decide to build into these "stock" tanks.

"If we were to lose the advantage of Unemployment Compensation tax savings through experience-rating, we would certainly not risk building finished goods for the above mentioned lines based on short term sales projections . . ."

MINNESOTA MINING AND MANUFACTURING COMPANY

A large manufacturer with plants in Alabama, Arkansas, California, Florida, Illinois, Indiana, Michigan, Minnesota, New Jersey, New York, Ohio, Pennsylvania, South Carolina, Tennessee, Vermont, West Virginia, and Wisconsin—

". . . One of our plants in Wisconsin provided only seasonal employment for about 20 employees on one production job. When we laid them off, we had a potential benefit cost liability of around $20,000—year after year. We found that we could transfer production to this plant and provide regular year-round jobs for these 20 people, and thus saved roughly $20,000 a year in UC benefit tax costs.

"In a plant in Minnesota we provided seasonal employment for about 130 women in connection with a product for the Christmas holiday season. Here our potential benefit cost liability totaled approximately $40,000 a year when we laid them off. By careful rescheduling and better production planning, we were able to provide full-time, year-round jobs for 80 of these people, with substantial savings in tax costs.

"In another operation some two or three years ago we were planning to lay off 140 workers permanently. The potential benefit cost liability was approximately $120,000. I assigned some of our staff on a full-time basis to find new jobs with other employers for these 140 people so they could start work on a new job immediately upon separation from our company. I concluded we could well afford at least $40,000 of special staff expense, if it were necessary, to find other employment for a majority of these. We succeeded and realized a very substantial savings in benefit costs. And we found it didn't cost us $40,000 to do it.

"Right now, we are constructing a new building at our research, services and administration complex, in St. Paul. We're handling the construction job with our own company personnel. In connection with pouring the concrete, we took on 40 common laborers. When the concrete work was completed, these workers—employees of ours—were to be separated from our employment. If we allowed them to become unemployed and register at the Employment Service, we were faced with a considerable potential benefit cost liability. Rather than allow them to become unemployed, then wait for the Employment Service to find them jobs, and for UC benefits to be paid in the meantime, I assigned certain staff people to contact other possible employers in the Twin City area and succeeded in finding them jobs immediately upon their separation from us."

LYNCH COMMUNICATION SYSTEMS, INC.

A medium-size manufacturer of communications systems in California—

". . . Due to the constantly rising unemployment tax rates, we have consistently endeavored to keep the employees (women) in our three factories employed as long as possible rather than to lay them off immediately when they have completed the orders on hand. For example, in our Reno factory we will shift these employees to making line filters and other standardized products in anticipation of orders. In our San Francisco and South San Francisco plants when we know the assembly line will be working in a few days on another production order, we will retain our employees instead of immediately laying them off and then recalling them later. In the meantime, they are assigned to repair, salvage or stock item work.

"Obviously if we would be taxed irrespective of our experience-rating, we would not spend our time and money in protecting our experience record."

ACME CHAIN CORPORATION

A medium-sized manufacturer in Massachusetts—

"In many departments where work is temporarily at a low ebb, we have transferred personnel to other phases of our operation, at some direct cost to the corporation in retraining. While this heavily burdens certain key personnel temporarily, we are conscious of our experience-rating record and attempt at all times to maintain the best possible rating.

"During plant shutdowns—vacation periods, employees who through seniority do not warrant two full weeks of vacation are offered work in maintenance areas. This means continual retraining each year, but this retraining cost is self-eliminating through unemployment compensation savings, while providing total employment for all personnel.

"Due to the technical nature of our business, trial periods are often six months in length. If upon near completion of this period an employee is found to be unsatisfactory due to personal limitations, we attempt to find a more suitable job within the organization. Again the corporation assumes retraining costs, but we are willing to do so to keep a good experience-rating."

MANUFACTURER

A large manufacturer with plants in Kentucky, Michigan, and Ohio—

"We are a multi-plant manufacturer, largely in the automotive parts business. Many of the types of parts we make, and our facilities and equipment for making them are common to two or more of our five manufacturing establishments. Over a period of many years we have given serious consideration to the employment levels of our plants in allocating the work to be done at each location.

"In an effort to maintain as nearly a constant level of employment as possible at each plant we have, in many instances, invested in expensive duplicate sets of tooling for a single job so the work could be spead out and layoffs avoided. On other occasions we have transferred machinery from one location to another when one plant was reaching a high level of employment and another was not. These job transfers have not always been economic in themselves . . .

"Three of our plants are in small towns where our operations are vital to the economy of the community, and widespread layoffs would be especially harmful.

"We are aware, of course, that a stable work force brings certain advantages with it, and favorable unemployment compensation rates is not the least of these. If the advantages to stabilizing the work force are removed, the tendency would certainly be to put all jobs where they can be done at the lowest cost regardless of the resulting effect on employment."

EUGENE SAND AND GRAVEL, INC.

A medium-size construction company in Oregon—

"In order to reduce our exposure to unemployment compensation claims, our policy is to:

"Operate our gravel producing plant on a year around basis. This means we tie up a lot of capital in stockpiles during the off season, but this allows us to stabilize at least the producing end of our labor forces.

"We have developed a working agreement with some fuel oil delivery companies, where we place some of our delivery truck drivers with them during the winter months, and take them back into our operation during our busy summer.

"We train some of our people to operate all types of equipment so that we can keep them on the payroll during our slack season.

"We assign division managers to hunt jobs for people about to be laid off in their division."

THE STORE KRAFT MANUFACTURING CO.

A medium-size manufacturer in Nebraska—

". . . we do everything we can to avoid layoffs during seasonal slack periods. Some of the methods used are (1) accumulate plant maintenance work to be done by production workers, (2) offer special prices for blanket orders to be built and shipped latter as needed . . ."

FIRST WISCONSIN NATIONAL BANK

A large commercial bank in Wisconsin—

Although employment in the commercial banking business typically is quite stable, occasions can arise where the incentive of individual employers' experience-ratings in state unemployment compensation is significant.

"In planning for conversion to computer handling of our proof and transit operation, it was anticipated that 130–135 part-time employees would instantly be excess as of the date the transition was completed. Were this effect to materialize and these employes to be laid off, we estimated that our unemployment compensation reserve fund would have been reduced by approximately $86,000 had these 130–135 employees drawn all the unemployment compensation to which they were entitled.

"This was an important factor in our decision not to dismiss these employees as of the date of the conversion but instead to retrain them, to employ them in clean-up activities relating to the conversion and to allow normal attrition to reduce this staffing to the desired level . . ."

PINEMONT FARMS, INCORPORATED

A medium-size agricultural implement in Virginia-Tennessee—

"We are making every effort to hold down our unemployment, because of the experience-rating factor under the Unemployment Compensation Law. In some cases we have retrained employees for other jobs in the company, when, because of age, health, or other unavoidable circumstances, they have become unable to perform their original jobs. In most cases, if it were not for the experience-rating factor in the Unemployment Compensation law, it would have been cheaper and easier to have replaced them with someone who already had the training.

"For instance, in one case we had an employee who was a route salesman. Because of a kidney ailment, he became unable to perform his job as a route salesman. We were able to train this man in office work and were able to keep him employed. It would have been much easier to have hired someone who had office experience, but due to the experience rating factor of the Unemployment Compensation Law, we felt that the benefit savings offset the training cost.

"We have been able to keep some of our better employees with this retraining program and it has helped to give them a feeling of job security, but the big factor in many cases has been the experience-rating incentive. . . ."

EGGER STEEL COMPANY

A medium-size manufacturing company in South Dakota—

"In order to achieve payroll stability, it is our practice each year to make a special effort to secure steel fabrication which can be accomplished during the winter months and we are constantly striving to this end on about September 1st of each year. We offer reduced prices and special discounts if delivery is taken during that time. We also accumulate necessary repair work in our own shop and do extensive maintenance during the winter months.

"We certainly think that this practice has paid large dividends because, in addition to the monetary savings on unemployment compensation, we have developed a working force whose experience would indicate that they have continuous employment twelve months of each year."

WEST PENN POWER COMPANY

A large public utility in Pennsylvania—

"Very definitely, experience-rating has encouraged this Company to make efforts to stabilize employment and reduce layoffs. For example, whenever a realignment of work operations is considered, plans are formulated to permit attrition to take care of employees who would otherwise be laid off. Recently, our Company revised its method of operating line crews with the result that over 100 employees, or about 20% of those engaged in line crew operation, were no longer needed for line crew operation. As a result of advance planning, we were able to assign them to other work. If the incentive of experience-rating had not existed, the Company would have considered terminating the services of these employees."

MINNETONKA BOAT WORKS, INC.

A small retail sales company in Minnesota—

"We are a small company employing approximately 50 people in a retail pleasure boat sales and service business. As you can well imagine, this type business would normally be very seasonable in this part of the country.

"Through the past several years, we have worked toward a service program that now enables us to keep our full crew employed twelve months per year. We worked in this direction because unemployment compensation costs were very great. We now have had no charges against our account for three years."

HENGES COMPANY, INC.

A medium-size construction company in Missouri—

"We are in the building construction business, and so that we can keep our mechanics busy year around, we, each year take work at little or no profit so that we can keep the men busy. . . ."

THE CARBORUNDUM COMPANY

A large manufacturer with plants in Missouri, New Jersey, New York, Ohio, Pennsylvania, Washington, and West Virginia—

We have always been conscious of the need for maintaining stable employment for many reasons, including the cost of unemployment compensation. Several years ago an analysis of Unemployment Compensation costs and the rising trends in these costs, prompted a review of a number of our employment practices and their effect on such costs.

A few of the changes that resulted are:

1. Instead of increasing and decreasing the work force resulting from fluctuating levels of business, plans were made to build inventory for stock items during slack periods and thus by leveling out the work load, reduce the lay-off and recall of employees at irregular intervals.

2. We find Kelly Girl and Manpower a good source of temporary help to fill vacancies temporarily, to hold open vacancies caused by attrition, to be filled by other employees who may suffer from a cut back resulting from reorganization or other changes.

"... The changes which have been made, plus the help given to many employees in obtaining other jobs at time of curtailment, have helped us to substantially reduce our unemployment costs. Without the merit rating system we would not have had the incentive to make the effort."

GOLDEN EAGLE SYRUP MANUFACTURERS

A small manufacturing company in Alabama—

One example of our efforts to stabilize our employment is:

This past summer we completely remodeled our manufacturing, warehouse, and office areas. We arranged with the general contractor and subcontractors to use our employees on the entire job. This prevented a lay-off and kept employee morale high. They were paid their normal rate for this work. This effort kept us in the minimum experience-rating.

"We have scheduled all major maintenance, repair or equipment installation for our off season. Our employees like this, because it gives them regular pay the year around instead of a lay off. This takes a little more planning but we have been in the minimum experience-rating for years."

A HOTEL RESORT CHAIN

A large hotel resort chain operating in Florida, Louisiana, Michigan, North and South Carolina—

". . . we operate a summer resort in Galveston, Texas, Destin, Florida, and Asheville, North Carolina.

"In the case of Galveston, the crews are reduced through the winter months. Starting in July, we conduct interviews on all capable employees, and, insofar as possible, place these people in our commercial hotels in Louisiana, the Carolinas and Michigan, thus avoiding layoffs and giving year-round employment to these people.

"The Asheville property and the Destin, Florida, property crews are selected from our winter resorts operating in South Florida and the Bahamas, trying to place all capable people before hiring outside people.

"By the reverse, when we select crews for the two strictly summer operations at Asheville, North Carolina, and Destin, Florida, we select these crews from people who would normally be laid off at our Clearwater, Florida, Marathon, Florida, and West End Grand Bahama properties for the summer months.

"The procedure is involved and sometimes costly. We would not follow this procedure to the extent that we do except in the case of some specialists such as chefs or bakers were it not important that we keep our UC tax costs down under the present law. In other words, we are very interested in our experience-rating. . . ."

ECKERD DRUG STORES

A large retail drug store chain in North Carolina—

"In Charlotte, North Carolina where we operate eight retail units, a warehouse and office, personnel are shifted between stores and provided employment in the office and warehouse in order to provide continuous employment for people. Transfer of personnel is also made between the various towns in the Carolinas in which we operate wherever possible. In many cases this results in temporarily transferring personnel and paying their commuting cost in order to maintain continuous employment and eliminate compensation claims."

JULIUS WILE SONS & COMPANY, INC.

A large wholesaler in New York—

"This company operates in a business which has a certain amount of seasonal pressure. Our factory is at its busiest preparing for the fall and holiday season activities. Nevertheless, we do operate with a standard manufacturing crew throughout the year. Generally speaking, all of these people are busy but we avoid layoffs for relatively short periods by producing for inventory.

". . . experience-rating has developed a state of mind in our management people which encourages stabilized employment."

Senator MORTON. Mr. Fisher, yesterday we had a witness from Union Carbide who indicated that his company had operations, some of them small indeed, in 48 of our 50 States.

How many States does your company, speaking now as vice president of Minnesota Mining, operate in?

Mr. FISHER. We have operations in all States.

Senator MORTON. All States.

Mr. FISHER. Including Alaska and Hawaii. We have employees in all these States—let me put it that way—sales offices or employees employed in all of the States.

Senator MORTON. Employees.

Mr. FISHER. Yes, sir. And in most of the foreign countries this side of the Iron Curtain.

Senator MORTON. You indicated that many factors are taken into consideration when you locate a plant. Obviously, this unemployment compensation rate might be a factor, but it seems it is a very minor factor.

When the textile industry moved from New England to the South, of course, this was mostly done before unemployment compensation was a national policy, but the wage differential was at that time enormous, was it not?

Mr. FISHER. Oh, yes.

Senator MORTON. Today, the average wage of the covered employee in South Carolina is about $83. In Massachusetts, it is about $104.91, a 20-percent differential. But when this great movement took place, it was probably far in excess of 20 percent. This more than offsets any difference in unemployment compensation rates between the two States.

Mr. FISHER. Yes.

Senator MORTON. Is it not also a fact that some States actually forgive the first 5 years, let us say, or a period of time, any State property taxes for a new industry that might put up a plant there?

Mr. FISHER. There are a great many things that States provide as inducements to locate your plant in a State, and, of course, in our company we do not go into a State with the idea that we are going to have unemployment. We go into a State with the idea of having employment.

Senator MORTON. This, I recognize.

Mr. FISHER. So, the factor of unemployment compensation is not particularly a significant one insofar as we are concerned.

Now, I have to agree there are other companies that have different problems. But I can express mine from personal experience.

Senator MORTON. The point I am trying to develop with you, Mr. Fisher, is that whereas this is a factor, unquestionably, it is one of many factors, and an extremely minor factor.

Mr. FISHER. Closeness to a market, for instance. If you were to locate a roofing granule plant a long way from where the houses were going to be built, the freight would kill you, and, as a result, the unemployment compensation would be minor, compared to the freight costs, so this, in effect, would be a major factor in locating a plant in a particular area. You would have to locate it where the rock is, for instance. You cannot run away from the rock, you have to use it for raw material. The closeness to markets, raw materials, all these things, have a much more significant factor than unemployment compensation.

Senator MORTON. The labor supply.

Mr. FISHER. The labor supply, the climate in the community whether you can operate efficiently in a community. This is true. There are a great many factors. I wrote a speech on this, in fact, once, and I enumerated in that, in working out this approach, we came to the conclusion that there were fundamentally eight factors that we had to consider seriously, and I do not recall any—the tax was one of them, but it was conglomerate tax, not just unemployment compensation, but all the other tax problems.

Senator MORTON. Property taxes, school tax, the State corporate income taxes.

Mr. FISHER. Inventory taxes, all kinds of things that a State—some have variable approaches to the tax situation, as you well know.

Senator MORTON. My hometown, Louisville, Ky., fortunately has been the beneficiary of an appliance plant General Electric built there right after World War II.

One of the major factors was that they had to start manufacturing refrigerators, washing machines, and these other appliances that are heavy and have a high freight rate closer to the center of the market. They had to move from New York State, from New England, closer to the center of the American market, closer to the center of the population.

As the West has grown and the Midwest has grown and the South has grown and its use of consumer goods primarily through the increased population has grown, it has caused these people to move plants closer to the center of the market in order to compete because

of the freight, which represents a major portion—well, not a major but a very determined amount of the cost. The unity profit is so small that you have to take all these factors into consideration.

I commend your statement.

Mr. FISHER. The unemployment compensation tax per se—if that was a pivotal point around which a decision was made I cannot recall. I cannot conceive of that.

Senator MORTON. I agree with you, and I wanted to develop that point.

Thank you very much for an excellent statement.

Mr. FISHER. Thank you.

The CHAIRMAN. Mr. Fisher, I really did not intend to make a case for Federal standards on your time. I just wanted your suggestions of how you thought I might do my job here. But you made a very fine statement, and I appreciate your appearance here.

Mr. FISHER. Thank you, Senator.

The CHAIRMAN. The next witness is Mr. E. Russell Bartley, of the Illinois Manufacturers' Association.

STATEMENT OF E. RUSSELL BARTLEY, DIRECTOR OF INDUSTRIAL RELATIONS, ILLINOIS MANUFACTURERS' ASSOCIATION; ACCOMPANIED BY JOHN C. DONNELLY, MANAGER OF PERSONNEL RECORDS, WALGREEN CO.

Mr. BARTLEY. Mr. Chairman and gentlemen of the committee, my name is E. Russell Bartley. I am director of industrial relations of the Illinois Manufacturers' Association of Chicago. I am accompanied by John C. Donnelly who is manager of personnel records of the Walgreen Co. in Chicago. Mr. Donnelly is chairman of the Illinois Manufacturers' Association Social Security and Unemployment Compensation Committee, and also serves as an employer representative on the Board of Unemployment Compensation and Free Employment Advisers, upon appointment by the Governor of Illinois.

The Illinois Manufacturers' Association is grateful for the opportunity of presenting a statement setting forth its position on the provisions of H.R. 15119.

I notice the chairman looking through the long statement that I have, but I plan to keep the time schedule, and in order to do so, I will condense the first part of my statement, and in order to avoid duplication and repetition of testimony, the other witnesses from Illinois in their testimony will speak on certain subjects, and we would appreciate having the entire text of each of the prepared statements included in the proceeding of the committee hearings.

Senator MORTON (presiding). They will be made a part of the record as if read.

Mr. BARTLEY. The three associations that are being represented from Illinois are all in agreement on the points of view expressed in our statements.

H.R. 15119 has eliminated many of the undesirable features of the original bill, H.R. 8282, but the Illinois Manufacturers' Association submits that it still contains several objectionable provisions.

We are in favor of the provision which would permit the States to obtain a review in the Federal courts of any finding by the U.S. Secre-

tary of Labor that a State law is not in conformity with Federal requirements.

We do not object to certain provisions relating to benefit eligibility which are provisions that States may not cancel the wage credits or reduce benefit rights except for certain reasons, and which prohibits a doubledip. It provides that a claimant must have had work since the beginning of his benefit year in order to obtain benefits in his next benefit year; and the third one is that benefits will not be denied or reduced because a claimant files an interstate claim, and then benefits may not be denied to workers who are enrolled in an approved training program.

The Illinois Manufacturers' Association has no position for or against the proposal to extend coverage to all employers of one or more employees. However, we do object to the proposal that newly covered employees may pay a lower tax rate than the 2.7 percent rate which has been in effect since 1937 and which all presently covered employees have had to pay.

The Illinois Manufacturers' Association does register opposition to the proposed increase in the Federal tax rate, and to the proposed increase of the wage base, and to the extended benefit proposal and its trigger point provisions.

Previous witnesses who have appeared before this committee, and I understand some that are scheduled on succeeding days, have urged, and will urge, that the Senate enact S. 1991 or amend H.R. 15119 to include many undesirable proposals which were wisely eliminated by the House of Representatives.

We strongly urge you to reject all attempts to establish Federal standards relating to the amount and duration of benefits, liberalization of eligibility and certain other proposals which would scrap the unemployment compensation systems of the various States and replace them by a system which will be controlled and dictated from Washington.

H.R. 15119 proposed to increase the Federal tax rate from 0.4 percent to 0.6 percent, effective on wages paid in 1967, and also proposes to increase the minimum wage base from $3,000 to $3,900, and then to $4,200.

The Illinois Manufacturers' Association is opposed to any increase in the Federal tax on payrolls and also to any increase in the wage base upon which the tax is paid in order to provide more money for administrative purposes.

The table in my statement outlines this proposal and indicates that the tax rate increase would amount to 50 percent during the first 2 years, 95 percent the next 3 years, and 110 percent in 1972 and thereafter.

The U.S. Department of Labor has not proved to our satisfaction that any tax increase is needed for the administration of employment security. The figures appearing in tables 5 and 6, page 29, of the Ways and Means Committee report indicate that there will be a considerable increase in the amount collected during the next 6 years, even under present law.

We do not agree that the Employment Security Administration needs a 59-percent increase within the next 3 years and a 69-percent increase within the next 6 years.

We seriously doubt that this vast additional amount of money will be used for the purpose for which it should be used: the administration of unemployment compensation and employment service. In the past few years, much of the administration funds have been diverted to other uses, such as farm placement, manpower development and training, youth opportunity centers, and other so-called antipoverty programs.

The IMA submits that the money which is collected from employers through the Federal unemployment tax should be exclusively for the job intended, and that such antipoverty programs and other expanded activities should be financed from other sources.

It has been stated by the proponents of the $6,600 wage base, that the wage base for unemployment compensation should be the same as for social security. There is no validity in this argument. Social security and unemployment compensation are entirely different. The amount of the monthly benefit for social security beneficiaries and the unemployment compensation claimants' weekly benefit amounts are calculated on an entirely different basis, and the tax which is paid is jointly paid by employers and employees. There is no experience rating in social security.

Increasing the Federal taxable wage base would require each State to increase the wage base upon which the State taxes are paid to the same amounts. We feel that the States should be allowed to establish their own wage base.

Now, regarding the extended benefit program, H.R. 15119 would establish a new permanent program which would require the States to enact laws to pay extended benefits during periods of high unemployment to workers who exhaust their basic entitlement to unemployment compensation. The duration of benefit payments would be extended by 50 percent during those times.

The Illinois Manufacturers' Association is not in favor of a federally imposed extended benefit program which dictates to the States how such a program shall be established.

Illinois is one of the few States which now has an extended benefit program; so we speak from experience on this subject.

We are of the opinion that the States should decide on the specifications of their own programs if they feel such a program is necessary.

However, if the Congress does decide to impose an extended benefit program upon the States, we definitely object to the trigger points which are specified in H.R. 15119.

Section II–D of the House Ways and Means Committee report says that an extended benefit program would be established "to pay extended benefits during periods of high unemployment." We submit that insured unemployment of 5 percent nationally and 3 percent in an individual State is not high unemployment.

In many years when business is good, national insured unemployment has been in excess of 5 percent, and in a number of States insured unemployment never gets below 3 percent. For example, insured unemployment is traditionally high in California, New York, Alaska, Puerto Rico, Nevada, West Virginia, Washington, Oregon, and many other States. This means that extended benefits would trigger infrequently in the States. Some States would, in effect, have permanent duration of 39 weeks. California has an extended benefit program

with a trigger point of 6 percent, and extended benefits have triggered it in California during 6 to 10 months in every year since the extended benefit provision was enacted. In Puerto Rico, extended benefits have been paid steadily ever since the law was enacted, in September 1963.

The employers in the States which traditionally have steady employment and low insured unemployment, would be paying a tax which would be used to pay extended benefits in States which have high unemployment.

This table which I show in the statement shows insured unemployment for a number of States for certain weeks during the past 3 years.

You will observe that on June 25, 1966, the latest figure published, insured unemployment was about 3 percent in four States, even though the average for all States was 1.7 percent.

On March 12, the rate for 31 States was 3 percent and above; yet we all know that during 1966 insured unemployment has been at the lowest figure since World War II.

Many of the States which have low unemployment are represented on this Senate Finance Committee. I question whether the Senators from those States wish to have their constituents, the employers, pay a higher tax rate to finance extended benefit payments to workers in California, Alaska, New York, Puerto Rico, and the other States which have high unemployment.

An extended benefit program has been voluntarily adopted by nine States. The trigger point in California, Connecticut, Hawaii, and Idaho is 6 percent; Vermont, 7 percent, and North Carolina, 9 percent; Pennsylvania and Puerto Rico have special plans for determining when extended benefits become payable.

But Illinois has had the lowest trigger point of any State. For several years it was 4.375 percent. However, in 1965, the advisory board on unemployment compensation, which is composed of labor, public and employer members, agreed that this trigger was too low, and it was increased by mutual agreement to 5 percent.

Now, H.R. 15119 proposes a trigger point of 3 percent. This is entirely too low, as a measure of insured unemployment.

A proposal which was being considered seriously by the Ways and Means Committee did not contain any trigger point at all. It was only after representatives of the Illinois Manufacturers' Association conferred with the chairman and two members of the Ways and Means Committee that the concept of a trigger point was included in H.R. 15119. Such a measure of insured unemployment is an improvement over the previous proposal, but the trigger points of 5 percent and 3 percent are unjustifiably low.

In considering this statement about the State taxes, we call attention to the fact—I mean Federal taxes—we call attention to the fact that the Federal unemployment compensation tax is basically different from other Federal taxes. Although this money goes into the Federal Treasury and is then appropriated to the States, it is identified in a separate account and the money is appropriated for a specific purpose.

In the past, the records show that some States have received more money for administering their employment security programs than the employers of those States have paid in, in Federal taxes, while other States have been shortchanged.

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Now, it is proposed that a higher payroll tax be imposed upon employers, and the same thing will happen. States with low insured unemployment will be shortchanged. Many of these States are the same States which have not been receiving their fair share of the appropriations for administration of their employment security programs.

Conversely, many of these States which have regularly had high insured unemployment are among the States which have received more in administrative grants than the amounts which the employers of those States paid in Federal taxes.

I have a table in my statement showing the administrative grants to certain States, expressed as a percentage of the Federal unemployment taxes paid by employers of those States. I am sorry that Senator Hartke left, because you will notice that Indiana is receiving the smallest amount of any State; Virginia, Wisconsin, Illinois, and likewise, if you will look at the rate of insured unemployment on a previous page, that many of those same States are those that have low insured unemployment such as Indiana, Virginia, Wisconsin, Illinois, Georgia, Delaware, many of the States which are represented on this committee.

Then, there is a list of States, including the two largest ones, California and New York, which have traditionally been receiving a much higher amount in administrative grants than the employers in those States have paid in, in taxes.

The cost to employers in the States with low unemployment will be far greater than the good which they will derive from it, or the cost of such a program if they had their own extended benefit program.

The employers in those States would be paying for much of the extended benefits which would be drawn by employees in the States which have high unemployment.

We recommend that the States be allowed to determine the provisions of their own extended benefit programs. They should be given some flexibility in their choice of a State indicator, or so-called trigger point, perhaps based upon the average rate of employment over several preceding years.

However, if the Congress decides to enact a program similar to that proposed in H.R. 15119, then the trigger point should be increased to a national trigger point of at least 6 percent and a State trigger point of at least 5 percent. Even 5 percent would be too low for several States.

Now, the other witnesses from Illinois will speak on the other subjects which are contained in my statement.

In summary, I urge you to reject all attempts to include in this bill, H.R. 15119, these undesirable and unwarranted proposals which were in the original bill, H.R. 8282.

We also urge you to give serious consideration to our objection to the large and unwarranted increase in the tax rate and in the wage base, and to our objections to the extended benefit proposal, especially the unjustifiably low trigger points.

The Illinois Manufacturers' Association appreciates the opportunity of presenting its position regarding this legislation to this committee.

I thank you.

The CHAIRMAN. Thank you very much, sir.

(The prepared statement submitted by Mr. Bartley reads in full as follows:)

STATEMENT OF E. RUSSELL BARTLEY, OF THE ILLINOIS MANUFACTURERS' ASSOCIATION

My name is E. Russell Bartley. I am Director of Industrial Relations, Illinois Manufacturers' Association, Chicago, Illinois. I am accompanied by John C. Donnelly, who is Manager of Personnel Records of Walgreen Company. Mr. Donnelly is Chairman of the IMA Social Security & Unemployment Compensation Committee and also serves as an employer representative on the Board of Unemployment Compensation and Free Employment Advisors, upon appointment by the Governor of Illinois.

The Illinois Manufacturers' Association is grateful for the opportunity of presenting a statement setting forth its position on the provisions of H.R. 15119—the Unemployment Insurance Amendments of 1966.

The Illinois Manufacturers' Association is comprised of 5,000 manufacturing firms in Illinois—large, small and medium sized, which produce 95% of the manufactured out-put in the state of Illinois.

The companies which are represented by IMA are vitally concerned with the state and federal unemployment compensation programs. Payroll taxes for unemployment compensation are a large and important item in their costs of doing business. Any changes in the cost structure would be of vital consequence to our members.

H.R. 15119 is a bill which was developed by the House Committee on Ways and Means after extensive hearings on proposals relating to unemployment compensation. This bill was developed as a substitute for H.R. 8282, which would have required the states to make exorbitant increases in the amount and duration of unemployment benefits, to liberalize the eligibility requirements which a person must meet in order to draw benefits, to increase the federal unemployment tax by over 200%, to destroy employer experience rating and, in other ways to impose federal dictation over the unemployment compensation laws of the various states. The companion bill to H.A. 8282 which has been introduced in the Senate, S. 1991, would provide for the same undesirable legislation.

Although H.R. 15119 has eliminated many of the undesirable features of H.R. 8282, the Illinois Manufacturers' Association submits that it still contains several objectionable provisions.

We are in favor of the provision which would permit the states to obtain review in the Federal Courts of any finding by the U.S. Secretary of Labor that a state law, or that the administration of a state law, is not in conformity with federal requirements.

Although the Illinois Manufacturers' Association is committed to the general principle that benefits standards should be the prerogative of the states and not of the Federal Government, we do not object to certain provisions relating to benefit eligibility which are contained in H.R. 15119. These provisions are as follows:

States may not cancel wage credits or reduce *all* benefit rights, except in cases of fraud, discharge for misconduct connected with the work, or receipt of disqualifying income.

Prohibits "double dip"; a claimant must have had work since the beginning of his benefit year in order to obtain benefits in his next benefit year.

Benefits shall not be denied or reduced because claimant files an interstate claim.

Benefits may not be denied to workers who are enrolled in a training program with the approval of the State Unemployment Compensation Agency.

The IMA has taken no position for or against the proposal to extend coverage under the unemployment compensation program to all employers of one or more employees. However, we do object to the proposals that newly covered employers may pay a lower tax rate than the 2.7% rate which has been in effect since the inception of the unemployment compensation program in 1937 and which all presently covered employers have had to pay.

The Illinois Manufacturers' Association does register opposition—

1. To the proposed increase in the federal tax rate; and
2. To the proposed increase in the wage base; and
3. To the extended benefit proposal and its "trigger point" provisions.

Previous witnesses who have appeared before this Committee have urged that the Senate enact S. 1991 or amend H.R. 15119 to include the many un-

desirable proposals which were wisely eliminated by the House of Representatives. We strongly urge you to reject all attempts to establish federal standards which govern the amount of benefits which the states must pay and to increase the duration for which such payments must be made, to require the states to liberalize the requirements of eligibility which a person must meet in order to draw benefits, to make any changes which would spread the tax rate evenly among the employers and thus destroy employer experience rating, to make unwarranted and exorbitant increases in the federal unemployment tax rate and in the wage base upon which the tax is paid, and in other ways to scrap the unemployment compensation systems of the various states and replace them by a system which will be controlled and dictated from Washington.

Increase in Federal tax rate and wage base

H.R. 15119 proposes to increase the federal tax rate from 0.4% to 0.6%, effective on wages paid in 1967. It also proposes to increase the maximum wage base upon which the tax is paid from $3,000 to $3,900, on wages paid in 1969, 1970 and 1971, and to $4,200 on wages paid after 1971.

The IMA is opposed to any increase in the federal tax on payrolls and also to any increase in the wage base upon which the tax is paid in order to provide more money for administrative purposes.

The following table outlines this proposal and also indicates the percentage of tax increase which would result:

	Federal tax rate (percent)	Wage base	Maximum tax per employee	Percent increase
Present	0.4	$3,000	$12.00	
Wages paid in:				
1967 and 1968	.6	3,000	18.60	50
1969–70–71	.6	3,000	23.40	95
1972 and thereafter	.6	4,200	25.20	110

The money which would be raised through this tax increase would be used for two purposes. One-half of it would be placed in a special fund to pay the federal portion of the extended benefit program. The other half would be used for the cost of administering the Unemployment Compensation and Employment Service programs.

The U.S. Department of Labor has not proved to our satisfaction that any increase is needed for the administration of employment security. The figures appearing in tables 5 and 6, page 29 of the Ways and Means Committee report indicate that there will be a considerable increase in the amount collected during the next six years even under present law.

By combining some of the figures appearing in these tables it is apparent that the extra amounts available for financing the employment Security Administration would become as much as a 69% increase.

Estimated FUTA collections under H.R. 15119 available for administration

[Dollars in millions]

Taxable calendar year	Collection year	Current law estimated collection	Proposed law	Percent increase
1967	1968	$544	$680	25
1968	1969	560	700	25
1969	1970	572	910	59
1970	1971	584	930	59
1971	1972	596	955	60
1972	1973	608	1,030	69

We do not agree that the Employment Security Administration needs a 59% increase within the next three years and a 69% increase within the next six years. Similarly, the 0.1% increase in the tax rate for the financing of extended benefits would amount to another 69% in the money collected, or a total of 138% more money paid by employers.

We seriously doubt that the vast additional amount of money will be used for the purpose for which it should be used—the administration of Unemployment Compensation and the Employment Service. In the past few years much of the administration funds have been diverted to other uses, such as for Manpower Development and Training, Youth Opportunity Centers, Community Development and other anti-poverty programs. Thousands of placement persons have been taken off their regular jobs in the state employment security bureaus and assigned to work on these programs. One result is that placements by the employment service have dropped substantially. The IMA submits that the money which is collected from employers through the federal unemployment tax should be used exclusively for the job intended and such anti-poverty programs and other expanded activities should be financed from other sources.

There are certain other activities which are assigned to the employment service which should be considered. For example, farm placement has been assigned to the employment service in most states. Why should not the Department of Agriculture finance these operations rather than industrial and other non-agricultural employers? The farmers who are receiving the benefits of this service do not pay any unemployment compensation taxes to finance it.

The costs of administering unemployment compensation should have been drastically reduced during the past few years because the claims load has been low. It has been necessary to lay off claims takers and other employees and to close offices. A reserve should have been built up to be used in later years when the claims load becomes higher.

It has been stated by the proponents of the $6,600 wage base that the wage base for unemployment compensation should be the same as for social security. There is no validity in this argument. Social security and unemployment compensation are entirely different. The amount of the monthly benefit for a social security beneficiary is based directly upon his average monthly wage, and in order to increase monthly benefits the taxable wage has been increased. An unemployment compensation claimant's weekly benefit amount is based upon his quarterly earnings, but it is calculated by a formula which bears little relationship to the yearly wages upon which his employer pays the tax. In social security there is no employer experience rating. Under social security the tax is paid jointly by employers and employees.

Increasing the federal taxable wage base would require each state to increase the wage base upon which the state taxes are paid, to the same amounts. The states should be allowed to establish their own taxable wage base. Several states have raised their wage base in order to improve the stability of their trust funds. However, those states such as Illinois and many others, whose trust funds are in excellent financial condition should not be required to increase the tax paid by employers by increasing the wage base.

Extended benefit program

H.R. 15119 would establish a new permanent program which would require the states to enact laws to pay extended benefits during periods of high unemployment to workers who exhaust their basic entitlement to unemployment compensation. The duration of benefit payments would be extended by 50%. 50% of the cost of the extended benefits would be paid from a special fund which would be financed through the additional 1/10th of one percent federal tax. The states would pay the other 50%.

The Illinois Manufacturers' Association is not in favor of a federally imposed extended benefit program which dictates to the states how such a program should be established. Illinois is one of the few states which has an extended benefit program and we speak from our experience with this subject. Illinois enacted an extended benefit program, which we call "temporary emergency benefits", in 1958 and it has "triggered in" several times since that year. The cost of this program has been borne by Illinois employers. In 1958 we did not borrow money from the Federal Government as was the case with other states. We are of the opinion that the other states should decide on the specifications of their own programs if they feel that such a program is necessary.

However, if the Congress decides to impose an extended benefit program upon the states, we definitely object to the "trigger points" which are specified in H.R. 15119. Section II D of the House Ways and Means Committee report says that an extended benefit program would be established "to pay extended benefits during periods of high unemployment". We submit that insured unemployment of 5% nationally and 3% in an individual state is *not high unemployment*. In

the past, such figures have been considered as being nearly full employment and as a period of prosperity. In many years, when business was good, national insured unemployment has been over 5% and in a number of states insured unemployment never gets below 3%. For example, insured unemployment is traditionally high in California, New York, Alaska, Puerto Rico, Nevada, West Virginia, Washington, Oregon and other states. This means that extended benefits would trigger in frequently in these states. Some states would, in effect, have permanent duration of 39 weeks. California has an extended benefit program with a trigger point of 6%. Extended benefits have triggered in in California during six months to ten months in every year since the extended benefit provision was enacted. In Puerto Rico, extended benefits have been paid steadily ever since the law was enacted in September 1963.

The employers in the states which traditionally have steady employment and low insured unemployment, would be paying a tax which would be used to pay extended benefits in states which have high unemployment. The following table shows the rate of insured unemployment for a number of states for certain weeks during the past three years:

Rates of insured unemployment as a percentage of covered employment

STATES WITH LOW INSURED UNEMPLOYMENT

	June 25, 1966	Mar. 12, 1966	Mar. 13, 1965	Mar. 14, 1964
U.S. average	1.7	3.1	4.1	5.0
Connecticut	1.2	2.3	3.4	4.4
Delaware	.7	2.0	2.8	4.1
Florida	1.5	1.4	1.9	2.7
Georgia	1.1	1.5	2.2	3.3
Kansas	.9	2.2	3.9	3.6
Hawaii	1.8	2.2	3.2	3.2
Illinois	.9	2.0	2.9	3.6
Indiana	.9	1.5	2.4	3.4
Iowa	.6	1.9	2.6	3.2
Ohio	.8	1.9	2.9	4.2
Texas	1.0	1.7	2.6	3.0

STATES WITH HIGH INSURED UNEMPLOYMENT

Alaska	4.7	14.4	14.2	15.5
California	3.5	5.2	6.6	6.5
Nevada	3.3	5.6	5.6	6.2
New York	2.7	4.0	4.9	5.7
North Dakota	1.0	8.0	9.4	9.9
Oregon	1.7	4.5	4.8	6.5
Puerto Rico	5.4	6.5	7.1	5.8
Vermont	1.9	4.0	6.1	7.9
Washington	1.6	4.7	6.5	8.2
West Virginia	2.0	3.9	5.7	7.4

You will observe that on June 25, 1966, the latest figure published, insured unemployment was above 3% in four states, even though the average for all states was 1.7%. On March 12, the rate for 31 states was 3% or above. Yet in 1966 insured unemployment has been at the lowest figure since World War II.

Many of the states which have low unemployment are represented on the Senate Finance Committee. I question whether the Senators from those states wish to have their constituents, the employers, pay a higher tax rate to finance extended benefit payments to workers in California, Alaska, New York, Puerto Rico, and the other states which have high unemployment.

Conversely, high unemployment in a few states might push the national average up to 5% while insured unemployment in some states might be considerably lower than 3%. Under such a condition extended benefits would trigger in and would be paid in all states.

An extended benefit program has been voluntarily adoptde by nine states. The trigger point in California, Connecticut, Hawaii and Idaho is 6%; Vermont—7%; and North Carolina—9%; Pennsylvania and Puerto Rico have special plans for determining when extended benefits become payable.

Illinois has had a lower trigger point than any other state. For several years it was 4.375%. However, in 1965 the Advisory Board of Unemployment Com-

pensation, which is composed of labor, public and employer members, agreed that this figure was too low and it was increased by mutual agreement to 5%. Now H.R. 15119 proposes a trigger point of 3%. This is entirely too low as a measure of insured unemployment.

A proposal which was seriously considered by the Ways and Means Committee did not contain any trigger point at all. It was only after representatives of the Illinois Manufacturers' Association conferred with the Chairman and two members of the Ways and Means Committee that the concept of a trigger point was included in H.R. 15119. Such a measure of insured unemployment is an improvement over the previous proposal but the trigger points of 5% and 3% are unjustifiably low.

In considering our statement that employers in the states which have low unemployment should not pay for extended benefits in the states which have high unemployment, we call attention to the fact that the federal unemployment compensation tax is basically different from other federal taxes. Although this money goes into the federal treasury and is then appropriated to the states, it is identified in a separate account and the money is appropriated for a specified purpose. Up to now, it has been designated for the administration of unemployment compensation and employment services of the states. It is now proposed to use 50% of the higher tax for extended benefits and the other 50% for administration. In the past, the records show that some states have received much more money for administering their programs than the employers of those states have paid in federal taxes. Other states have been shortchanged. Now it is proposed that a higher payroll tax be imposed upon employers and the same thing will happen. States with low insured unemployment will be shortchanged. Many of these states are the same states which have not been receiving their fair share of the appropriations for administration of their employment security programs. Conversely, many of the states which have regularly had high insured unemployment are among the states which have received more in administrative grants than the amounts which the employers of those states paid in federal taxes.

The following table shows the administrative grants to certain states, expressed as a percentage of the federal unemployment taxes paid by employers in those states. The figures for the years shown are the latest ones available.

[In percent]

	1963	1962	1961
Indiana	50	51	64
Virginia	51	54	68
Wisconsin	59	59	71
Illinois	61	61	67
Georgia	64	67	83
Ohio	63	68	84
Delaware	69	70	76
Alaska	336	344	374
Idaho	209	214	250
North Dakota	200	209	228
Utah	185	194	221
California	104	104	128
New York	105	106	127
Mississippi	127	138	186
Arizona	161	171	202
Puerto Rico	150	166	N.A.

The cost to employers in the states with low unemployment will be far greater than the good which they will derive from it or the cost of such a program, if they had their own extended benefit program. They will be paying for much of the extended benefits for employees in the states which have high unemployment.

We question the propriety of some of the elements used in computing the rate of insured unemployment. It should not include, for the purpose of triggering in of extended benefits, those persons who are not eligible for benefits nor those who register but then find another job and do not even serve a waiting week. These constitute a sizable portion of those included in insured unemployment and is an exaggerated figure.

We recommend that the states be allowed to determine the provisions of their own extended benefit programs. They should be given some flexibility in their choice of a state indicator, perhaps based upon the average rate of unemploy-

ment over several preceding years. However, if the Congress decides to enact a program, similar to that proposed in H.R. 15119, then the "trigger points" should be increased to a national trigger point of at least 6% and a state trigger point of at least 5%. Even 5% would be too low for several states.

Federal benefit standards

We urge you to reject the appeals of previous witnesses who have appeared before this Committee and several more who will follow us, who have urged that the Senate enact S. 1991 or amend H.R. 15119 to include the many undesirable provisions which were included in H.R. 8282 and S. 1991.

Enactment of any of these proposals would be a long step toward federalization of the unemployment compensation programs of the various states. The development of unemployment compensation laws and their administration have, from their inception, been the function of the legislatures of the individual states. The amounts which should be paid in benefits, the eligibility provisions which claimants must meet and the number of weeks of benefits which they can draw as well as the tax structure have been related to the economic situation in each state. All state laws have been periodically revised to reflect changes in economic conditions. In the event this legislation were enacted, the states would have to comply with federal standards of lower eligibility provisions, higher benefits and rigid controls by federal authorities. The states would be little more than administrative agencies answering to a federal omnipotence.

In Illinois and in many other states, changes in the laws have been made as the result of mutually satisfactory agreements between appointed representatives of employers, employees and the public, on a duly constituted advisory board. The Governors of Illinois, past and present, and the state legislature have been wholeheartedly in favor of the agreed bill process. Such bills have been pased by the legislature unanimously without debate and without reference to committee.

The Illinois State Senate in the 71st General Assembly adopted a resolution which opposed federal intervention into the state unemployment compensation program. This resolution reads as follows:

"Resolved by the Senate of the 71st General Assembly, Whereas, there is legislation pending in the Congress of the United States, relating to unemployment compensation, which would compel the various states to drastically amend their unemployment compensation laws to conform with federal standards; and

"Whereas, Illinois is firmly dedicated to the beliefs that the individual states are best qualified to determine the provisions of their unemployment compensation statutes based upon the economic conditions of the states and the needs of their citizens; and

"Whereas, The Illinois General Assembly, over the years, has made amendments to the Illinois Unemployment Compensation Act through mutual agreement of a tri-partite board, which has provided for equitable treatment of employees and employers, and the General Assembly is now in session considering further improvements in its unemployment compensation program; now, therefore, be it

"Resolved, By the Illinois State Senate that it opposes federal legislation which would compel the various states to provide unemployment compensation standards in conformity with federal laws, thus depriving the Illinois General Assembly of its rightful authority and responsibility in such matters;"

We urge you to allow Illinois to continue the satisfactory procedure for taking care of its own affairs and to keep its unemployment compensation law up to date, in consideration of the needs of its citizens and the economic conditions in the state.

Weekly benefit amount

S. 1991 and H.R. 8282 would force the states to amend their unemployment compensation laws by increasing the weekly benefit amounts paid to claimants. The weekly benefit amount which claimants would receive would be 50% of their average weekly wage, up to a maximum of 50% of the state-wide average weekly wage for the years 1967 and 1968. The maximum would be increased to 60% of the state-wide average wage in 1969 and 66⅔%, effective in 1971.

The gross average weekly wage of covered employers upon which taxes are paid in Illinois is at least $120 a week. A year ago, it was $110 per week and it is expected to continue to increase. This includes wages and salaries of corporate officers, professional people and other salaried people who very seldom, if ever, draw benefits. A much more significant figure which should be

used in determining weekly benefit amounts would be the average take-home pay of the people who are beneficiaries under the system and whose base period wages were used in determining their weekly benefit amounts.

Some examples of take-home pay with deductions only for social security tax and income withholding tax are:

Gross weekly wage	Single person, take-home pay	Worker with 2 children, take-home pay	Worker with 4 children, take-home pay
$60.00	$50.98	$56.98	$57.48
$100.00	79.00	89.30	93.30
$120.00	96.86	106.46	109.48

In addition, a person who works must pay for lunches, transportation, work clothes, union dues, etc. Unemployment benefits are not subject to any withholding taxes or similar expenses.

Dependency benefits

In Illinois we believe that the realistic approach to the determination of weekly benefit amounts is to base them upon the family responsibilities of the unemployed worker. Illinois in 1955, by mutual agreement between the employer, labor and public members on the Advisory Board, adopted the variable maximum benefit program. Higher weekly benefits are paid to claimants who are married and have children, than to those who do not have such family responsibilities. We believe that this is the realistic approach, to pay higher benefits to those persons who need it most and upon whom the burden of unemployment falls the hardest.

The following table shows the schedule of maximum weekly benefits provided in the Illinois law and the schedule of benefits which S. 1991 and H.R. 8282 would require:

	Present law	S. 1991 and H.R. 8282		
		1967–68	1969–70	1971
Single, or married with working spouse, no children	$42.00	$60.00	$72.00	$80.00
Married, with nonworking spouse and no children	50.00	60.00	72.00	80.00
Married and 1 child	55.00	60.00	72.00	80.00
Married and 2 children	60.00	60.00	72.00	80.00
Married and 3 children	65.00	65.00	72.00	80.00
Married and 4 or more children	70.00	70.00	72.00	80.00

S. 1991 and H.R. 8282 propose that Illinois and those few other states which now pay dependency benefits should abandon the payment of additional benefits to claimants who have dependents. The same amount would be paid to an unemployed worker whether he is single and living with his parents and who might be an intermittent, part-time worker, as is paid to a man who has a wife and four or more children who are dependent upon the money which he brings home.

On pages 92 to 96 in his book entitled, "Standards of Unemployment Insurance" Senator Douglas espouses the principle of dependency benefits. He says: "There is, therefore, every reason why a system of dependents allowances should ultimately be included in the system of unemployment compensation." We agree with Senator Douglas. Both management and labor in Illinois believe in and are satisfied with our benefit structure. We do not want to be forced to abandon our variable maximum system and we oppose any proposal which would require Illinois to do this.

Benefit amounts in Illinois have been regularly increased over the years so that now they are among the highest of any state. In 1937 the maximum weekly benefit amount was $15.00 a week and the maximum duration was 16 weeks, or a total of $240.00. Now the same person can receive $70.00 per week for 26 weeks or $1,820, and in case of relatively high unemployment, he may receive another 13 weeks of benefits, or a total of $2,730. This is an increase of 890% during a period in which the Consumers Price Index went up 125%. This certainly indicates that Illinois has been generous.

In Illinois many of the beneficiaries of unemployment benefits now receive more than 50% of their gross average weekly wage. Single persons in the lower wage brackets receive benefits equal to 65% of their average weekly wage. Workers in four out of the six dependency classifications (one, two, three and four or more children) receive 50% or more. Those with four or more children receive 63.6%. In some cases, the weekly benefit amount for a single person does not amount to 50% of his gross average weekly wage, but we feel that this is proper, because such persons do not have the financial responsibilities that those in the other classifications have. Most of them, however, do receive in excess of 50% of their take-home pay.

Uniform duration of benefits

S. 1991 and H.R. 8282 would require that 26 weeks of benefits would be paid to every person who had worked during 20 weeks in a year, no matter how much money he earned during those weeks. We submit that the duration of benefits should be based upon the amount of wages which a person earned in the base period.

Under this proposal, a person who had intermittent and irregular employment and had worked a small amount of time in each of twenty weeks, regardless of the amount of money which he earned during that time, could draw maximum benefits for a full 26 weeks. This would enable a person who had worked part time or intermittently, by choice, to draw as much in benefits as a family man with several children who had been a steady worker and had, unfortunately, lost his job. This is grossly unfair and a poor way to spend employers' tax money.

Uniform duration, coupled with high benefits, would destroy the incentive for a person to be gainfully employed throughout the year. It would encourage people to work 20 weeks and then take 26 weeks' vacation. It would encourage malingering and laziness. Certainly this is not the purpose of unemployment compensation.

We believe that unemployment insurance should continue to be based upon insurance principles. The amount of benefits which an unemployed worker should receive and the number of weeks he can draw benefits should be based upon the amount of his earnings in covered employment. The provision for uniform duration abandons this insurance principle.

Benefit eligibility provisions

During the quarter century since unemployment benefits have been paid, it has been found that it is essential to require claimants for benefits to fulfill certain eligibility requirements and that under certain specific conditions, they should not be paid benefits. During the years, these eligibility requirements have been altered to meet changing conditions and experience. S. 1991 and H.R. 8282 would unwisely change many of these provisions in the state laws and allow benefits to be paid to individuals who should not receive them because they were not unemployed through no fault of their own. It would permit a person to quit his job for any reason at all, and the maximum penalty which might be imposed is a short postponement of benefits. When a person can draw benefits equal to one-half to two-thirds of his normal wage without any deductions for income tax, social security or the cost, and inconvenience of going to work, he will be tempted to do so. Such a person could wait a few weeks before filing his claim and there would be no penalty imposed. In Illinois, a penalty of eight weeks from the date of filing of his claim is imposed on a person who quits his job voluntarily without good cause. During those eight weeks, he must continuously prove each week that he is fulfilling all of the eligibility requirements, such as being able and available for work, actively seeking employment and reporting at the employment service. In Illinois such persons who have not had prior employment during three quarters of the base period are disqualified until they find another job and earn an amount equal to at least six times their weekly benefit amount. Many states require all claimants who quit their jobs, to return to work before they are again eligible for benefits.

The same comments apply to persons who refuse an offer of a suitable job and for people who are discharged for misconduct.

Several other objectionable provisions were included in the original proposed amendments to the unemployment insurance law. These related to the replacement of graduated state taxes by flat uniform taxes, thus leading to the destruction of experience rating; federal grants to states which have unsound

financial and trust fund experience and a permanent program of federal unemployment adjusted benefits.

The Illinois Manufacturers' Association is unqualifiedly opposed to all such proposals which would substitute federal dictation of unemployment compensation for state laws. They would change the basic intent of unemployment insurance from a system of providing benefits to workers during temporary periods during which they lose their jobs through no fault of their own, to a system of providing relief to workers who may have a limited or insignificant employment history. They would result in less stable employment, since employers would not have the incentive to provide steady work for their employees. Thus, it would result in more unemployment for many persons. They would encourage malingering and destroy the incentive to work. They would discriminate against employers in Illinois and the other states, which have traditionally done a conscientious job in providing steady work and stable employment to their citizens and thereby increase the costs of production and contribute to higher prices and inflationary pressures.

We urge you to reject all attempts to include these undesirable and unwarranted proposals in H.R. 15119. We also urge you to give serious consideration to our objections to the large and unwarranted increase in the tax rate and in the wage base and to our objections to the extended benefit proposal, especially the unjustifiably low trigger points. The Illinois Manufacturers' Association appreciates the opportunity of presenting its position relating to H.R. 15119 to this Committee.

The CHAIRMAN. Mr. Ray Kilbride of Illinois Retail Merchants Association.

Mr. KILBRIDE. Mr. Chairman, my name is Raymond——

The CHAIRMAN. I regret that Senator Douglas and Senator Dirksen are necessarily absent this morning. I know they wanted to be here because in some respects this is Illinois Day, but I am sure they will review your statement and see it is fully considered.

STATEMENT OF RAYMOND T. KILBRIDE ON BEHALF OF THE ILLINOIS RETAIL MERCHANTS ASSOCIATION

Mr. KILBRIDE. Thank you.

My name is Raymond T. Kilbride. I am tax manager of Montgomery Ward & Co. I am appearing before this committee today as chairman of the Unemployment Compensation Committee of the Illinois Retail Merchants Association.

In deference to the demands on the time of the committee and to insure the greatest possible brevity, my testimony will consist of my reading of a brief statement of the Unemployment Compensation Committee of the Illinois Retail Merchants Association which was adopted as a statement of policy of that organization at a meeting of its board of directors on July 12, 1966. [Reading:]

The Unemployment Compensation Committee of the Illinois Retail Merchants Association has carefully considered H.R. 15119 (the Mills Bill) and H.R. 15120 (the Byrnes Bill), which are now before the Congress, and the effect of the enactment of either of those bills on the retail trade of this state.

In addition to its long-standing and consistent opposition to any federal legislation which would dictate standards for states in their unemployment compensation legislation, the Committee believes those identical bills were objectionable for these additional and specific reasons:

The bills would extend coverage of unemployment compensation laws to employers of one or more persons. The committee is well aware of the theoretical propriety of such coverage but believes that practical considerations urge avoidance of such coverage particularly in the retail trade.

The retail trade is becoming increasingly dependent upon part-time employees. Many of these are housewives and students who are not fully in the labor market nor are they the principal support of families. Generally speaking, and for varying reasons, these employees could not qualify for unemployment benefits. Furthermore, employees of small retailers commonly include family members who work occasionally and who would never apply for benefits.

The primary and most apparent practical effect of extending coverage to employers of one or more persons would be to add a substantial burden of additional tax expense and bookkeeping costs to small retailers. In the opinion of the committee there is no justification for imposing such burdens on small retailers to provide benefits which, at, best, could be claimed only by a small number of their employees. Extending coverage to employers of one or more persons, it should also be noted, will greatly increase administrative costs per employee.

Turnover in the case of small retailers has a far more drastic effect on his contribution rate than it does on the larger employer. The separation of a single employee may be a 100 percent turnover and can result in the payment of the maximum contribution rate by the employer. Such a continuing consequence to an appreciable number of small retailers, or other small employers, becomes a persuasive argument for abolishing experience rating by those who have long had this object in mind.

2. The bills would require state unemployment compensation laws to pay extended benefits to workers who exhaust their normal benefits during periods of high unemployment. The states would be reimbursed for half of the cost of the extended benefit program. The funds necessary for this reimbursement would be obtained by increasing both the federal unemployment tax and the taxable wage base.

The Illinois Unemployment Compensation Act already provides for the payment of a maximum of 13 weeks of additional benefits when unemployment in this state exceeds 5 percent of the compensable work force. The provision for extended benefits in the bills, therefore, means nothing to Illinois workers. To employers in this state it would mean the payment of additional taxes for benefits they are already providing and a contribution to the cost of extended benefits in some other states.

3. The bills provide that on January 1, 1967, the federal unemployment compensation tax rate be increased from a net of 0.4 percent to a net of 0.6 percent, an increase of 50 percent in the tax rate. In addition, the tax base would be increased from the present base of $3,000 to $3,900 in the taxable year 1969 and to $4,200 in the taxable year 1972. The federal tax now costs an employer $12 a year per employee. In 1972 the proposed increase in the tax rate and the tax base would increase this cost to $25.20, an increase of 110 percent.

While it is true that enactment of the bills would serve to increase administrative costs and that additional funds would be required to finance the federal share of the extended benefits program, the Committee does not believe that there is a clear demonstration of the need for a 110 percent increase in the cost of the employer's contribution to the federal unemployment fund. But, in any event, the need for any increase in taxes can be avoided by the defeat of these unnecessary bills.

While H.R. 15119 and H.R. 15120 are a vast improvement over H.R. 8282, introduced during the first session of the 89th Congress, their enactment is needless and without justification. The states are the best judges of the needs of their own localities and the conditions which give rise to those needs. Any problem which arises in the states should be solved in the place where it originates. The imposition of federal standards is unwarranted particularly in Illinois which has demonstrated an awareness of the changing needs of unemployment compensation and generally administered its own law in an exemplary manner.

Speaking for the Illinois Retail Association and myself, I want to thank you for your courtesy in extending time to us for the presentation of our position on this proposed legislation.

And now speaking for myself, I am sorry that this committee in these troubled times must spend so much of their valuable time in

considering proposed changes in our Federal unemployment insurance law which is functioning so adequately and efficiently.

Thank you.

The CHAIRMAN. Thank you, sir.

Senator Morton?

Senator MORTON. I may agree with much that you have to say. We face a problem here, and I was glad to see that in the concluding paragraph of your prepared statement that you do indicate that H.R. 15119 is a vast improvement over H.R. 8282. As I say, I concur in much that you have to say, but I also have to look at this thing in the practical light of today and the political climate and what we are up against here in the Congress. So we may not be able to reach the objectives that you want us to reach, although I trust, however, that we will at least hold our action within the framework of H.R. 15119.

Mr. KILBRIDE. Thank you.

Senator MORTON. If I might add that if the senior Senator from Illinois were here, you would get into a discussion at some length about truth in lending which is not before this committee. [Laughter.]

The CHAIRMAN. Thank you, sir.

Our next witness is Mr. Gordon W. Winks of the Illinois State Chamber of Commerce.

STATEMENT OF GORDON W. WINKS FOR THE ILLINOIS STATE CHAMBER OF COMMERCE

Mr. WINKS. Mr. Chairman and members of the committee, my name is Gordon W. Winks. I am a lawyer in Chicago with the Illinois Bell Telephone Co., and I appear on behalf of the Illinois Chamber of Commerce.

For the past 9 years I have been an employer representative on the statutory advisory board to the Governor of Illinois on unemployment compensation, having been first appointed to the board by a Republican Governor and reappointed three times by the present Democratic Governor.

My written statement analyzes several different parts of this bill and I ask that my entire statement be included in the record.

Senator MORTON (presiding). It will be done.

Mr. WINKS. But in the time allotted to me, I will confine my testimony to what appears to us to be the most important single issue before the committee, which is whether each State should be required to raise its maximum weekly benefit amount to two-thirds of its average weekly wage.

On this subject I would like to add some comments to what Mr. Fisher said in the very interesting comparison between Louisiana and Maryland. Of course, I defer completely to Senator Long as to Louisiana's condition, and I am not a citizen of Maryland, but there is nothing that appears to us from the records that we have here that indicate that either Louisiana or Maryland is skimping its claimants in the handling of unemployment compensation. It is true that the maximum weekly amount payable in Maryland at the present time is

$48, and that the Louisiana Legislature has just changed its maximum from $40 up to $45, but there are other differences between the two laws, which seem to account for more differences in cost than the ones that were referred to earlier.

For example, Louisiana has what is called variable duration, which means that a claimant with a small amount of work record cannot get 26 weeks of benefits.

On the contrary, Maryland has uniform duration which is now found in only 9 States, and which gives 26 weeks of benefits to everybody who can qualify at all.

In the past 5 years the size of the Louisiana fund has grown by $34 million. In the same period of time the Maryland fund has grown by $103 million.

Now, the reasons for that growth are unknown to me, but it is a fact that they would temporarily raise the tax rate in Maryland, and that when the funds reach the point at which the respective States are satisfied, that difference will disappear.

Indeed on page 46 of the report dated July 13, 1966, the tables being prepared by the U.S. Department of Labor, it is estimated that the tax rate in Louisiana for 1966 on taxable wages will be 1.8 percent, and in Maryland will be 1.9 percent, a difference so small that it could not have any serious effect on anything occurring.

The estimate on taxes on total wages in both States is identical, 1 percent.

These tax rates change from year to year in different States as different requirements for special recessions in that area occur, and we suggest with all respect that the success of the Louisiana bidders appears to be due to their own qualities and not to any indication that Louisiana has been unfair to its unemployed.

The original House bill would have required a 66⅔-percent benefit standard in 1971, based on each State's average weekly wage for the year 1969, with annual adjustments thereafter. No one knows yet what those 1969 average wages will be, although it is reasonable to assume that they will be substantially higher than they are today. But even if we use only the 1964 average wage rates, we would find an increase of $42 a week in Michigan, $36 in Illinois, $35 in Ohio, and $23 in New York. There are 16 different States represented on this committee; 13 of them would be required to make weekly increases of $20 or more using the 1964 base for easy computation. (Committee print relating to S. 1991, Jan. 18, 1966, p. 112.)

The amounts are: Arkansas $12, Connecticut $25, Delaware $28, Florida $29, Georgia $23, Illinois $36, Indiana $34, Kansas $16, Kentucky $22, Louisiana $24, Minnesota $22, Montana $28, Nebraska $22, New Mexico $27, Tennessee $20, and Utah $17.

Those 16 States are not backward or reactionary. Their Governors and legislators are not dominated by any one economic interest. They simply don't believe that that much money should be spent on unemployment compensation, and we think they are right.

The details of the present system have been hammered out in thousands of committee meetings all over the United States, sometimes by State Governors and party leaders, but chiefly by members of State legislatures and by committees from labor and business trying to produce compromise bills acceptable to both sides. This is a method

which respects and reflects the local problems of the people of each State and their feelings about unemployment as it actually exists in that particular State. It is not a weakness but a strength. There is no substitute for that local experience. Nobody in a Washington office can know as much about each of the 50 States as the people who made those thousands of compromises. These meetings were not dominated by any one political party, nor by chambers of commerce, nor were they indifferent to the best interests of labor.

The States have steadily increased the weekly amounts of benefits as conditions have changed. The maximum weekly amount provided by the first Illinois law was $15 a week, and the maximum period was 16 weeks. The maximum benefit is now $70 a week for a claimant with four children. Illinois benefits can now be paid for as long as 39 weeks under certain conditions. An Illinois claimant with two children had a maximum possible eligibility on July 1, 1939, of $256 of benefits (16 weeks times $16). His maximum eligibility is now $1,560 in normal times and $2,340 in recession conditions. These amounts are over 600 percent and over 900 percent of the 1939 level. In that time the Consumer Price Index increased about 125 percent.

It is true that these amounts have not increased as fast as the labor unions or the Department of Labor have demanded. But the practical question always remains—how much money should the Government take from its workers to pay over to those who are not working—sometimes through no fault of their own but often by their own choice in whole or at least in part? There is no mathematical answer to such questions. Certainly the average gross wage of all covered workers is not a good yardstick. The average claimant is not the average worker. Claimants usually have less than average continuity of employment, and except for the building trades they tend to work at wage rates below the average. Indeed, a great many claimants have been barely employed at all.

Illinois, Indiana, Massachusetts, Michigan, Ohio, and several other States have approached this problem of benefit adequacy by a very different route. These States have what is generally called "a variable maximum." The amount which each claimant can receive in those states is influenced by the number of his dependents. For example, a single man or wife whose husband is working cannot get more than $42 a week in Illinois. However, a claimant with four dependent children can draw as much as $70 a week if he has enough wage credits. The original House bill proposed that this maximum amount be raised to more than $90 for all types of claimants in Illinois in 1971. If that standard were ever applied, it would quickly put an end to any classification based on the number of dependents. The increase over present law would be so large that there is just no chance that the legislatures would add any greater amount on account of dependents. Most of the increases in States like Illinois would go to the claimants with the fewest dependents, and the others would be held to that same level in the future. The final result would be that under H.R. 8282, a working wife or a single man might often get the same or sometimes a greater benefit amount than a claimant with four children. We think this is a poor way to spend the available funds.

It must be constantly borne in mind that unemployment benefits appear to be much more valuable than gross wages in several major respects. They are not subject to any income tax or social security tax or union dues. They cannot be attached by creditors. They require only a minimum amount of effort and travel expense. There is no extra cost for such things as work clothing or meals on the job. For many intermittent workers they are an ideal extended vacation with pay. In Illinois and in most other States their level is determined in large part by the amount which the claimant earned in the highest quarter of his base year. This means that a person who gets relatively high wages in one season of the year will often establish a benefit level which is higher than his earning capacity in the off season.

Every increase in the cost of labor lessens the effective demand for it. This is an elementary law of economics which no one can repeal. Each one of these increases makes it just that much harder to create jobs and stimulates the use of machines to replace people. Substantially all of these costs are paid in the first instance by the employer, but in the long run they must be passed on to those who are working in the prices of goods or services if the job is not eliminated altogether.

Thank you very much for your attention.

(The prepared statement of Gordon W. Winks follows:)

STATEMENT OF GORDON W. WINKS, REPRESENTING THE ILLINOIS STATE CHAMBER OF COMMERCE

SUMMARY

I. The payroll tax rate should not be increased for administrative purposes, and the taxable wage base should not be increased.

II. The indicators for extended benefits should be raised to a reasonable level.

III. Judicial review of the decisions of the Secretary of Labor on tax offsets is highly desirable.

IV. Federal standards for benefit amounts and duration are not needed, and the standards proposed in earlier bills were excessive.

A. Distinctions based on dependency status, now used in Illinois and several other states, would have been made impractical by the earlier bills.

V. H.R. 15119 does omit other proposals which would have hurt the unemployment compensation system.

Mr. Chairman and Members of the Committee, my name is Gordon W. Winks. I am a lawyer in Chicago with Illinois Bell Telephone Company and appear on behalf of the Illinois State Chamber of Commerce. For the past nine years I have been an employer representative on the statutory advisory board to the Governor of Illinois on unemployment compensation, having been first appointed to the board by a Republican governor and reappointed three times by the present Democratic governor. I have been chairman of the Illinois State Chamber's committee on this subject and a member of similar committees of the Chamber of Commerce of the United States, the Council of State Chambers of Commerce and the Illinois Manufacturers' Association. The Illinois State Chamber of Commerce consists of some 8,500 business firms represented by about 20,000 individual businessmen. Our member firms range in size from the very smallest to some of the very largest in the United States and include every type of business. H.R. 15119 is the result of long study and discussions in the House and is a compromise of many differing views. We think there are certain aspects which could be improved, and others which deserve strong praise.

Job taxes should not be increased in the way proposed

The House Committee Report estimates (p. 20) that the payroll taxes to be collected under this bill during the fiscal year 1970 will be about $1,100,000,000, or almost twice what would be collected in that year under existing law.

Payroll taxes are taxes on jobs, and the federal tax rates for social security, medicare and unemployment compensation will total 10.4% for 1970 if this bill

is passed. State unemployment tax rates add more than 2% on the average for a total of nearly 13%. Furthermore, the federal social security and medicare tax percentages are already scheduled to go higher in later years. Even greater increases may soon be necessary, not only for higher benefits but also to preserve the solvency of the existing schedules.

We realize that half of the proposed increase in the federal unemployment tax rate is required to support the federal part of a new program for longer benefits in times of recession. We anticipate that some such program will be established, and we do not oppose that general principle. But the other half of the rate increase is earmarked for higher expenses of administration, including a greatly expanded employment service, and we oppose placing the burden of those extra costs on the creation of jobs. No detailed justification of these increased administrative costs is shown in the House Committee Report. We urge that the taxable wage base be left as it is, and that no increase be made in the tax rate on payrolls beyond that which is clearly needed to support the new emergency program.

The present $3,000 federal base is entirely adequate to support the federal share of all of the existing programs or any reasonable expansion of them. Most of the state trust funds are in good condition. Most of those which are not large enough are correcting their deficiencies by using higher state tax rates or by increasing the tax base for that particular state or by a combination of those methods.

The higher tax base which has been adopted for Social Security is the result of entirely different facts. Social Security needs the higher tax base to meet its much greater obligations and to furnish a proper formula for computing benefit eligibility. Neither of those factors applies to this case.

There is no reason why the federal taxable wage base for unemployment compensation should bear any particular ratio to wage levels or total wages or benefit eligibility. It is sufficient if it is enough to permit the raising of the moneys necessary to support the federal part of the program on a fair basis. The first $2,000 or $3,000 paid to a worker in a year does establish him as a possible future claimant for a significant amount of benefits. But as the amount of his annual pay increases beyond that point, he usually becomes a less likely case for benefits. Each additional week that he works is a week for which he cannot receive benefits. In other words, the first $3,000 identifies a risk; the second $3,000 generally reduces that risk. Further payments tend to extinguish it.

It is the low wage and seasonal industries which cost the greatest amounts in benefits relative to their wages. These are the industries which are least affected by an increase in the taxable wage base, because so many of their employees receive less than $3,000 a year right now. Raising the taxable wage base is particularly unfair to those firms paying high wages for steady employment. It will usually result in raising their tax burden without any change in their experience to justify it. Even if the state tax schedule is revised to lighten that part of their burden, the transition period is likely to be unfair to them.

The Department of Labor presented to the House Committee on Ways and Means a very general and lengthy justification of spending these payroll taxes for such widely varied purposes as farm placement, Guam, "community development," apprenticeship selection, and the cost of administering benefits for ex-federal employees and ex-servicemen. (House Hearings, pp. 46–64.) It is receiving other large funds under other acts for similar purposes. *Ibid*, p. 52. See also S. 2974, 89th Congress. It recently tried to take college placement away from the schools that were doing a good job. Twice within the past two years the Comptroller General has called the attention of Congress to typical cases of over-expansion of employment service costs in Oregon, Washington and Illinois for school districts, professional employees and department stores, among others. It would be only common sense to re-examine with care and wisdom and equity of the present inflated expenditures before saddling the consumers of this country with another $300,000,000 of payroll taxes. If they have merit, those costs which are not closely connected with unemployment compensation ought to be borne by the general federal budget. Even the Department concedes that such financing from general taxes is "equally appropriate." *Ibid*, p. 53.

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Emergency extensions of benefit duration should be limited to emergencies

Our actual experience in Illinois with benefit duration during emergencies shows the need for some amendments in that part of H.R. 15119. Illinois has had its own permanent program for extending the duration of benefits by 50% during business recessions ever since 1959, and the Illinois Chamber of Commerce supported that permanent plan. We began with a state indicator of 4⅜% of insured unemployment. Our seven years of experience show that this is too low and last year our legislature raised it to 5%. The other states which have similar programs use 6%, 7% or 9%. This bill requires a state indicator of only 3%. This 3% requirement is combined with another requirement in the bill that unemployment shall be at least 20% more than it was in the two preceding years. But if the two preceding years were years of high employment, then an increase of more than 20% in the number of claims filed might easily occur in a time of real prosperity. For example, if 1967 and 1968 produce an Illinois insured unemployment rate of only 2½% and 1969 produces a rate of only 3%, extended benefits will be payable at once. Thus we could have a 39-week system in a time of general prosperity. Under this bill we could also have extended benefits in Illinois without any emergency in our state merely because the national average had been pushed above 5% by slow business in some other part of the country. In order to avoid these results the 3% figure for each state should be changed to at least 5%, or the state sshould be given some flexibility in the choice of an emergency indicator. The chart on page 25 of the House Committee Report shows that a state indicator as low as 3% would have caused extended payments in two states in 1965 and in three others in 1963 for no apparent reason. The national indicator should be at least 6%, and the other requirements should be retained. It should be noted that both the state and federal percentages are computed on the number of claims *filed*. But about 30% of all new claims filed do not result in any payments, either because the individual was not eligible in the first place or because he fails to report after waiting a week. (House Hearings, p. 130.) When the indicators are finally selected, some allowance should be made for this exaggeration in the number of claims filed.

A state should have a chance to appeal to court from an adverse decision of the Department of Labor on tax offsets and conformity

We stringly endorse part C of Title I of H.R. 15119 which permits an appeal to a circuit court of appeals from those decisions of the Secretary of Labor which deny the benefits of the law to a state. Under present law all such decisions by the Secretary are final, and he can force his views upon the states without any chance of appeal whatever. Under the new bill the state can appeal such decisions, but the Secretary's findings of fact are still conclusive unless they are contrary to the weight of the evidence. This still gives the Secretary a very important advantage. This change was heavily favored by the administrators and certainly should be adopted.

The proposal of the Department of Labor that the Secretary's findings of fact should be "conclusive if supported by *substantial* evidence" (p. 26 of the detailed explanation filed July 13, 1966) would give the Secretary's office more power over the states and state officials than the past performance of the Department deserves. (Note particularly the state officials' testimony in the House Hearings, pp. 520–40 and 659.) "Substantial evidence" is not as much proof as the "weight of the evidence," and would permit the Secretary to be sustained even when a court believed that the *weight* of the evidence was on the other side. Such an extreme advantage has been given in some controversies between government and private citizens, but it is not appropriate in this field where the appellants are likely to be much better informed about the problems of their own state than the Washington specialists.

Very substantial efforts are already being made to relieve unemployment

It is obvious that unemployment is a serious problem and that very substantial efforts are already being made to combat it. In February, 1965 there were over 2,000,000 insured unemployed in state and federal programs. Even under present laws this will cost about $4,000,000,000 for an average year. In 1965 payments and administration costs for all programs totalled about $2,600,000,000, even though it was a year of very low unemployment. In calendar 1961 all government programs for unemployment compensation cost $4,700,000,000 for benefits and administration, although weekly payments were then considerably less than

under present laws. In addition to the regular state programs, there are federal programs for ex-employees and ex-servicemen, and there is a railroad plan. Those other plans will be affected directly or indirectly by whatever is done in this program. The present laws have done a great deal of good, but this does not mean that we need to increase their size and effect in the many different ways which were proposed in the original bills.

Federal benefit standards would injure the program

We understand that the principal other issue to be submitted to the Committee in connection with this bill is whether each state should be required to raise its maximum weekly benefit amount to two-thirds of its average weekly wage. The original House bill would have required this increase in 1971, based on each state's average weekly wage for the year 1969, with annual adjustments thereafter. No one knows yet what those 1969 average wages will be, although it is reasonable to assume that they will be substantially higher than they are today. But even if we use only the *1964* average wage rates, we would find an increase of $42 a week in Michigan, $36 in Illinois, $35 in Ohio and $23 in New York. There are sixteen different states represented on this Committee. Thirteen of them would have had weekly increases of $20 or more using the 1964 base for easy computation. (Committee Print relating to S. 1991, January 18, 1966, p. 112.) [1] Those sixteen states are not backward or reactionary. Their governors and legislators are not dominated by any one economic interest. They simply don't believe that that much money should be spent on unemployment compensation, and we think they are right.

The details of the present system have been hammered out in thousands of committee meetings all over the United States, sometimes by state governors and party leaders, but chiefly by members of state legislatures and by committees from labor and business trying to produce compromise bills acceptable to both sides. This is a method which respects and reflects the local problems of the people of each state and their feelings about unemployment as it actually exists in that particular state. It is not a weakness but a strength. There is no substitute for that local experience. Nobody in a Washington office can know as much about each of the 50 states as the people who made those thousands of compromises. These meetings were not dominated by any one political party, nor by Chambers of Commerce, nor were they indifferent to the best interests of labor. Nevertheless, the basic theory of H.R. 8282 was that the decisions of the legislators of all 50 states have been ill-advised, and that the amounts and duration of benefits which they have provided are all grossly inadequate. If Congress ever accepts that theory, this Committee will be besieged every session by both sides asking it to do that job over for the 50 different states.

The states have steadily increased the weekly amounts of benefits as conditions have changed. The maximum weekly amount provided by the first Illinois law was $15 a week, and the maximum period was 16 weeks. The maximum benefit is now $70 a week for a claimant with four children. Illinois benefits can now be paid for as long as 39 weeks under certain conditions. An Illinois claimant with two children had a maximum possible eligibility on July 1, 1939 of $256 of benefits (16 weeks times $16). His maximum eligibility is now $1,560 in normal times and $2,340 in recession conditions. These amounts are over 600% and over 900% of the 1939 level. In that time the Consumer Price Index increased about 125%.

It is true that these amounts have not increased as fast as the labor unions or the Department of Labor have demanded. But the practical question always remains—how much money should the government take from its workers to pay over to those who are not working—sometimes through no fault of their own but often by their own choice in whole or at least in part? There is no mathematical answer to such questions. Certainly the average gross wage of all covered workers is not a good yardstick. The average claimant is not the average worker. Claimants usually have less than average continuity of employment, and except for the building trades they tend to work at wage rates below the average. Indeed, a great many claimants have been barely employed at all.

Illinois, Indiana, Massachusetts, Michigan, Ohio and several other states have approached this problem of benefit adequacy by a very different route. Those

[1] The amounts are: Arkansas $12, Connecticut $25, Delaware $28, Florida $29, Georgia $23, Illinois $36, Indiana $34, Kansas $16, Kentucky $22, Louisiana $24, Minnesota $22, Montana $28, Nebraska $22, New Mexico $27, Tennessee 20, and Utah $17.

states have what is generally called "a variable maximum." The amount which each claimant can receive in those states is influenced by the number of his dependents. For example, a single man or a wife whose husband is working cannot get more than $42 a week in Illinois. However, a claimant with four dependent children can draw as much as $70 a week if he has enough wage credits. The original House bill proposed that this maximum amount be raised to more than $90 for all types of claimants in Illinois in 1971. If that standard were ever applied, it would quickly put an end to any classification based on the number of dependents. The increase over present law would be so large that there is just no chance that the legislatures would add any greater amount on account of dependents. Most of the increases in states like Illinois would go to the claimants with the fewest dependents, and the other would be held to that same level in the future. The final result would be that under H.R. 8282, a working wife or a single man might often get the same or sometimes a greater benefit amount than a claimant with four children. We think this is a poor way to spend the available funds. The Illinois situation of two years is shown by the following table:

Distribution of Illinois beneficiaries by weekly benefit amounts, July 1, 1963–June 30, 1964

32.80%	$10–$37
31.15% (of whom nearly all had no dependents)	38
11.11% (of whom about ⅜ had a dependent spouse)	39–43
9.12% (of whom about ¾ had one child)	44–47
7.42% (of whom about 85% had two children)	48–51
4.48% (of whom over 80% had three children)	52–55
3.86% (all of whom had four children)	56–59

Source: Illinois Division of Unemployment Compensation. The average of all payments for full-time unemployment in Illinois for 1964 was $38.04. Maximum benefit amounts have since been increased by amounts ranging from $4 to $11, and the average for all full-time Illinois claimants is now about $42.50.

Under H.R. 8282 most of the increases in weekly benefit amounts in Illinois would have gone to the group which got $38 in 1964. Some increases would also occur within each of the higher groups. Very few, if any, of those now getting less than $42 would receive any increase and some of them might well receive small decreases as an indirect result.

The formulas used for computing each individual's weekly wage are highly favorable to him. His so-called average weekly wage is not 1/52 of his annual earnings, but either 1/13 of what he earned in his best quarter of the entire year, or in some states the total amount which he earned in the year divided by the number of weeks in which he worked. For seasonal or irregular workers this produces a wholly fictitious rate for the off-season. Although most state laws use these same computations now, they do not apply them to the extent required by H.R. 8282.

It must be constantly borne in mind that unemployment benefits appear to be much more valuable than gross wages in several major respects. They are not subject to any income tax or social security tax or union dues. They cannot be attached by creditors. They require only a minimum amount of effort and travel expense. There is no extra cost for such things as work clothing or meals on the job. For many intermittent workers they are an ideal extended vacation with pay. In Illinois and in most other states their level is determined in large part by the amount which the claimant earned in the highest quarter of his base year. This means that a person who gets relatively high wages in one season of the year will often establish a benefit level which is very close to or even greater than his earning capacity in the off-season. For example, a construction carpenter naturally gets high wages in the summer when work and overtime are plentiful and thereby establishes maximum eligibility. In the winter he is often laid off, but he does not accept a job as a temporary shipping clerk because the take-home pay rate is too close to his unemployment check. In Illinois a specific job offer which is slightly below his summer pay rate can be safely rejected as unsuitable and does not affect his right to unemployment benefits. In the first months of his unemployment a difference in pay rates of only 5% is held to be enough to justify his refusing any job offer. In this way the system actually creates a good deal of unemployment and pays for it at the same time.

Duration of ordinary benefits should not be changed

Another part of the original House bill which we understand will be urged in the Senate involves the duration of benefits under ordinary conditions. It was there proposed that the states be required to give 26 full weeks of benefit eligibility for every claimant who worked at least 20 weeks or its "equivalent" in his base period. The word "equivalent" was so loosely defined in that bill that even 10 weeks of work would not be required in a great many cases.

In the 36 states which use high quarter wages, a claimant who is being paid the state-wide average weekly wage could satisfy the formula in H.R. 8282 by working only five weeks a year, if three of those weeks happened to be in one quarter and the rest fell in the rest of the year. In every state, many part-time workers could satisfy the requirement by working only two days a week for each of 20 weeks in the year for a total of 40 days of work. Only 20 days of work scattered in 20 different weeks would be enough if the claimant's wage rate was 125% or more of the state's average weekly wage. To take an extreme example, a well-paid entertainer could satisfy all of the requirements by working one day in one quarter and one in another. This part of that bill abandoned all logical connection with 20 weeks of work and merely required a relatively low amount of earnings in two or more quarters to get 26 weeks of benefits. A uniform duration of 26 weeks is bad enough. At the very least it should be based on a more substantial work history.

The combination of larger weekly amounts and longer duration which the original House bill provided went so far beyond anything now being done in any state that it would have substantially increased the amount of unemployment and inflation. The proposed benefits would have been attractive enough so that many persons approaching retirement age, many secondary wage earners, and at least some younger workers without dependents would have been induced to quit their jobs to get them. Many others laid off or discharged would have collected benefits much longer than they do at present. That bill gave the long-term unemployed benefit rights which could easily run for a year and a half. But eventually even these rights would be used up, and in the meantime any stimulus to a realistic change of jobs or work locations will be much weaker than under the existing system.

Not only would payments have been larger and longer, but it would have been materially easier to cheat the system, and the penalties for cheating would have been sharply reduced. Section 208 also permitted the elimination of merit rating, which would greatly reduce employer interest in steady employment and in the proper payment of claims. Many cases of economic malingering occur now under existing law, and H.R. 8282 would have greatly enlarged that problem. Many more workers would be deluded into taking full advantage of this false generosity, only to find at the end that the real world had passed them by. Easy benefits for optional unemployment would eventually downgrade many persons out of the active work force altogether.

Every increase in the cost of labor lessens the effective demand for it. This is an elementary law of economics which no one can repeal. Each one of these increases makes it just that much harder to create jobs and stimulates the use of machines to replace people. Substantially all of these costs are paid in the first instance by the employer, but in the long run they must be passed on to those who are working in the prices of goods or services if the job is not eliminated altogether. As the cost is passed on to the ultimate consumer, it grows at each stage of the pricing process. The result is more pressure for higher wages and more inflation.

Other matters

The original House bill contained a number of other provisions which would have damaged this program very seriously but which have been omitted from H.R. 15119. We have not heard very much about them lately, and I do not want to take the Committee's time to analyze them unless there is a real danger of their being adopted by the Senate. These include provisions which would work against the use of experience rating, pay 52 or even more weeks of benefits in times of general prosperity, drastically reduce the controls over unjust claims in every American jurisdiction except Puerto Rico, and pay federal subsidies in unknown amounts to an unknown number of so-called "high cost" states. We discussed these provisions in detail in testimony before the House Committee on Ways and Means and believe that it will expedite matters simply to refer to that testimony, which appears at pages 1025 to 1033 of the House Hearings.

Last week the Department of Labor proposed a new standard on disqualifications. It suggested that all voluntary quitters, all persons refusing suitable work, and at least some persons who have actually committed crimes in connection with their work be eligible for full benefits after a maximum delay of 13 weeks. (Statement of the secretary, pp. 12–13; detailed explanation, p. 18.) Postponed benefit rights are almost as useful to a person who is withdrawing from the labor market as if they were paid at once. If his first claim isn't paid, he just waits until benefits are payable and then pretends to be seeking work. This proposed federal standard would weaken the Illinois law as well as those of many other states. It would also increase the public dissatisfaction with the program which the department's explanation deplores (p. 1).

This shift from its original proposal of a mere six weeks delay was accompanied by a new attempt to weaken experience rating by *requiring* that benefits paid in all such cases should not be charged against any employer's account. Of course, benefits not charged against any individual account are really pooled against all employers as a group. Such a proposal also eliminates the last employer's interest in claims filed after the original disqualification period, thereby making benefits easier to get after the 13 week postponement.

The great mistake which the Department of Labor made in drafting the original bill was to assume without any real proof that virtually every claimant is earnestly looking for work all the time and is fully available for work merely because he says those words or signs such a form at the unemployment office. Even in very good times, there may be 3,000,000 pending claims each week. The average check for full-time unemployment is now around $39. In Illinois alone there were over 235,000 different claimants in 1964 who received payments. Over 3,700,000 weeks were claimed in 1964 under that state law alone. And 1964 was a year of high employment. The people who decide these claims simply have neither the time nor the inclination to investigate each one carefully. In most cases the only information before them is that furnished by the claimant himself. If he is so foolish as to give the wrong answer to one of their questions, he may lose benefits for that week, but he quickly learns the right answer to give for the next week. This is the real reason why the percentages of disqualification are extremely low. A recent study by the Illinois state authorities did show that 30% of the claimants in our state are repeaters from one year to the next. And within any given year the average Illinois claimant who gets money collects for about two separate periods of unemployment. (This means that many claimants have only one period while others could have twelve or even more.) Of course they know the answers. The picture which reaches Washington through these statistics is entirely different from what actually happens in the field.

Although this situation is bad now, it would be many times worse if H.R. 8282 had been enacted. The rewards for quitting a job would be substantially increased both in amounts per week and in the number of weeks for which they will be paid. The cost in dollars of benefits and in the disorganization of production would be high, but no one can estimate just how high. This is not strengthening unemployment compensation or solving the problems of unemployment. It would weaken the system and actually increase unemployment in this country.

The states have increased benefit amounts and duration at a rate which has been much faster than the increases in the cost of living. Any further increases which may be warranted will be properly cared for by the states in a way which will meet their local conditions and without any need for imposing federal standards.

I appreciate very much the opportunity of appearing before your Committee.

Senator MORTON. Thank you very much, sir.

I have no questions, thank you.

Mr. Eubank, Commerce & Industry Association of New York, Inc.

STATEMENT OF MAHLON Z. EUBANK ON BEHALF OF THE COMMERCE & INDUSTRY ASSOCIATION OF NEW YORK, INC.

Mr. EUBANK. My name is Mahlon Z. Eubank, I am director of the social insurance department of the Commerce & Industry Association of New York, Inc.

I request that my statement be put in the record in order that I can hit the high spots in the time allotted to me.

Senator MORTON. It will be so done.

Mr. EUBANK. I wish to apologize that my statement was backed up against my instructions and not in single pages.

Starting on the first page, third paragraph, our views on the various subject areas covered by H.R. 15119 and S. 1991 follow:

(*a*) H.R. 15119 cannot be characterized as an employers' bill.

If this association, or for that matter any business organization were to draft a bill for introduction in Congress to improve the Federal-State unemployment compensation system, the result would not be H.R. 15119. Needless to say, however, if given a choice, we would prefer the enactment of H.R. 15119 rather than S. 1991, the counterpart of H.R. 8282.

(*b*) The Federal-State extended recession unemployment insurance program H.R. 15119.

In 1961 the New York Legislature enacted a plan (which did not become operative because of the Federal TEC Act) under which duration was increased from 26 to 39 weeks in an individual's benefit year for a claimant who had exhausted benefits in any week prior to a week in which the ratio of total exhautions in the immediately preceding 13 weeks to average insured employment is 1 percent or more. This formula, in our opinion, would be more exact than the double trigger proposed for States in H.R. 15119.

JUDICIAL REVIEW

We favor the provision on this subject in H.R. 15119.

Financing: We recognize that any financing provisions must not only provide funds for recession benefits and to replenish the loan fund but also to solve the recurring problem of providing adequate funds relating to the administration of the unemployment insurance and related employment service activities. Under the existing situation, and taking into consideration present allocations, the proposal on financing in H.R. 15119 solves the immediate problem and it certainly is more realistic than that provided in S. 1991.

Our primary concern is that Federal funds raised from employers' payroll taxes are being used for types of responsibilities not related to the administrative expenses of unemployment insurance and related employment service activities. This question was raised by the Employment Service task force appointed by the Secretary of Labor in September 1965. In their report (page 38), dated December 23, 1965, on this subject the following appears:

Financing the Service: A basic deficiency is that the present reliance on financing through the Federal Unemployment Tax does not reflect the much broader functions and responsibilities that have been assigned to the Employment Service in recent years. This has meant that the availability of funds has not been directly responsive to the changing requirements of the Employment Service. Serious questions are also raised by the fact that a tax levied on employees' payrolls to finance the system of Unemployment Compensation is used to support other and broader activities as well.

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.

On pages 80 and 86, 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 UCS (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 (pt. 6, p. 27)).)

In addition, it appears to us that additional responsibilities will be placed on the Employment Service if S. 2974, the proposed Manpower Services Act of 1966, is enacted into law.

We fear that an expansion of Employment Service activities not directly oriented to unemployment insurance, paid in whole or part out of funds collected through the Federal unemployment taxes could result in the future in an ever-increasing payroll tax and/or ever-rising tax base. To prevent this from occurring we recommend that funds be authorized by a provision added to H.R. 15119 to ascertain the programs and amounts expended out of funds collected through Federal unemployment taxes. This is in line with the suggestion of the State administrators (hearing before House Ways and Means Committee, pt. 6, p. 27) that a special advisory commission be appointed to study and make recommendations regarding the proper financing of the administrative cost of various programs such as farms and youth opportunity centers, et cetera.

(*e*) A Federal standard for the maximum weekly benefit of 50 percent, 60 percent, or two-thirds of the statewide average weekly wage would not achieve an equitable result among the States.

This is a proposal in S. 1991.

The Federal Advisory Council in 1958 recommended that the goal of each State should be that the majority of the claimants should receive a benefit rate equal to at least half of the individual's gross weekly wage. Our major concern is not with this principle but the manner in which it is intended to be achieved. S. 1991 seeks to meet this principle as further recommended by the Federal Advisory Council by requiring a maximum weekly benefit as a percentage of the statewide average weekly wage.

It is an unfortunate fact that if the method of fixing the maximum weekly benefit as set forth in S. 1991 is adopted, there would be a great variation among the States in the percentage of claimants who would

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be stopped at the maximum weekly benefit rate. The existing State difference would still be present and even more inequitable situations among States would result.

This fact may be illustrated by the following data [1] from Colorado and Wyoming (both requiring by law that the maximum weekly benefit amount be set as 50 percent of the average weekly wage of covered workers) and New Jersey and New York where there is no requirement in the law setting a maximum weekly benefit amount. In the fiscal year ending June 30, 1965, Colorado had 32 percent and Wyoming 41 percent of their claimants eligible for 50 percent of their individual average weekly wage. In these two States only a minority were receiving half their weekly wage although the State law in each required that the maximum weekly benefit amount be set at 50 percent of the average weekly wage of covered workers.

In New Jersey and New York the average weekly benefit amount as a percentage of the average weekly wage of covered workers for the fiscal year ending June 30, 1965, was 43 percent and 42 percent, respectively. For this period 64 percent in New Jersey and 62 percent in New York—and I might say at this time the calculation was made, the maximum weekly benefit amount was $50. It is now $55. On this basis the maximum weekly benefit amount as a percentage of the statewide average weekly wage would be about 46 percent and around 67 percent of the claimants would receive at least half their own weekly wage. New York and New Jersey would meet the primary principle of the Federal Advisory Council that the majority of claimants should receive a benefit amount equal to at least their average weekly benefit rate even though the maximum benefit rate is less than the statewide average weekly wage. Colorado and Wyoming would not meet this principle regardless of the fact that their laws require a maximum benefit amount be set at 50 percent of the statewide average.

Assume that the basic maximum weekly benefit was set at 50 percent of the average weekly wage in each State (the first step in S. 1991). The effect of this proposal in Colorado and Wyoming would actually be retrogressive since the present formula already requires the weekly benefit amount at 50 percent of the statewide average weekly wage. New Jersey and New York however, would have to raise their weekly benefit amount and as a result there would be a greater difference in the percentage of the claimants who get 50 percent of their average weekly wage in these two States than in Colorado and Wyoming. Such a proposed standard would not equalize the cost between the States but could instead cause wider disparities of such cost. Unformity, which the proponents of maximum Federal benefit standards (based upon a percentage of the statewide average weekly wage) seek to achieve, would not result. The standard proposed would not meet the various wage patterns and economic conditions among the States in an equitable and effective fashion.

New York presently sets its maximum weekly benefit amount at 50 percent of the average production workers in manufacturing. It is this way the high wages of executive salaries and low wages of domestics are avoided. The average wages of production workers is $110 weekly. The New York maximum of $55 is half of this figure. The

[1] Material taken from "Data relating to S. 1991," p. 110, compiled for the Committee on Finance, U.S. Senate, Jan. 18, 1966.

legislature follows the same pattern for nonoccupational disability benefits and the worker's compensation maximum is kept $5 higher. The formula in S. 1991 could set the maximum weekly benefit amount in all three programs.

Senator Long, in your question to Mr. Fisher you pointed out the cost in the various States. New York next to Alaska is the highest; our rate is 2.9 percent on our taxable payrolls. This has not kept New York from getting new industry into the State because of our location and the fact we are the Empire State of the Nation.

If we lose any plants it is going to be in New York City and it is not going to be because of unemployment insurance taxes. It could result because of the new taxes, including a city income tax, recently enacted by the legislature for New York City at the request of Mayor Lindsay.

These new taxes might cause us to lose industry, but I don't believe it is going to be the result of unemployment insurance taxes.

(*f*) Paying extended benefits for an additional 26 weeks during both recession and nonrecession periods (FUAB) is unsound (S. 1991).

1. Most FUAB claimants would be still unemployed.

I have a table to show in my statement and I won't read the table.

2. Extended benefits under S. 1991 could discourage claimants from taking training under the MDTA act. I have a table to support my position on this point. I will next go to my conclusion on the last page, the last two paragraphs.

The House of Representatives in its considered judgment after evaluating the experience of the last 30 years has, in H.R. 15119, added a few new standards plus a Federal-State cost-sharing program to pay extended benefits during recession periods. However, this bill does not fundamentally change the original concept of State responsibility in unemployment compensation.

S. 1991, with the maximum weekly benefit amount and disqualifications standards, FUAB, and provisions which discourage experience rating, represents the first step to federalize our present Federal-State unemployment system. If enacted, the State's primary function would be to carry out administratively the directions of the Federal Government. By transferring control to the Federal Government, the States could no longer meet by experimentation their ever-changing employment and economic patterns.

I thank you.

The CHAIRMAN (presiding). Thank you, sir.

(The statement referred to follows:)

STATEMENT OF MAHLON Z. EUBANK, OF THE COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.

Commerce and Industry Association of New York, Inc., the largest service chamber of commerce in the East, represents approximately 3500 employers, large and small, 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 Commerce and Industry Association of New York appreciates this opportunity to testify before your Committee on pending proposals to amend the

Federal Unemployment Compensation statutes, and particularly H.R. 15119, the bill passed by the House on this subject, and S. 1991, the Administration's proposal to "modernize" the Federal-State Unemployment Insurance Program.

Our views on the various subject areas covered by H.R. 15119 and S. 1991 follow:

A. H.R. 15119 cannot be characterized as an employers' bill

If this Association or, for that matter, any business organization were to draft a bill for introduction in Congress to improve the federal-state unemployment compensation system, the result would not be H.R. 15119. To illustrate, in the financing provisions the tax base would be raised only to $3,600 and the tax rate increased to pay for recession benefits and proper administrative expenses. This is only one of several examples. Needless to say, however, if given a choice, we would prefer the enactment of H.R. 15119 rather than S. 1991, the counterpart of H.R. 8282.

B. The Federal-State extended recession unemployment insurance program H.R. 15119

The recession benefit proposals contained in H.R. 15119 are similar to the action Congress took in the recessions of 1958 and 1961. The major differences are that the present proposals have both a federal and a state trigger, and costs are shared equally between the federal government and the states. If these proposals are enacted into law, emergency action no longer will have to be taken by Congress when recessions occur in the future. We favor this proposal, with one slight change, over the one on extended benefits (FUAB) contained in S. 1991.

In H.R. 15119 a national trigger applicable to all the states would be established if (*a*) the seasonally adjusted rate of insured unemployment for the nation as a whole equalled or exceeded 5 percent for each month in a 3-month period and (*b*) during the same 3-month period the total number of claimants exhausting their rights to regular compensation (over the entire period) equalled or exceeded 1 percent of covered employment for the nation as a whole.

In addition, a recession benefit period would be established for an individual state (*a*) if the rate of insured unemployment for the state equalled or exceeded during a moving 13-week period, 120 percent of the average rate for the corresponding 13-week period in the preceding 2 calendar years and (*b*) if such rate also equalled or exceeded 3 percent.

In 1961 the New York Legislature enacted a plan (which did not become operative because of the federal TEC Act) under which duration was increased from 26 to 39 weeks in an individual's benefit year for a claimant who had exhausted benefits in any week prior to a week in which the ratio of total exhaustions in the immediately preceeding 13 weeks to average insured employment is 1 percent or more. This formula, in our opinion, would be more exact than the double trigger proposed for states in H.R. 15119.

The exactness in providing a trigger point on exhaustions was recognized by the House by providing that one of the two federal triggers would be on exhaustions. The only difference between this federal trigger and the New York 1961 formula is that the latter is based on a moving 13-week period while the federal trigger is based on a fixed 3-month period. We suggest that H.R. 15119 be amended to give the states an alternative in setting a trigger—retaining the provision presently contained in this bill and including the one contained in the 1961 New York law.

C. Judicial Review

Under existing law and in S. 1991, the Secretary of Labor has the final word on whether or not a state law or the interpretation thereof conforms to federal standards. If a state is held out of conformity, employers therein would have to pay the gross federal tax and not have the benefit of the offset. S. 1991 would continue this penalty, except that the offset would be reduced if the state did not place in its laws the required benefit standards. We favor enactment of the provision contained in H.R. 15119.

The right to judicial review of administrative action is necessary to protect against unreasonable or arbitrary interpretation or application of law. Congress has set the precedent by requiring judicial review in the Administrative Procedure Act of 1946 and numerous other acts providing grants to the states, including one enacted in 1965 which gives the states an opportunity to appeal certain determinations of the Secretary of the Department of Health, Education, and Welfare under the public assistance provisions of the Social Security Act. The most recent action taken by the Senate on this subject is its passage of S.

2974, the proposed Manpower Services Act of 1966. Section 18 of that bill gives the states the right to appeal the final action of the Secretary of Labor in withholding funds pursuant to Section 12(c). It would appear ridiculous to allow the states to appeal in this case but deny them the right to appeal for unemployment insurance purposes.

D. Financing

We recognize that any financing provisions must not only provide funds for recession benefits and to replenish the loan fund but also to solve the recurring problem of providing adequate funds relating to the administration of the unemployment insurance and related employment service activities. Under the existing situation, and taking into consideration present allocations, the proposal on financing in H.R. 15119 solves the immediate problem and it certainly is more realistic than that provided in S. 1991.

Our primary concern is that federal funds raised from employers' payroll taxes are being used for types of responsibilities not related to the administrative expense of unemployment insurance and related employment service activities. This question was raised by the Employment Service Task Force appointed by the Secretary of Labor in September, 1965. In their report (page 38), dated December 23, 1965, on this subject the following appears:

"Financing the Service: The close relationship between the Employment Service and Unemployment Compensation has created certain limitations on the supporting financial arrangements. *A basic deficiency is that the present reliance on financing through the Federal Unemployment Tax does not reflect the much broader functions and responsibilities that have been assigned to the Employment Service in recent years. This has meant that the availability of funds has not been directly responsive to the changing requirements of the Employment Service. Serious questions are also raised by the fact that a tax levied on employers' payrolls to finance the system of Unemployment Compensation is used to support other and broader activities as well.* [Emphasis supplied.]

"Separate financial arrangements should be made for the administration of the Unemployment Compensation and the manpower functions of the Employment Service. Currently, the Federal Unemployment Tax on employers' payrolls is the exclusive source of funds for the Employment Service, except for a few special appropriations made by Congress. An approximate estimate can be made of the cost of administering the work test aspects of the Unemployment Compensation through the Employment Service. This cost should then be defrayed from the Federal Unemployment Tax fund. The appropriations for the other, manpower functions of the Employment Service, should be financed from general tax revenues, as determined by Congress. By adopting this approach, Congress would be in a better position to determine the needs of the Employment Service and to evaluate the efficiency of its operations in the manpower field on a regular basis."

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.*))

In addition, it appears to us that additional responsibilities will be placed on the Employment Service if S. 2974, the proposed "Manpower Services Act of 1966," is enacted into law. It is regrettable that the recommendations of the Employment Service Task Force, as heretofore set out, were not followed before the measure was approved in the Senate. We fear that an expansion of Employment Service activities not directly oriented to unemployment insurance, paid in whole or part out of funds collected through the Federal Unemployment Taxes could result in the future in an ever-increasing payroll tax and/or everrising tax base. To prevent this from occurring we recommend that funds be authorized by a provision added to H.R. 15119 to ascertain the programs and amounts expended out of funds collected through federal unemployment taxes. This is in line with the suggestion of the State Administrators (Hearing before House Ways and Means Committee, part 6, page 27) that a special advisory commission be appointed to study and make recommendations regarding the proper financing of the administrative cost of various programs such as farms and youth opportunity centers, etc.

E. A federal standard for the maximum weekly benefit of 50%, 60% or two-thirds of the statewide average weekly wage would not achieve an equitable result among the states (S. 1991)

The Federal Advisory Council in 1958 recommended that the goal of each state should be that the majority of the claimants should deceive a benefit rate equal to at least half of the individual's gross weekly wage. Our major concern is not with this principle but the manner in which it is intended to be achieved. S. 1991 seeks to meet this principle as further recommended by the Federal Advisory Council by requiring a maximum weekly benefit as a percentage (as set forth in the heading) of the statewide average weekly wage.

It is an unfortunate fact that if the method of fixing the maximum weekly benefit as set forth in S. 1991 is adopted, there would be a great variation among the states in the percentage of claimants who would be stopped at the maximum weekly benefit rate. The existing state difference would still be present and even more inequitable among states would result.

This fact may be illustrated by the following data[1] from Colorado and Wyoming (*both requiring by law that the maximum weekly benefit amount be set as 50% of the average weekly wage of covered workers*) and New Jersey and New York where there is no requirement in the law setting a maximum weekly benefit amount. In the fiscal year ending June 30, 1965, Colorado had 32% and Wyoming 41% of their claimants eligible for 50% of their individual average weekly wage. In these two states only a minority were receiving half their weekly wage although the state law in each required that the maximum weekly benefit amount be set at 50% of the average weekly wage of covered workers.

In New Jersey and New York the average weekly benefit amount as a percentage of the average weekly wage of covered workers for the fiscal year ending June 30, 1965 was 43% and 42% respectively. For this period 64% in New Jersey and 62% in New York[2] of the claimants received a weekly benefit amount equal to at least half of their average weekly wage. New York and New Jersey would meet the primary principle of the Federal Advisory Council that the majority of claimants should receive a benefit amount equal to at least their average weekly benefit rate even though the maximum benefit rate is less than the statewide average weekly wage. Colorado and Wyoming would not meet this principle regardless of the fact that their laws require a maximum benefit amount be set at 50% of the statewide average.

Assume that the basic maximum weekly benefit was set at 50% of the average weekly wage in each state (the first step in S. 1991). The effect of this proposal in Colorado and Wyoming would actually be retrogressive since the present formula already requires the weekly benefit amount at 50% of the statewide average weekly wage. New Jersey and New York, however, would have to raise their weekly benefit amount and as a result there would be a greater difference in the percentage of the claimants who get 50% of their average weekly wage in these two states than in Colorado and Wyoming. Such a proposed standard

[1] Material taken from "Data Relating to S. 1991," p. 110, compiled for the Committee on Finance, U.S. Senate, January 18, 1966.

[2] At the time the calculation was made, the maximum weekly benefit amount was $50. It is now $55. On this basis the maximum weekly benefit amount as a percentage of the statewide average weekly wage would be about 46% and around 67% of the claimants would receive at least half their own weekly wage.

would not equalize the cost between the states but could instead cause wider disparities of such cost. Uniformity, which the proponents of maximum federal benefit standards (based upon a percentage of the statewide average weekly wage) seek to achieve, would not result. The standard proposed would not meet the various wage patterns and economic conditions among the states in an equitable and effective fashion.

F. Paying extended benefits for an additional 26 weeks during both recession and non-recession periods (FUAB) is unsound (S. 1991)

1. Most FUAB claimants would be still unemployed.

Thirteen states made a survey of the experience of claimants who had exhausted the 39 weeks of their state and federal TEUC. Made three months after the date benefits expired for each of the claimants, it indicates their experience during the following additional 13 weeks not covered by TEUC but which would have been covered if the duration provision of S. 1991 had been in effect.

The results [4] are shown below:

State	Percent employed	Percent still without employment (unemployed plus out of labor force)
Arizona	26	74
California	31	69
Georgia	34	66
Illinois	33	67
Indiana	35	65
Louisiana	26	74
Maryland	16	84
Michigan	36	64
New York	28	72
Ohio	30	70
Oregon	37	63
Pennsylvania	24	76
Vermont	31	69

Extending benefits would not be a desirable reform of the unemployment insurance system. Most individuals who exhaust state benefits would be still unemployed after the extended 26-week period. All it would do would be to provide a larger flow of benefit payments to the unemployed but do nothing else. Some marginal workers would be tempted to join the labor force in order to get on the gravy train. Some of the unemployed, particularly secondary wage earners, would tend to be more leisurely in searching for new jobs, thus nullifying, at least in part, the stabilizing effects on employment of liberalized benefits.

A curative program is needed. More should be done to help the long-term unemployed find new jobs or to gear retraining programs to aid those workers who have little hope of finding jobs in their prior employment.

2. Extended benefits under S. 1991 could discourage claimants from taking training under the MDTA Act.

The following excerpt from our statement before the House Ways and Means Committee is still apropos:

"Encouragement of training, apparently, is not the purpose of the Administration's proposal. Its intent would appear to be to pay benefits for an extra 26 weeks to most of the long-term unemployed because jobs for them either do not exist or are difficult to find. There is not a sufficient deterrent to get these individuals to take training or accept suitable work, if available, when they know that they can still obtain their maximum 26 weeks of extended benefits under H.R. 8282 after serving a disqualification of six weeks. Prime emphasis of the bill is on finding for the claimant jobs which may be non-existent or which he may refuse, rather than on training. This is shown by the provision on "Certification" (page 9—lines 15-24), requiring the states to counsel and test claimants for jobs, with nothing said about counseling and testing for MDTA training or basic education courses. In addition, FUAB could delay a

[4] See Chart 1, P. iv, of Special TEUC Report No. 2, BES No. A225-2, February 1965.

claimant in taking training. The duration of unemployment of MDTA trainees is signficant on this point. The pertinent tabulation follows:

Duration of unemployment	1964 MDTA	1963 MDTA
	Percent	*Percent*
Total	100.0	100.0
Less than 5 weeks	30.5	27.4
5 to 14 weeks	23.4	24.7
15 to 26 weeks	13.2	15.2
27 weeks or over	32.9	32.7

"As the foregoing indicates, when claimants approached the maximum (26 weeks) of state benefits the percentage taking training dropped sharply but took a big jump after benefits were terminated. If FUAB is enacted into law, it would appear to us that a substantial number would delay taking training until they exhausted 26 weeks of extended benefits. Some, after a year of idleness, might not take training at all.

"After considerable experimentation and with the 1965 amendments, the MDTA program is commencing to roll. FUAB, in our opinion, would hurt this program and discourage claimants from taking training.

G. Other

At the hearings before the House Ways and Means Committee on H.R. 8282 (Part 4, pp. 1669–1701) a detailed statement and testimony explained why Commerce and Industry Association opposed H.R. 8282, the companion bill to S. 1991. The reasons given at that time are still pertinent, but aside from the one exception noted above, will not be repeated here. If any of the provisions in S. 1991 that were omitted from H.R. 15119 are to be seriously considered, it is requested that Association's testimony also be considered. (A summary of our statement before the House Ways and Means Committee is attached hereto.)

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 House of Representatives in its considered judgment after evaluating the experience of the last 30 years has, in H.R. 15119, added a few new standards plus a federal-state-cost-sharing program to pay extended benefits during recession periods. However, this bill does not fundamentally change the original concept of state responsibility in unemployment compensation.

S. 1991, with the maximum weekly benefit amount and disqualifications standards, FUAB, and provisions which discourage experience rating, represents the first step to federalize our present federal-state unemployment system. If enacted, the state's primary function would be to carry out administratively the directions of the federal government. By transferring control to the federal government, the states could no longer meet by experimentation their ever-changing employment and economic patterns.

APPENDIX

SUMMARY OF TESTIMONY BEFORE HOUSE WAYS AND MEANS COMMITTEE ON H.R. 8282

A. The original concept of the unemployment insurance program would be destroyed.

B. Federal unemployment adjustment benefits (FUAB) is not the vehicle to pay the long-term unemployed:

1. Individuals having long-term unemployment require a curative program to meet their needs and not an alleviation program such as unemployment insurance.

2. Benefits would be paid to secondary wage earners who do not have the same incentive to find work as primary wage earners.

3. Extended benefits under H.R. 8282 could discourage the long-term unemployed from taking training under the MDTA Act.

(*a*) Disqualification provision could be a deterent for an individual to take training.

(*b*) FUAB beneficiaries could delay taking training if extended benefits were received.

4. Many FUAB claimants would exhaust their 26 weeks of extended benefits and still be unemployed.

(*a*) New York study indicates almost three-fourths of potential FUAB beneficiaries would exhaust extended benefits.

(*b*) Low education attainment indicated for potential FUAB beneficiaries could cause high exhaustion rate of extended benefits.

(*c*) New York State pays benefits to claimants taking training and to those who take basic education courses prior to training.

5. *Alternative proposals, should Congress deem it necessary to enact benefits of extended duration for state exhaustees.*

(*a*) H.R. 7476 or H.R. 7477, the Interstate Conference of Employment Security Agencies proposal—changes suggested.

(*b*) An unemployment allowance.

C. Matching grants for excess cost:

1. Interstate differentials could be increased by the use of matching grants.

2. *Catastrophic reinsurance when compared with matching grants has a great deal of merit because it spreads the costs when they are unusual or unpredictable.*

3. The present loan plan whereby states can borrow from the Reed fund and repay their loan on an installment plan should be continued.

4. New York would rarely receive grants unless it liberalized its law even more than required by H.R. 8282.

5. Past experience nationally indicates that 75% of grants could go to Pennsylvania, Michigan, Ohio, New Jersey and California.

D. Average weekly wage and maximum benefit amount:

1. Average weekly wage: (*a*) Most claimants in New York below maximum weekly benefit amount would receive more than 50% of gross wages.

2. Maximum benefit amount adequate in New York on the basis of—

(*a*) The maximum benefit rate in New York has more than kept pace with the rise in living cost.

(*b*) Take-home pay of average covered wage.

(*c*) Average weekly wage of production workers.

(*d*) Average weekly wage of claimants.

E. Disqualification:

1. Six weeks time disqualification not realistic in New York because of lack of labor market attachment of certain claimants.

2. Different types of disqualifications in various states make proposed standard unrealistic.

F. Experience rating:

Elimination of experience rating could foster interstate competition, cause employers to lose incentive to stabilize employment, etc.

G. Financing:

1. Large increase in tax base would work to the disadvantage of firms (large and small) that pay high wages and/or give stable employment and to the advantage of low-paying firms and seasonal industries.

2. *Recommendation.*

An increase in the gross federal tax rate and offset with no change in the tax base.

H. Court Review:

1. Court review necessary of Secretary of Labor's conformity decisions to foster better federal-state relations and to let the courts rather than part of the executive branch interpret federal statutes.

2. *Recommendation.*

The enactment of either H.R. 9511, H.R. 9651, H.R. 9870 or H.R. 9988, all of which provide court review of the Secretary of Labor's decision on conformity questions.

CONCLUSION

(N.B.: For full testimony see Hearings Before House Ways and Means Committee on H.R. 8282, Part 4, pp. 1669–1701.)

The CHAIRMAN. The next witness will be Mr. Thomas Peavy, of the Arkansas Chamber of Commerce.

Mr. Peavy, Senator Fulbright asked me to tell you that he would have liked to have been here to introduce you but he is conducting hearings in his committee at this very moment, and was not able to be here, and Senator McClellan is over in the Judiciary Committee at this moment.

STATEMENT OF TOM H. PEAVY FOR THE ARKANSAS STATE CHAMBER OF COMMERCE

Mr. PEAVY. Thank you, Mr. Chairman.

In the interests of conserving time, I have filed a statement with the committee. I would like to state my qualifications and give a brief summary of the points which are made in the statement. Is that agreeable?

The CHAIRMAN. That would be fine.

Mr. PEAVY. My name is Tom H. Peavy. I am general staff manager for the Southwestern Bell Telephone Co., in Little Rock. I am chairman of the Joint Subcommittee on Unemployment Insurance of the Arkansas State Chamber of Commerce, and Associated Industries of Arkansas, Inc.

I am also a member of the board of directors and chairman of the governmental affairs department of the Little Rock Chamber of Commerce.

I appear here as a representative of the above organizations which have a combined membership of more than 4,500 firms and individuals, employing more than 100,000 Arkansas citizens who are subject to the coverage of the Arkansas Employment Security Act.

Names of other statewide organizations joining in this statement are listed in the appendix to my statement.

I wish to present the views of these organizations of employers with respect to H.R. 15119, which we favor in its present form, and now under consideration by this distinguished committee.

I am also an employer member of the advisory council of the Employment Security Division of the State of Arkansas serving under an appointment by the Governor. I have held this appointment for the past 15 years.

To summarize my statement which has been filed, I have five points:

1. The Arkansas unemployment compensation has recognized and kept pace with the general increase in wage levels. The 50-percent escalator, now a part of the Arkansas statutes, has increased maximum weekly benefits from $30 in 1963 to the present $39 effective July 1, 1965. As the wage levels continue to rise, the amount of the maximum benefits will necessarily increase. H.R. 15119 will have no effect in this respect on our State benefit standards.

2. S. 1991 proposes an increase in maximum weekly benefits to 60 percent in 1969, and 66⅔ in 1971 of the average weekly wages, and a combined duration of State and Federal benefits of 52 weeks. Presently we estimate the 50-percent average weekly benefits provided

under the Arkansas law represents a range of about 70 percent of the take-home pay in our State.

To increase this percentage can only result, we feel, in malingering and abuse and contribute to increased unemployment resulting in unemployment benefit payments, becoming more of a welfare payment or simply a dole.

3. H.R. 15119 does not impose a Federal standard uniform duration of benefit payments to all States irrespective of the industrial or economic condition of a State.

This is recognized to be sound in the U.S. Senate committee report on title IX of the Organizational Social Security Act in 1935, which established a present unemployment compensation system.

4. H.R. 15119 will not preempt the State unemployment compensation and replace it with a Federal system of welfare and relief. This upholds the whole purpose of unemployment insurance.

5. We feel that S. 1991, with its liberal claimant qualifications, can only result in encouraging the secondary wage earner to obtain a job, qualify for benefits, voluntarily quit to assume the duties of a housewife and draw benefits for 52 weeks. On exhaustion of benefits she would begin the same cycle. These inevitable results are a long way from the true intent and philosophy of unemployment compensation to a worker unemployed through no fault of his own and actively seeking employment.

I would like to add to that the fact that as a member of the Arkansas Advisory Council, we had a study prepared by our security division on what we term noncharge benefits, which are benefits to people who have quit jobs through no fault of the employer, and we find that in excess of 20 percent of all payouts in the State of Arkansas are paid to people who voluntarily quit on their own through no fault of the employer.

I have a copy of this statement with me.

The CHAIRMAN. If you people can show us ways that we could or should cooperate and to reduce or eliminate malingering or improper filing and collection of claims, I believe that the committee would be interested in doing something along that line. I think I would.

Of course I have had the impression that there couldn't be as much of it as some people might think because the average for most States seems to be about 2½ percent of those covered being unemployed, and that would mean that about 97½ percent of them would be on the jobs employed.

But I do feel, and I am sure that the committee would agree with me if there is some way that we can appropriately reduce malingering or abuse of the program we would like to cooperate.

Mr. PEAVY. Mr. Chairman, I only have this one copy of the study with me, and with your permission, I would like to send you additional copies. This is prepared by the Arkansas Employment Securities Commission.

The CHAIRMAN. We have modernized the committee procedures to where we can reproduce that for you before you leave at noon.

Mr. PEAVY. I would be glad to leave this with you, sir.

The CHAIRMAN. Fine. I would just like to have our staff make a copy of it and have it available for us. That discusses the abuses that you discovered?

Mr. PEAVY. Yes, sir.

The CHAIRMAN. Do you have some recommendations as to how they might be curbed?

Mr. PEAVY. We did make some recommendations to our State legislature 2 years ago. They were not passed, sir.

The CHAIRMAN. Well, I wish you luck with it because I don't think any of us who are interested in this program want to see this program abused or the employers, the public or other workers victimized by the misconduct of those who would do such as that.

Well, thank you very much, Mr. Peavy.

Mr. PEAVY. I would like to make one concluding remark, sir: Many of my colleagues and people whom I represent have studied H.R. 15119, and we believe, sir, that it is realistic and workable in its present form. We, therefore, respectfully urge this committee to make positive recommendations for its passage in its present form without amendment.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Peavy.

(The prepared statement follows:)

STATEMENT OF TOM H. PEAVY, REPRESENTING THE ARKANSAS STATE CHAMBER OF COMMERCE, ASSOCIATED INDUSTRIES OF ARKANSAS, INC., CHAMBER OF COMMERCE OF LITTLE ROCK, ARK., AND FOR LITTLE ROCK INDUSTRIAL DISTRICT ASSOCIATION

My name is Tom H. Peavy. I am General Staff Manager, Southwestern Bell Telephone Company, at Little Rock, Arkansas; Chairman of the Joint Subcommittee on Unemployment Insurance of the Arkansas State Chamber of Commerce and Associated Industries of Arkansas, Inc.; a member of the Board of Directors and Chairman of the Governmental Affairs Department of the Little Rock Chamber of Commerce. I appear here as a representative of the above organizations which have a combined membership of more than 4,500 firms and individuals, employing more than 100,000 Arkansas citizens who are subject to the coverage of the Arkansas Employment Security Act. Names of other statewide organizations joining in this statement are listed in an appendix. I wish to present the views of these organizations of employers, with respect to H.R. 15119 and S-1991, now under consideration by this distinguished Committee of the U.S. Senate. I am also an "employer member" of the tri-partite Advisory Council of the Employment Security Division, Department of Labor, State of Arkansas, serving under an appointment by the governor. I have held this appointment for the past 15 years.

My presentation will stress the following points:

A. We urge that the U. S. Senate pass H. R. 15119 intact, without any amendments whatsoever.

B. We urge that this Committee reject completely S-1991 to which we are unalterably opposed.

C. Arkansas and other states have kept the pace in the unemployment compensation field.

D. The real issue—unemployment compensation or a dole?

E. A balanced federal-state relationship should be preserved.

A. We urge that the U.S. Senate pass H.R. 15119 intact, without any amendments whatsoever

The Committee on Ways and Means of the U.S. House of Representatives has made an exhaustive and comprehensive survey of the present and foreseeable needs of the federal-state unemployment insurance system. H.R. 15119 is the end-product of an "in depth" study covering a period of several months.

In reporting out this measure, the Ways and Means Committee thereby rejected H.R. 8282, a bill which would have meant *de facto* federalization of the American unemployment insurance program. Our information is that the proponents of H.R. 8282 and its companion S-1991 now seek to amend H.R. 15119 by offering some or all of the various provisions which were unacceptable to the Ways and Means Committee, the Interstate Conference of Employment Security Administrators, and, we feel, the majority of organizations and individuals who are knowledgeable in unemployment insurance matters.

The U.S. House of Representatives passed H.R. 15119 by the overwhelming majority of 374–10. This amounts to a consensus of unusual significance. Certainly it would be regrettable if the bill should now be altered by the addition of provisions already rejected in the House.

We do not claim the bill is perfect. There have been compromises in certain areas where we would have preferred otherwise. However, it is a considered judgment of the present needs of our nation, and we are strongly recommending to our members that they support its passage in Congress.

One of its provisions, alone, would be the most fundamental improvement passed by Congress in years. That is the provision for judicial review of the U.S. Secretary of Labor's rulings on "conformity" issues. If the Secretary now holds that a state has done something to its law, by amendment or interpretation, so that the state law no longer "conforms" to the Secretary's interpretation of federal "requirements," there is no appeal from such a ruling. H.R. 15119 would provide for judicial review.

B. Arkansas has kept pace in the U.C. field

In 1944 the average weekly wage in covered employment in Arkansas was $27.54 and the average weekly amount paid to claimants for total unemployment was $11.15. The average weekly benefit amount in 1944 was approximately 40% of the average weekly wage, and the percentage of claimants exhausting their benefits in 1944 was 38.9. In 1965, the average weekly wage had risen to $77.86. The 1964 average weekly benefit amount for total unemployment was $26.49, and at the same time, the percentage of those persons exhausting their benefits had fallen to 25.7.

Since 1963, the Arkansas law has provided for an automatic annual increase in maximum weekly benefit amount, based on 50% of the average weekly wage during the preceding year. With a maximum duration of 26 weeks, this means that the new maximum weekly benefit as of July 1, 1966, in Arkansas, of $39.00, will provide a total benefit of $1,014.00. This is 422.5% of the comparable total benefit amount of $240.00, in 1944, when the maximum weekly benefit was $15.00 and maximum duration was 16 weeks.

The 1965 average weekly wage of $77.86 was 282.7% of the 1944 average weekly wage of $27.54. Therefore, in Arkansas, the liberalization of unemployment benefits has far outstripped the increase in average weekly wages.

Since the inception of its program in 1937, Arkansas has had "coverage" of employers with "one or more" employees, which rates high on any "liberality" index.

Arkansas employers have concretely demonstrated their sense of responsibility, and their readiness to support higher rates of contribution to meet the more liberal benefit amounts mentioned above. Chiefly due to increased benefit maximums, the Arkansas fund balance declined from $46 million in 1956 to $30 million in 1962. To maintain the solvency of the Arkansas fund, and meet the increased costs of liberalized benefits, business and industrial groups took the initiative in sponsoring and supporting legislation passed by the 1963 Arkansas General Assembly which provided for stiff increases in contribution rates. The maximum rate was raised from 2.7% to 4.0%. Variable rate schedules were enacted, geared to the fund balance as of June 30 each year. Total contributions paid by Arkansas employers rose from $9.4 million in 1961 to $13 million in 1964. No rate reductions have been sought since 1955. This is an impressive display of how "experience rating" works.

C. The real issue—unemployment compensation or a dole?

As we are informed, the two key provisions sought by the advocates of S-1991 are: (1) federal standards governing the weekly amount of state benefit payments, and (2) federal standards controlling the duration of the payments. Mentioned most often are requirements that the state maximum weekly amount be at least ⅔ of its average weekly wage, coupled with a uniform duration of 26 weeks, regardless of the employment history of a claimant.

It has been proposed that all claimants with 20 or more weeks of employment must be eligible for at least 26 weeks of benefits. This would greatly restrict the states' ability to vary the duration of benefits in proportion to the amount of previous employment or earnings of the claimants.

The question of "variable" versus "uniform" duration of benefits has always been a major issue in the unemployment insurance program. The *trend* has been away from uniform duration: in 1941, 16 states had uniform duration while by April, 1966, only 8 states had uniform duration.

The same groups who favor drastic increases in benefit maximums, and uniform duration of payments, also would reduce the disqualification penalties which the states could impose, for such acts as voluntary leaving without good cause, or discharge for misconduct. In most cases, the disqualification would be limited to six weeks. This is a totally unrealistic requirement.

If the states have learned anything after thirty years of administering their own programs—and the evidence is that they have, indeed, learned their lesson well—it is that reasonable, sensible qualification requirements are an absolute "must." In the infancy of their programs, most states had waiting periods of four or five weeks as penalties for voluntary quitting or discharge for misconduct. The inadequacy of such brief waiting periods became quickly obvious. Almost without exception, the states began to stiffen their disqualifications, to protect their funds from depletion due to payments of benefits to those who were *voluntarily* unemployed.

A Gallup Poll of September 16, 1965 indicated that, in a nationwide survey, 75% of American adults believe many people collect unemployment benefits even though they could find work. In the same survey, 69% *favored* making the unemployment laws *more strict*.

Since 1955 we have had in Arkansas a provision for the "non-charging" of employer accounts in cases where a worker voluntarily quits without good cause connected with the work, or was discharged for misconduct. The benefits are paid to the claimant, but are not charged to the employer as would ordinarily be done. The volume of these "non-charged" benefits, therefore, gives a revealing insight or index to the amount of *voluntary* unemployment which is being compensated at present. In 1965, over 20% of total benefits paid went to claimants who separated from their last, or base period employment, due to voluntary quitting or discharge for misconduct. About 80% of the non-charges involved *voluntary quitters*. This gives some indication of the problem which would be greatly aggravated by a 26-week uniform duration and ultra-liberal benefit maximums. The "secondary wage earners," housewives, pensioners, and part-time workers (most of whom are only casually attached to the labor market, and are habitually unemployed, often by choice) would enjoy the greatest windfall in the history of the program. They would have tax-free unemployment benefits equal almost to their regular take-home pay. There would be no incentive to seek work.

In contrast, H.R. 15119 (following the Interst te Conference's proposal as to extended benefits) would restrict such extended benefits to recession periods, provide for a federal-state sharing of the cost, limit the maximum payment to an extra 13 weeks, under state terms and conditions (subject to defined 'trigger" points), and permit the states to require extended benefit claimants to show a substantial work history. This, we submit, is a much more realistic and wise approach than a blanket uniform duration requirement, with inadequate safeguards in regard to attachment to the labor market. Again, this reflects the wisdom and experience of those who have been actually in charge of administering state programs.

D. A balanced federal-state relationship should be preserved

In the area of unemployment insurance, the federal-state relationship should be that of a partnership—not master and servant. Whether the particular federal standards now under consideration are beneficial, or not, is actually not relevant to the larger issue of permanently altering the areas of responsibility and discretion which have been historically left to the states.

The U.S. Senate Committee report on Title IX of the original Social Security Act (1935) which established the American program stated the principle simply and eloquently:

"Except for a few standards which are necessary to render certain that the State unemployment compensation systems are genuine unemployment compensation laws and not merely relief measures, the States are left free to set up any unemployment compensation system they wish, without dictation from Washington. . . . 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 others."

Now Mr. Chairman, Members of the Committee, I shall briefly summarize the points covered in my testimony.

1. Arkansas Unemployment Compensation has recognized and kept pace with the general increase in wage levels. The 50% escalator now a part of the

Arkansas Statute has increased maximum weekly benefits from $30 in 1963 to the present $38.00 effective July 1, 1965. As the wage levels continue to rise the amount of the maximum benefits will also increase. From this standpoint enactment of S. 1881 is without merit.

2. S. 1991 proposes an increase in maximum weekly benefits to 60% in 1969 and 66⅔% in 1971 of the average weekly wage and a combined duration of state and federal benefits of 52 weeks. Presently, we estimate the 50% average weekly benefits provided under the Arkansas law represents in the range ob about 70% of the take home pay. To increase this percentage can only result in malingering, abuse, and contribute to increased unemployment resulting in unemployment benefit payments becoming simply a dole.

3. S. 1991 imposes a federal standard uniform duration of benefit payments to all states irrespective of the industrial or economic conditions of a state. This is completely without merit and recognized to be without merit in the U.S. Senate Committee report on Title IX of the original Social Security Act (1935) which established the present unemployment compensation system.

4. In our opinion S. 1991 will preempt the state unemployment compensation and replace it with a federal system of welfare and relief. This defeats the whole purpose of unemployment insurance.

5. S. 1991 with its liberal claimant qualifications can only result in encouraging the secondary wage earner to obtain a job, qualify for benefits, voluntary quit to assume the duties of a housewife and draw benefits for 52 weeks. On exhaustion of benefits she would again begin the same cycle. These inevitable results are a long way from the true intent and philosophy of unemployment compensation to a worker unemployed through no fault of his own and actively seeking employment.

6. S. 1991 will have the effect of increasing state and federal taxes for unemployment compensation alone imposed on Arkansas employers by 92% by 1975. This coupled with increases in Social Security contributions means that the average Arkansas employer must pay in 1971 a total of $465.30 taxes into these two funds for each person who earns as much as $130.00 per week. We feel this burden is completely unjustified.

7. The preempting of state laws by Federal Standards, as set forth in S. 1991, will result in elimination of each employer's experience rating. In our state this is a real incentive for an employer to strive for a stable work force. Without this incentive the employer has little encouragement to maintain stability of employment.

Lastly: Many of my colleagues have studied H.R. 15119 and while it is not perfect we do believe it is realistic and workable. We, therefore, respectfully urge this Committee to make positive recommendations for its passage in its present form. Thank you.

ORGANIZATIONS ASSOCIATING THEMSELVES WITH AND SUPPORTING THE STATE CHAMBER AND AIA STATEMENT ON H.R. 8282

Little Rock Chamber of Commerce.
Arkansas Wood Products Association.
Arkansas Wholesale Grocers Association, Inc.
Arkansas Council of Retail Merchants.
Arkansas Poultry Federation.
Arkansas Motor-Hotel Association.
Arkansas Free Enterprise Association.
Arkansas Bus & Truck Association.

(The study referred to by the Chairman and Mr. Peavy follows:)

NONCHARGE UNEMPLOYMENT INSURANCE BENEFIT PAYMENTS

A Study Designed To Determine the Factors Contributing Toward an Increased Proportion of Noncharge Benefits

Prepared by Reports and Analysis Section, Employment Security Division, Little Rock, Ark., September 1964

I. INTRODUCTION

In recent years, there has been growing concern over the fact that the proportion of noncharged unemployed insurance benefit payments has been increasing. Noncharge benefit payments are those payments made from the unemployment insurance trust fund to an unemployed worker but which are not charged against an employer's separate reserve balance account. Under the present law, an employer's account is not charged with benefits if, when the employer returns his "Notice to Employer of Claim Filed," it is found that (1) the claimant voluntarily left that employer without good cause connected with the work, or (2) the claimant was discharged by that employer for misconduct connected with the work, or, if (3) benefits are paid based on wages combined with wages in another state, for which the employer would not have been liable, except for such combining.[1] This study was undertaken to find the cause for this increase.

II. TRENDS IN NONCHARGE BENEFITS

Data for calendar years 1950–1962[2] presented in Table I below clearly illustrate the growth that has occurred in noncharge benefits—both in dollar volume and in the percentage of total benefits paid.

TABLE I.—*Noncharge benefits, 1950–62*

Year	Total amount	Percent of all benefits	Year	Total amount	Percent of all benefits
1950	$321,241	4.37	1958	1,826,550	14.06
1951	130,649	2.91	1959	1,580,398	17.27
1952	264,235	4.63	1960	2,261,160	18.03
1953	255,171	4.24	1961	3,241,222	20.20
1954	705,430	7.67	1962	2,716,701	21.33
1955	857,193	13.20			
1956	998,667	14.70	Total	16,548,229	13.90
1957	1,389,622	14.53			

[1] *Employment Security Law and Rules and Regulations*, Arkansas, Department of Labor, Employment Security Division, Little Rock, Arkansas, July 163, p. 30.

[2] Calendar year data are no longer available since the 1963 amendment to the law changed the benefit risk year from a calendar to a fiscal year.

TABLE II.—*Noncharge benefits by type, 1957–62*

Year	Potential but not actual disqualification		Following disqualification		Interstate wage combining		Excess benefits		Overpayments		Seasonal	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
1957	$765,194	55.0	$460,667	33.1	$30,120	2.2	$62,054	4.5	$67,822	4.9	$3,765	0.3
1958	1,007,916	55.2	604,750	33.1	52,414	2.9	64,524	3.5	94,314	5.2	2,632	.1
1959	809,676	51.2	558,113	35.3	52,665	3.4	50,593	3.2	107,681	6.8	1,670	.1
1960	1,203,925	53.2	811,167	35.9	85,709	3.8	99,194	4.4	59,797	2.6	1,358	.1
1961	1,595,581	49.2	1,276,467	39.4	153,842	4.7	141,751	4.4	73,176	2.3	405	0
1962	1,277,944	47.0	1,087,411	40.0	118,252	4.4	114,458	4.2	118,211	4.4	425	0

Beginning with the year 1957, noncharges were tabulated by type. These data (presented in Table II) show that about one-half of the noncharges result from "potential but not actual disqualification" (the claimant would have been disqualified except that he fulfilled a certain requirement of the law or has had employment since the disqualifying act occurred). They arise in cases of pregnancy, wives quitting their jobs to move with their husbands, and workers voluntarily quitting due to illness, disabling injury or personal emergency; or in separation cases involving misconduct and voluntarily leaving without good cause. In the latter instances, the separations are from base period employers who were not the last employer.

The next largest category, and the only one which has shown a steady proportionate increase, is the "following disqualification" group. Claimants, in this instance, are paid benefits that are nonchargeable after they have served a disqualification for misconduct or voluntarily quitting their last job without good cause connected with the work and for various personal reasons.[3] About two-fifths of the noncharges are of this type.

The remaining four groups together comprise less than one-sixth of the total. They include "interstate wage combining," "excess benefits," "overpayments," and "seasonal." Briefly, they involve (1) combining out-of-state wages with Arkansas wages which makes an otherwise ineligible claimant eligible for benefits, (2) rounding a claimant's maximum benefit amount (1/3 of his base period wages) upward to the nearest highest multiple of his weekly benefit amount, (3) fraud and administrative error, and (4) rounding a claimant's maximum seasonal benefit amount upward to the nearest multiple of his weekly seasonal benefit amount.[4]

III. ANALYSIS OF CAUSES OF GROWTH IN NONCHARGE BENEFITS

An analysis of noncharge benefits revealed three causes for their growth: (1) changes in the Employment Security Law, (2) changes in employers' practices as they became more aware of these amendments to the law, and (3) changes in the composition of the labor force. These three causes are somewhat interrelated since the effects of the latter two are a direct result of the first.

A. Changes in the Law: Legislative changes affecting noncharges can be divided into two categories: (1) those liberalizing noncharge provisions, and (2) those liberalizing disqualification provisions.

(1) Noncharge provisions

Prior to 1953, the only provisions in the law which exempted employers from the charging of benefits related to excess benefits and misconduct. These provisions limited benefit charges to one-third of the wages payable to the claimant by the employer for employment during the base period[5], and exempted the employer from being charged for the first ten weeks of benefits paid to an individual if he were disqualified for misconduct. As can be seen from Table II, noncharges resulting from these two provisions amounted to less than five percent of the benefits paid.

In 1953, the legislature passed two acts[6] which became effective in July. Under Act 162, *no* benefits paid to a claimant were chargeable to an employer if the claimant voluntarily left that employer without good cause connected with the work or was discharged by the employer because of misconduct connected with the work, or, if benefits were paid based on wages combined with wages earned in another state. These provisions served to substantially increase noncharges.

No further changes were made until 1963. At that time, the clause exempting employers from being charged with benefits in excess of an amount equal to one-third of the wages paid to the individual by the employer during the base period was deleted. The amendment further provided for proportionate charging of benefits to employers' accounts.[7] This replaced the inverse chronological order

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[3] Some of these would have been relieved of the disqualification if they had met certain provisions of the law.

[4] It will later be noted that "excess benefit" and "seasonal" noncharges have been excluded from the law.

[5] Excess benefits occurred when, in computing a claimant's maximum benefit amount, it was found that one-third of his base period wages was not a multiple of his weekly benefit amount. In that case, it was raised to the next highest multiple of his weekly benefit amount. The difference between the total benefits paid to the claimant and one-third of his base period wages, therefore, constituted noncharge benefits.

[6] Acts Numbers 162 and 325 of the General Assembly of 1953.

[7] Acts 93 and 104 of the General Assembly of 1963.

method which was in use prior to that time. The first of these two amendments should tend to reduce noncharges by about four percent. Changing the charge-back method, however, could either increase or decrease the amount of charge-back in individual cases. (See Appendix A.) It presently is not known what the net effect of this provision will be.

(2) Disqualification provisions

Several alterations in the disqualification section of the law were made in 1953 when major changes in the noncharge provisions were initiated. Those discussed here directly affected the proportion of noncharge benefits.

(a) Voluntarily Leaving Work.—A clause was added which relieved a claimant of the ten-weeks' disqualification if, after making a reasonable effort to preserve his job rights, he left his job because of illiness, injury, disability, or a personal emergency.

The ten-weeks' disqualification was reduced to eight weeks in 1955.

These provisions tended to increase the amount of noncharges.

(b) Misconduct.—The ten-weeks' disqualification for misconduct was changed to "not less than six weeks nor more than ten weeks" in 1953. An additional paragraph was inserted, however, which required ten weeks of employment to fulfill the disqualification if "gross" misconduct was involved. In 1955, the penalty for simple misconduct was modified to eight weeks.

The result was to slightly increase noncharges.

(c) Female.—The thirty-days-of-employment requirement was waived in 1953 if a female claimant voluntarily quit to move to a new place of residence with her husband provided that she immediately entered the labor market. The 30 days of employment required following separation due to pregnancy remained in effect until 1955. At that time, however, provision was made such that if the claimant obtained a leave of absence from her employer and applied for reinstatement at the termination of such leave but was not rehired, a disqualification was not imposed. The employer was charged with the benefits.

The overall effect of these provisions was a significant increase in noncharges.

(d) Self-employed and School.—A subsection was added whereby any claimant who voluntarily left his last employment to become self-employed or to attend school was disqualified until he had had subsequent paid work for a period of 30 days. Also added was a 30-days-paid-work disqualification penalty applicable to claimants whose last work was non-covered and temporary in nature and who had previously voluntarily left regular covered employment without good cause connected with the work. The latter provision was repealed by Act 395 of 1955.

This tended to decrease noncharges somewhat.

B. Changes in the Composition of the Labor Force: The state's economy has undergone rapid and significant changes since the enactment of the Employment Security Act in 1937. Those which have had the greatest impact on noncharge benefits involve the industrial and the male/female composition of the labor force.

(1) Industrial composition

Available data for the thirteen-year period, 1950–1963, indicate a continued transition away from an agricultural to an industrial base. During the period, agricultural employment dropped 131,200 while nonagricultural employment rose 135,800. The five manufacturing industries experiencing the heaviest numerical growth included food and kindred products, apparel, electrical machinery, other durable goods (instruments and miscellaneous manufacturing), and furniture, in that order. (See Appendix B, Table 1.) Among nonmanufacturing industries, government, trade, service and miscellaneous nonmanufacturing, construction, and finance, in that order, posted gains.

The voluntary quit rate for all manufacturing industries averaged 2.1 per one hundred workers for the six-year history period of 1958–1963. Industries with the highest quit rates included three of those which added the greatest number of workers as noted above. These were apparel with a 3.6 per one hundred rate, furniture with a 3.2 rate, and food with a 2.7 rate. A comparison with the quit rates for the United States (See Appendix B, Table 2) indicates that while the state quit rates for these industries may be influenced, to some extent, by greater worker instability during the initial staffing period of new plants, three of these industries, apparel, furniture, and food, normally have high quit rates.[8]

[8] U.S. quit rates for the period averaged 1.3 per one hundred workers. When ranked from high to low, the apparel industry was second, furniture ranked fourth, and food ranked fifth.

From data in Appendix B, Tables 1 and 2, it can be concluded that those manufacturing industries which have experienced an above average growth in employment are, in general, those which have above average voluntary quit rates, both locally and nationally.

(2) *Male/female composition*

An ever increasing number of females have entered the labor market since the pre-World War II period. Tables III and IV illustrate the increased volume and proportion of women in the labor market.

TABLE III.—*Labor force participation rates, Arkansas, 1940, 1950, 1960*

Year	Total	Male	Female
1940	48.9	80.5	16.9
1950	48.5	76.6	21.1
1960	48.8	70.3	28.5

Source: Census of Population, 1940, 1950, and 1960.

TABLE IV.—*Selected labor force data for males and females, Arkansas, 1940, 1950, and 1960*

	Year		
	1940	1950	1960
Females:			
Number 14 years of age and over	688,586	675,397	643,013
Number in the civilian labor force	116,084	142,265	183,364
Number employed in all nonagricultural industries	80,317	117,896	164,435
Percent of total	28.3	29.4	35.2
Number employed in nonagricultural wage and salary jobs	(1)	85,803	121,834
Percent of total	(1)	26.1	35.4
Number employed in manufacturing	4,377	13,636	27,153
Percent of total	7.6	16.0	23.9
Males:			
Number 14 years of age and over	699,344	659,656	606,408
Number in the civilian labor force	501,775	503,859	418,120
Number employed in all nonagricultural industries	203,147	282,630	302,489
Percent of total	71.7	70.6	64.8
Number employed in nonagricultural wage and salary jobs	(1)	241,844	222,361
Percent of total	(1)	73.9	64.6
Number employed in manufacturing	53,239	71,497	86,360
Percent of total	92.4	84.0	76.1

[1] INA.

Source: U.S. Census of Population, 1940, 1950, and 1960.

While manufacturing turnover rates for females in the state are not available, data for the U. S. indicate that the voluntary quit rate among females is about sixty percent higher than it is for males. (See Appendix B, Table 3.) It is reasonable to assume that an approximately similar relationship exists within the State and within nonmanufacturing industries for which data are not available.

C. Changes in Employer Practices: Employers have become increasingly aware of the tax relief accorded by the noncharge provisions enacted in 1953. Prior to this legislation, employers virtually ignored the "Notices to Employer of Claim Filed" which requested information regarding the claimant's termination of employment. These notices are now being promptly returned in much greater volume.

Within the past year, the regulation regarding employers' returning these notices which involve a voluntary quit have been more strictly enforced. Employers who do not respond to these notices within seven days are charged with the benefits paid to a claimant even though that claimant may state that he voluntarily left that employer without good cause connected with the work.

IV. EFFECT OF NONCHARGING ON THE TRUST FUND

During the period 1950–1962, noncharge benefit payments rose from a low of $130,649 in 1951 to a high of $3,241,222 in 1961. More significantly, these payments constituted only 2.9 percent of the total benefits paid in 1951, but comprised 21.3 percent, just over ⅕, of those paid in 1962. This is no longer an insignificant amount and should not be ignored in evaluating causes for the decline in the Trust Fund.

There are other more basic reasons for the decline such as the low tax base, the four recession periods since World War II, and higher levels of long-term unemployment, but it is evident that the noncharge provision has been a contributing factor in keeping contribution rates lower than is required to offset benefit costs. No valid estimate can be made as to the actual effect on the Fund of the noncharging since benefit charges are but one factor in the experience rate formula applied to each employer's account.

Table II shows that the actual and potential disqualification-type noncharge makes up most of the total (87% in 1962); therefore, any significant reduction in noncharges would require change in the Employment Security Law by the State Legislature.

No attempt is made here to discuss the merits of existing disqualification or noncharge provisions. It is concluded that the study shows that changes in the composition of the labor force represent one significant factor behind the increase in noncharges. Any measures designed to halt or reduce noncharging resulting from disqualifying-type separations must be equated with the effects of such changes on the underlying purposes of the program as well as the intent of the original legislation which provided for noncharging.

V. THE BALANCING TAX APPROACH TO FUND STABILIZATION

Recently a number of states have taken note of the deleterious effect of noncharges on their respective Trust Funds and have reasoned that this is one of the social costs of the program and have assessed an extra tax on all employers to offset these and other costs which have developed in the post-war years. Generally, such extra taxes are not credited to the employer account.[9]

Several Examples of recent legislative action are cited below:

In California, the law was amended in 1961 to provide for a uniform 0.5 percent balancing tax to help finance noncharges, negative balances (ineffectual charges), and extended duration payments. Employer contributions made under this 0.5 percent balancing tax are not credited to employer reserve accounts. A reserve ratio tax system is in operation there.[10]

Florida utilizes a benefit ratio tax system. Its law provides that, in determining the contribution rate of an employer, an adjustment factor for noncharge benefits, excess payments and fund solvency be added to the benefit ratio. This adjustment factor is based on noncharged benefit payments made during the three calendar years preceding the rate year.[11]

In West Virginia, an extra tax is not assigned as such. Instead, employers' tax rates (under a reserve ratio system) are assigned from their regular tax schedule, but only the contributions in excess of 0.7 percent are credited to the employer's account. The remaining contributions go into the reserve fund to offset noncharges and ineffectual charges, and for fund solvency purposes.[12]

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[9] If the tax were credited to the employers' accounts, it would build up employers' reserve balances. In the long run, this would shift the tax rate for all rated employers (except those paying the minimum, those whose benefit charges exceed their contributions, and those with extremely large negative balances) downward such that the added tax for noncharges plus the normal tax rate assigned from the schedule would equal that which the employer would have paid before the noncharge tax was levied. The net result, then, would be: (1) employers at the bottom and at the top of the tax scale would bear the full burden of the extra tax, and, because of this, (2) the extra tax assigned to offset noncharges would have to be much higher.

[10] *Summary of Changes in Programs of the Department of Employment*, 1935–1961, State of California, Department of Employment. Report 580 #3, September 6, 1961, page 9; *California Rated Employers With Negative Reserve Balances, Rating Year 1964*, State of California, Department of Employment, Report 285 #26, June 3, 1964, page 2; and *Unemployment Insurance Code*, State of California, Sacramento, California, 1963, page 47 and following pages.

[11] *The Florida Unemployment Compensation Law, 1963 Legislative Amendments Only*, Chapter 443, Florida Statutes, State of Florida, Tallahassee, Florida, 1963, page 11.

[12] *West Virginia Unemployment Compensation Law*, Department of Employment Security, Charleston, West Virginia, 1963, Section 2366(62).

Legislation passed by the Arkansas Legislature in 1963 provided for uniform tax increases to stabilize the Arkansas Trust Fund but such increases are credited to individual employer accounts.

TECHNICAL APPENDIX

APPENDIX A

EFFECTS ON NONCHARGE BENEFITS OF CHANGING BENEFIT CHARGEBACK PROVISION

The effects of the change in the chargeback method made on July 1, 1963, can best be illustrated by the following case. This claimant exhausted his benefit rights. He voluntarily left employer C without good cause connected with the work.

EXAMPLE I.— *Claimant X, weekly benefit amount, $30; maximum benefit amount, $780*

Base period employer	Quarter	Wages	¼ wage credits	Benefit chargebacks	
				Old law	New law
A	1	$541.66	$180.55		$114.66
A	2	1,050.00	350.00	$85.72	223.08
B	3	722.25	240.75	240.75	153.66
C	3	704.20	234.73	[1] 234.73	[1] 148.98
C	4	656.41	218.80	[1] 218.80	[1] 139.62
Total		3,674.52	1,224.83	780.00	780.00

[1] Noncharge, total noncharge, old law, $453.53; new law, $288.60.

By changing the order of the employers, such that employer A is the *last* employer, we find that the amount of noncharges would have been *increased* under the new law rather than *decreased* as in the example above.

EXAMPLE II.—*Claimant X, weekly benefit amount, $30; maximum benefit amount, $780*

Base period employer	Quarter	Wages	¼ wage credits	Benefit chargebacks [1]	
				Old law	New law
B	1	$722.25	$240.75	$15.51	$153.66
C	1	704.20	234.73	[2] 15.14	[2] 148.98
C	2	656.41	218.80	[2] 218.80	[2] 139.62
A	3	541.66	180.55	180.55	114.66
A	4	1,050.00	350.00	350.00	223.08
Total		3,674.52	1,224.83	780.00	780.00

[1] Under the old law, chargebacks were made in inverse chronological order, but proportionate within each quarter. The new law provides that benefit chargebacks be proportionate within the base period. The clause relating to "inverse chronological order" was removed.
[2] Noncharge, total noncharge, old law, $233.94, new law, $288.60.

A third example (as compared with the two above) illustrates that a lesser difference between three times the claimant's maximum benefit amount and his total base period wages yields a lesser difference in the effects on noncharges under the old and the new chargeback provisions.

EXAMPLE III.—*Claimant Y, weekly benefit amount, $35; maximum benefit amount, $910*

Base period employer	Quarter	Wages	⅓ wage credits	Benefit chargebacks	
				Old law	New law
A	1	$672.80	$224.27	[1] $227.14	[1] $224.77
A	2	456.00	152.00	[1] 152.00	[1] 152.88
B	2	865.37	288.46	288.46	289.38
C	4	727.20	242.40	242.40	242.97
Total		2,721.37	907.13	910.00	910.00

[1] Noncharge, total noncharge, old law, $379,14; new law, $377.65.

In this case, claimant Y voluntarily left employer A and, it was assumed, he exhausted his benefit rights. From these examples, it can be seen that whether a claimant exhausts his benefit rights would have a direct bearing on whether noncharge benefits are greater or lesser under the new chargeback provision.

APPENDIX B

TABLE 1.—*Changes in the industrial composition of the labor force.*

	Employment (in thousands)		Actual change, 1950–63	
	1950 [1]	1963	Amount	Rank
Total employment	606.7	611.3	+4.6	
Agricultural	211.7	80.5	−131.2	
Nonagricultural	395.0	530.8	+135.8	
Wage and salary	298.3	416.4	+118.1	
Manufacturing	76.4	119.0	+42.6	2
Lumber and wood products	30.1	23.4	−6.7	16
Furniture and fixtures	4.4	8.4	+4.0	5
Stone, clay, and glass	2.6	3.8	+1.2	12
Primary metals	1.6	2.7	+1.1	13
Fabricated metals	1.0	4.0	+3.0	6
Nonelectrical machinery	.6	2.7	+2.1	10
Electrical machinery	1.4	7.5	+6.1	3
Transportation equipment	1.0	2.1	+1.1	13
Other durable goods	1.1	6.4	+5.3	4
Food and kindred products	12.5	20.1	+7.6	1
Textile-mill products	1.8	2.1	+.3	15
Apparel	3.4	10.9	+7.5	2
Paper and allied products	3.4	6.4	+3.0	6
Printing and publishing	2.7	4.9	+2.2	9
Chemicals and allied products	3.3	3.6	+.3	15
Leather and leather products	3.7	6.5	+2.8	8
Other nondurable goods	1.8	3.5	+1.7	11
Nonmanufacturing	221.9	297.4	+75.5	1
Mining	6.6	5.0	−1.6	7
Construction	18.2	27.3	+9.1	4
Transportation, communications, and utilities	30.0	28.6	−1.4	6
Trade	70.5	88.3	+17.8	2
Wholesale	15.4	18.7	+3.3	
Retail	55.1	69.6	+14.5	
Finance, insurance, and real estate	8.4	15.9	+7.5	5
Service and miscellaneous	36.7	54.0	+17.3	3
Government	51.5	78.3	+26.8	1
All other nonagricultural	96.7	114.4	+17.7	3

[1] Adjusted to include 1957 industrial code changes.

TABLE 2.—*Manufacturing quit rates, by industry, Arkansas and United States, 1958–63 average*

	Arkansas		United States	
	Rate per 100	Rank	Rate per 100	Rank
Manufacturing	2.1		1.3	
Durable goods	2.1		1.1	
Lumber and wood products	1.8	6	2.3	1
Furniture and fixtures	3.1	[1] 2	1.8	4
Stone, clay, and glass	1.1	8	1.2	7
Primary metals	.5	11	.6	12
Machinery, except electrical	[2] 2.1	[1] 5	.9	10
Electrical equipment			1.2	7
Nondurable goods	2.2		1.6	
Food and kindred products	2.7	[1] 3	1.7	5
Apparel and related products	3.6	[1] 1	2.1	2
Paper and allied products	1.1	[1] 8	1.1	9
Printing and publishing	1.7	7	1.4	6
Chemicals and allied products	.6	9	.8	11
Leather and leather products	2.3	[1] 4	2.1	2

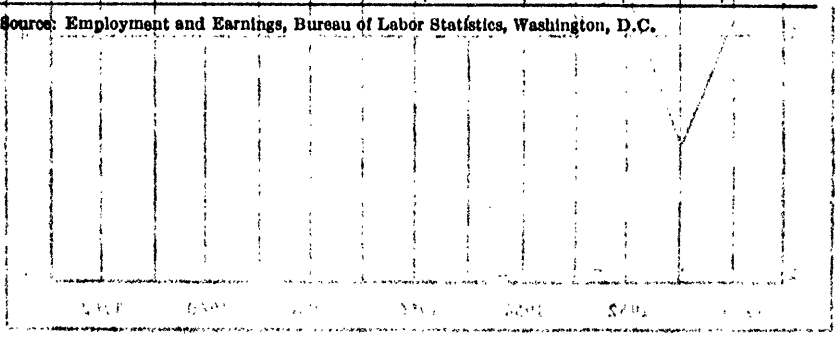
[1] Industries which had an above average (over 2,500) growth in employment between 1950 and 1963.
[2] For the period 1960–63 for which data are available, quit rates for machinery (except electrical) and electrical equipment were 2.0 and 2.8 per 100 workers, respectively.

Source: Arkansas data: Arkansas Employment Security Division; U.S. data: Employment and Earnings, Bureau of Labor Statistics, Washington, D.C.

TABLE 3.—*Manufacturing separation rates for the United States, October 1962–January 1964*

Month	Total separations		Quits	
	Male	Female	Male	Female
October 1962	3.9	5.5	1.3	2.1
January 1963	3.5	5.3	.9	1.7
April 1963	3.2	4.6	1.2	1.7
July 1963	3.8	5.0	1.2	2.0
October 1963	3.7	5.3	1.3	2.0
January 1964	3.6	5.0	1.0	1.6

Source: Employment and Earnings, Bureau of Labor Statistics, Washington, D.C.



APPENDIX C

Chart I

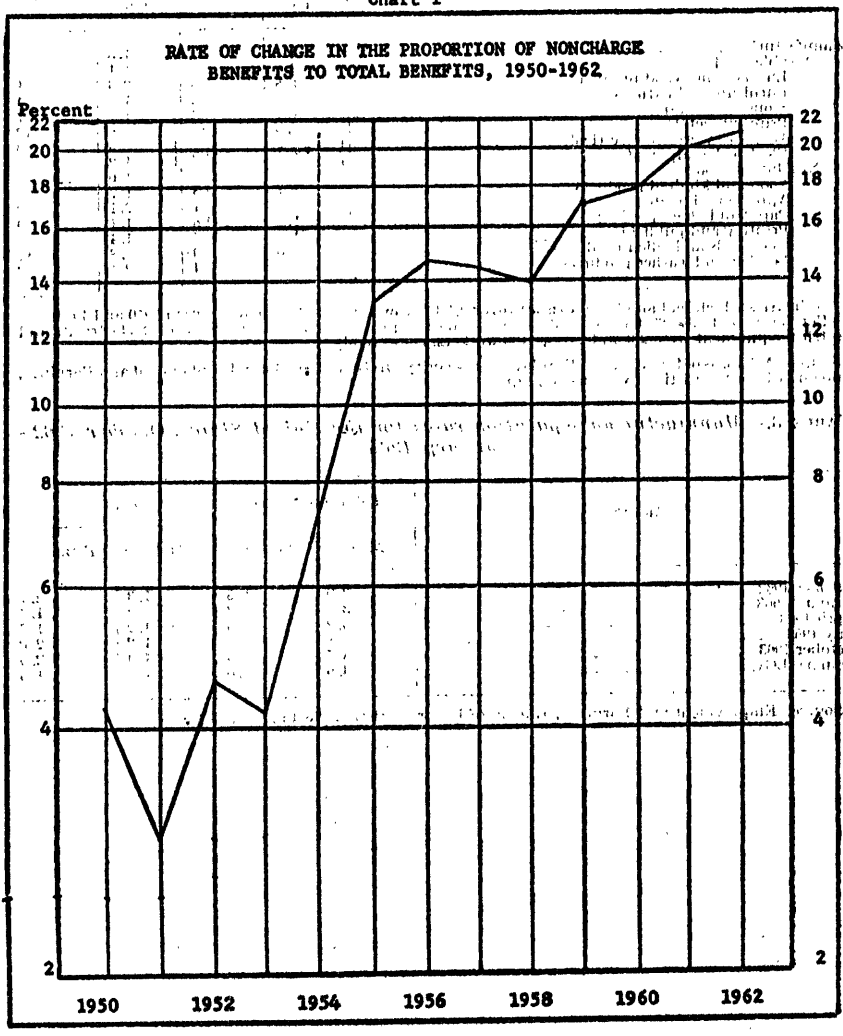


Chart II

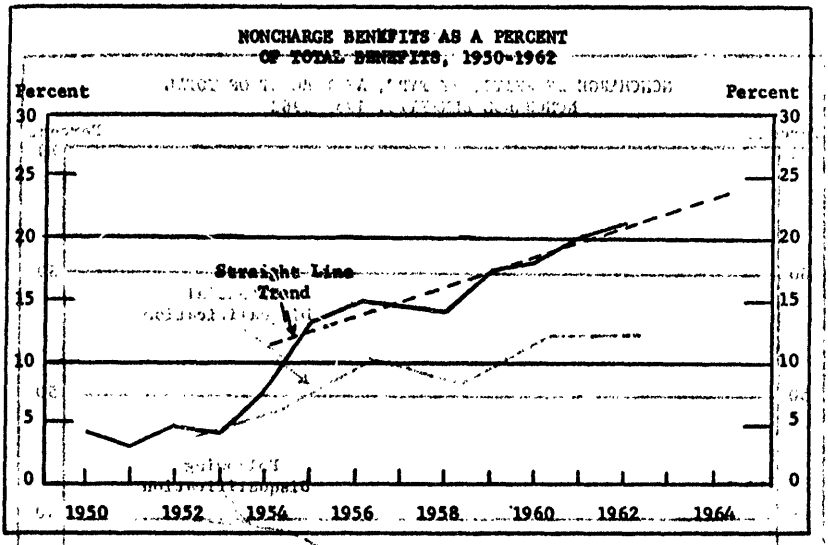


Chart III

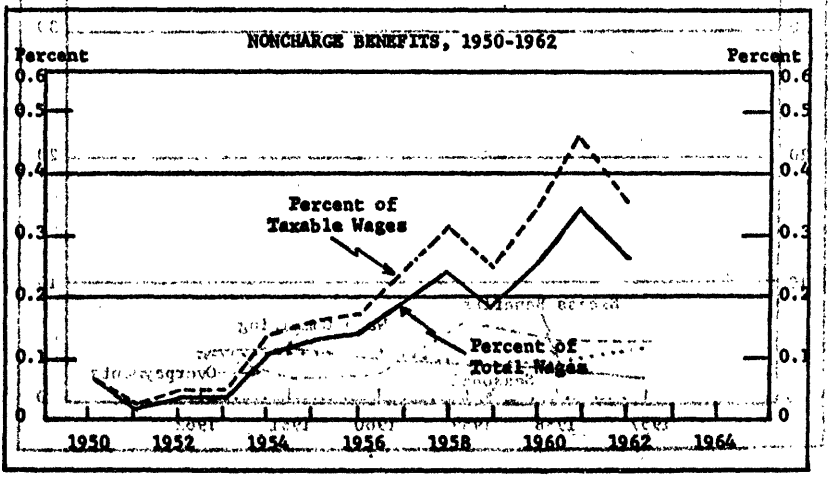


Chart IV

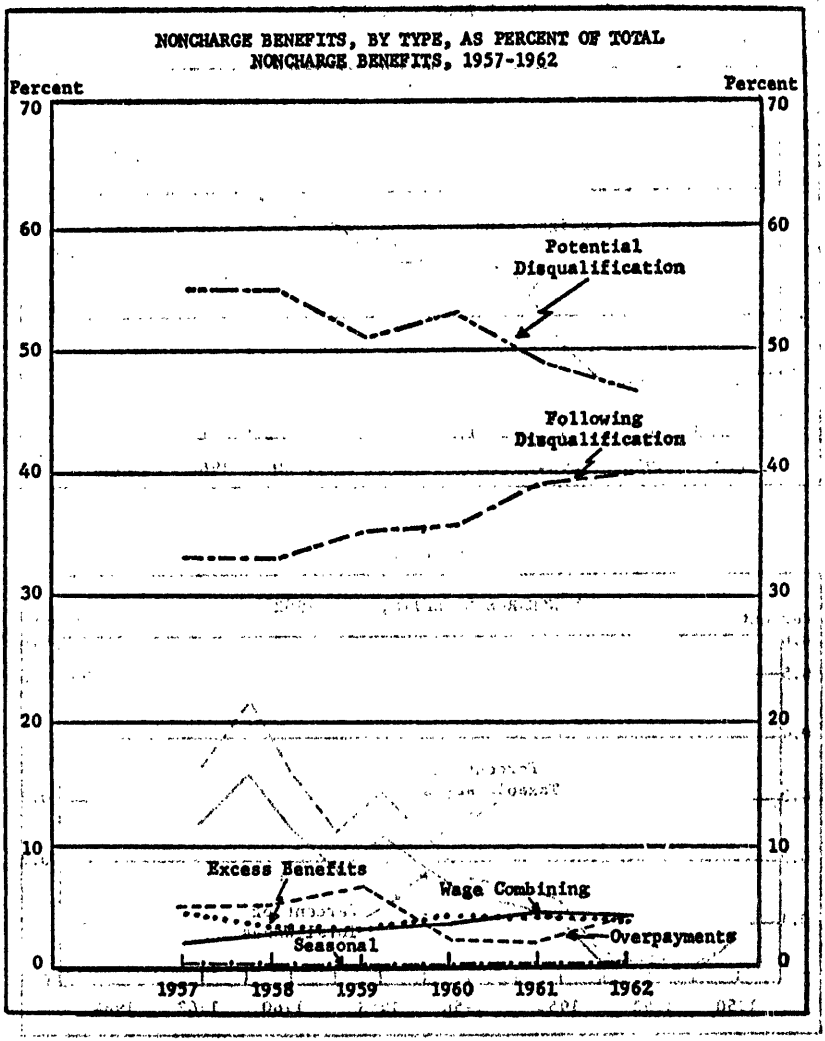

NONCHARGE BENEFITS, BY TYPE, AS PERCENT OF TOTAL NONCHARGE BENEFITS, 1957-1962
Percent
Percent
70
60
50
40
30
20
10
0
Potential Disqualification
Following Disqualification
Excess Benefits
Wage Combining
Seasonal
Overpayments
1957
1958
1959
1960
1961
1962

Chart V

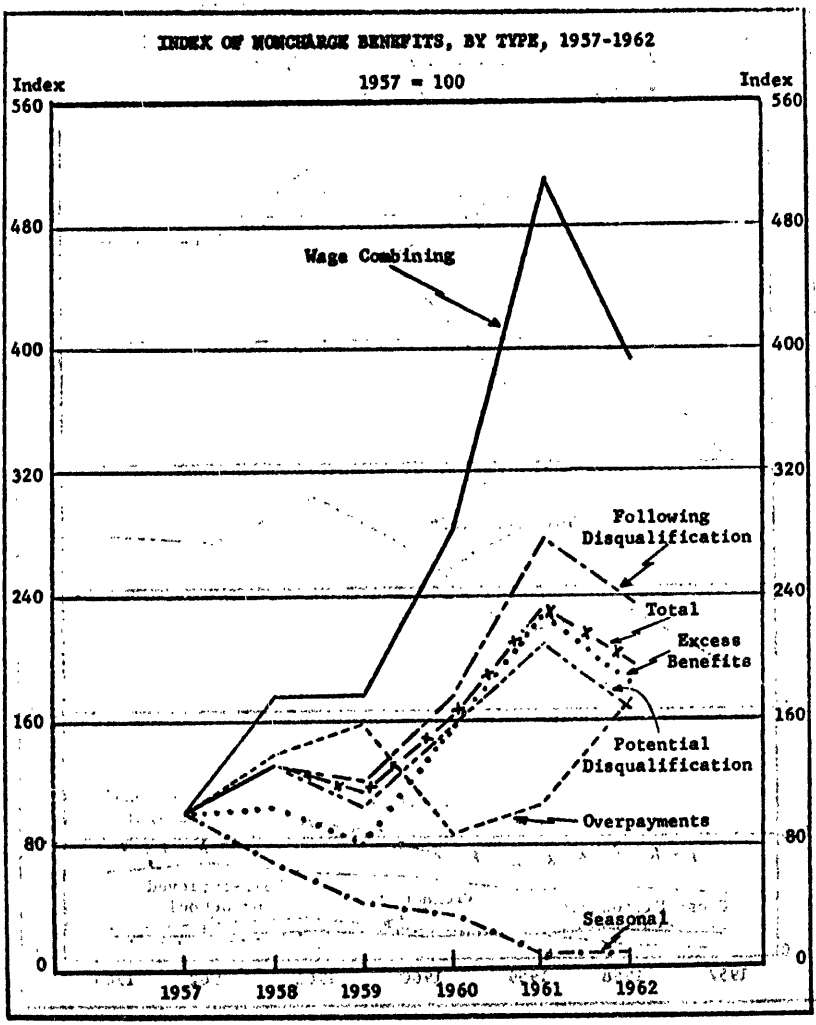

INDEX OF NONCHARGE BENEFITS, BY TYPE, 1957-1962
Index
1957 = 100
Index
560
480
400
320
240
160
80
0
Wage Combining
Following Disqualification
Total
Excess Benefits
Potential Disqualification
Overpayments
Seasonal
1957
1958
1959
1960
1961
1962

Chart VI

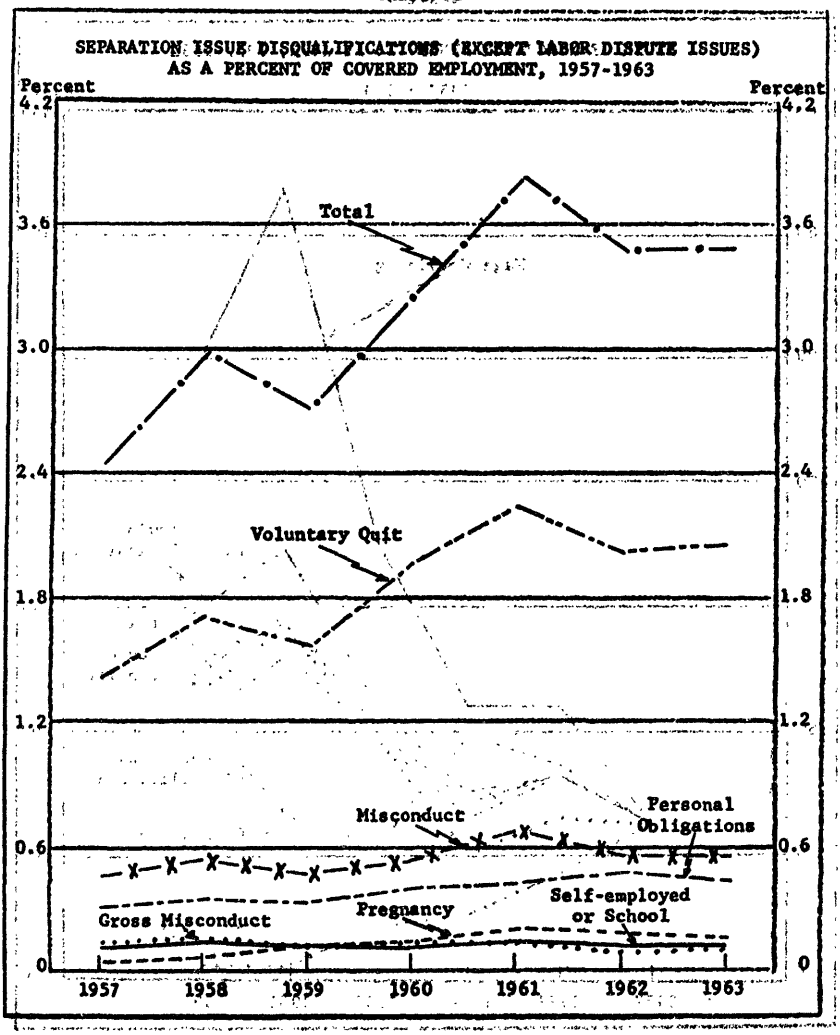

SEPARATION ISSUE DISQUALIFICATIONS (EXCEPT LABOR DISPUTE ISSUES)
AS A PERCENT OF COVERED EMPLOYMENT, 1957-1963
Percent
Percent
4.2
3.6
3.0
2.4
1.8
1.2
0.6
0
Total
Voluntary Quit
Misconduct
Personal Obligations
Self-employed or School
Pregnancy
Gross Misconduct
1957
1958
1959
1960
1961
1962
1963

Chart VII

DISQUALIFICATIONS, BY TYPE, AS A PERCENT OF TOTAL SEPARATION ISSUE
DISQUALIFICATIONS (EXCEPT LABOR DISPUTE ISSUES), 1957-1963

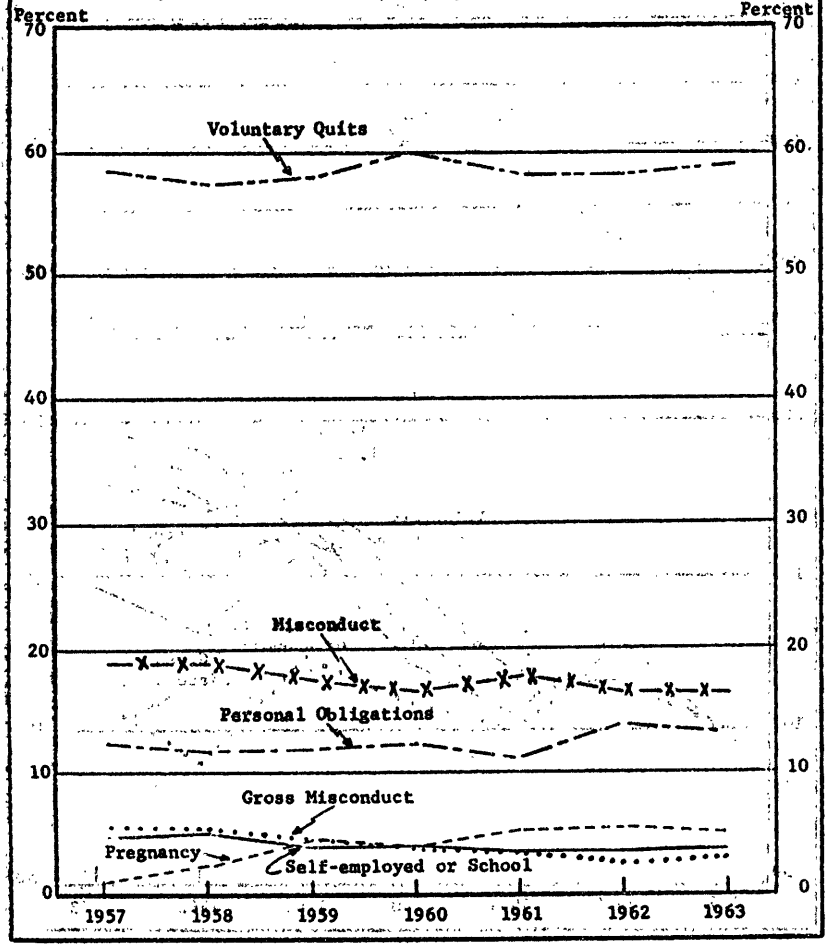
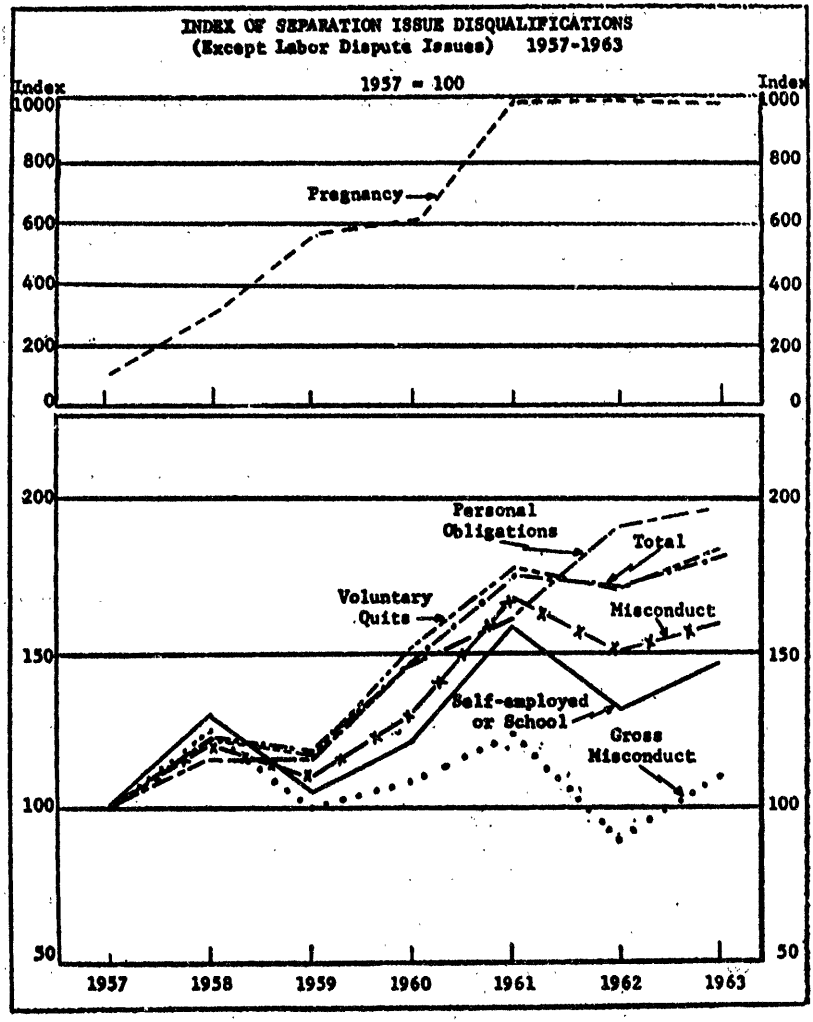


Chart VIII


INDEX OF SEPARATION ISSUE DISQUALIFICATIONS
(Except Labor Dispute Issues) 1957-1963
1957 = 100
Index
1000
800
600
400
200
0
Pregnancy
Personal Obligations
Total
Voluntary Quits
Misconduct
Self-employed or School
Gross Misconduct
150
100
50
1957
1958
1959
1960
1961
1962
1963

The CHAIRMAN. Mr. John Frank, Institute of Temporary Services, Inc.

Will you proceed, sir?

STATEMENT OF JOHN H. FRANK, EXECUTIVE VICE PRESIDENT, MANPOWER, INC., TREASURER AND CHAIRMAN OF PUBLIC AFFAIRS COMMITTEE, INSTITUTE OF TEMPORARY SERVICES, INC.

Mr. FRANK. My name is John H. Frank. I am executive vice president of Manpower, Inc., Milwaukee, Wis.

In addition to appearing on behalf of my own company, I represent the Institute of Temporary Services, Inc., a newly formed national association of temporary services firms, as treasurer, as a member of the board of directors and as chairman of the public affairs committee.

The temporary help service industry is a relatively new one in the Nation's economy, but has become tremendously important during the past 10 years. It is separate and apart from the employment agency industry, for we temporary help companies are employers as any other one of the companies appearing here today is an employer. Let me explain that difference if I may:

The temporary help company hires employees of varying qualifications to perform a variety of services. We hire professionals, technicians, laborers, office workers—bookkeepers, clerks, typists, stenographers, secretaries and others. These are our employees and from the time their job applications are accepted by us until they leave, these persons are our employees. We assume full responsibility for them in the same manner as other employers do for their employees. That is, we pay their salaries based upon their time worked, we deduct and remit their withholding taxes and their unemployment compensation, as well as other taxes and insurances as required by Federal, State, or local laws, rules or regulations. These employees of ours pay no fees to work; nor do they pay a fee to be hired by us, as in the case of an employment agency.

The only difference between most other employers and temporary help firms is that our employees—other than a nucleus administrative staff—do not necessarily perform their duties on our premises—but are somtimes assigned by us to work on the premises of others. However, these are our employees, and we are charged with—and accept—the full responsibilities of an employer.

The temporary help service industry had its beginnings only about 20 years ago when the war years left the country faced with a dire shortage of labor. The need for such a service was realized and fulfilled by those pioneers in the services field. The industry has grown to its present proportion of more than 2,000 firms. Manpower, Inc., alone employs 250,000 people, with the total industry exceeding more than a half million employees.

The bill before us here today—H.R. 15119—is legislation which vitally affects our temporary help industry and in turn the economy of our Nation.

We in our industry wholeheartedly support this legislation as it has been reported to the Senate from the House of Representatives.

We subscribe to this legislation as it is and urge that the Senate make no change in its present form. In fact, we in the temporary help industry would oppose any Senate amendment—even one designed to improve the measure from our point of view, solely in the light of our basic objective of preserving the package compromise as is.

In the name of simple justice alone, it is of vital importance that there be a Federal court review over the decisions made by the Secretary of Labor.

Although the legislation will cost more in taxes by virtue of the increased rate and taxable base, H.R. 15119 will be far less costly than S. 1991 which is identical to the House-rejected H.R. 8282.

We further feel that the extension of the unemployment compensation tax coverage to the smallest of employers should be left to each State as in the past.

We in the temporary help industry strongly urge the adoption by the Senate of H.R. 15119 as it has come from the House Ways and Means Committee—as it stands—without change.

The CHAIRMAN. Mr. Frank, I have read your statement, and basically your position is that you would like to see the bill passed?

Mr. FRANK. Yes, that is correct.

The CHAIRMAN. I want to ask you about this. With this temporary help problem that you have, I wonder if that gives you a problem on your experience rating since you employ people only for a short period of time. Does that give you a high experience rating?

Mr. FRANK. Yes.

I will answer you this way, Senator. This is a continuing problem that we try very hard to solve. We do have in some States a high rating. One of the biggest problems that we face is the problem you were just discussing with the previous person here, and that is sometimes we have the problem of malingering, where some of these people are willing to work until they can qualify themselves for unemployment compensation and in those cases where they have applied for compensation we have tried to show to the hearing examiners that work has been available and is available and we want them to come to work. But it is a condition of our industry and, of course, particularly today where the problem in our industry just as in others is that we can't get enough people to go to work. We have no problem in putting people to work, if they will work, but particularly in some of the classes of people that we employ, some of the people who work in warehouses and other common labor responsibilities, sometimes it gets a little hard to get them to come to work.

The CHAIRMAN. You didn't ask for it and you are not likely to get it if you don't ask for it, but the thought did occur to me that at the same level or somewhere maybe it would be more appropriate at the State level because I take it you are opposing any Federal standard here, but somewhere, someone should try to work something out to give your people, your industry, some consideration for the fact that the very nature of it would cause it to have a very high experience rating because you are employing people who otherwise would be out of work.

Mr. FRANK. That is true.

The CHAIRMAN. But it is a fine thing to keep costs down and to provide for efficient management when somebody can obtain some temporary manpower help for a problem rather than have to carry people on that they don't really need.

Mr. FRANK. You see, we keep these people employed because they may work for one of our customers today and another customer tomorrow, so while they may only be temporary at this one customer's place of business they are working continuously for us, but I appreciate your recommendation.

The CHAIRMAN. You undoubtedly have a problem, somebody decided it is about time to take a vacation and just decide it is time to start drawing unemployment insurance.

Mr. FRANK. That is correct. We appreciate your recommendation and we have been thinking in those terms, it is not always the easiest thing in the world to put that point across. But I appreciate your reading this statement, and I think you have the message, and we thank you very much for giving us the opportunity to appear.

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

Mr. James E. Purcell, the National Association of Buildings Service Contractors.

Mr. PURCELL. Most of the previous witnesses talked about specific things. I would just like to read a general statement.

The CHAIRMAN. All right.

STATEMENT OF JAMES E. PURCELL, PRESIDENT, SPACE CLEANERS, INC., WASHINGTON, D.C.; PRESIDENT AND CHAIRMAN, GOVERNMENT AFFAIRS COMMITTEE, NATIONAL ASSOCIATION OF BUILDING SERVICE CONTRACTORS

Mr. PURCELL. My name is James E. Purcell. I am president of Space Cleaners, Inc., Washington, D.C., and am appearing here also as president of the National Association of Building Service Contractors representing contract cleaners throughout the Nation.

The contract cleaning and building maintenance industry, although a newcomer to the national scene, has had a steady growth pattern and now is approaching the billion-dollar industry mark, employing more than a half million persons in the field. The National Association of Building Service Contractors was created to serve the companies involved in the furnishing of building maintenance service to the business community as well as to the Government.

The contract janitorial service is a natural outgrowth of American economic progress. At the turn of the century, each building owner or plant manager was responsible for maintaining cleanliness and sanitation. The efficiency of his cleaning operations depended to a great extent upon whatever personal skills he could provide in training his work force. With the changing economic picture—the increasing problems involved in labor, maintenance of accurate cost records, hiring, training, supervising—it became increasingly evident that there was a definite advantage in using a specialized cleaning company, equipped managementwise and equipmentwise, to cope with the expansion into special service areas. The pioneers of this new concept are today the leaders in the contract cleaning industry.

Most of these leaders are represented in and by the National Association of Building Service Contractors.

As president of NABSC—and as chairman of the government affairs committee of our association, I am happy to appear here today before you to add my wholehearted support—and the support of our membership to the passage of H.R. 15119. We strongly urge the passage of this piece of legislation in the form it now appears before your committee. We have followed the activity of the unemployment compensation amendments in the Congress, and feel that the compromise represented in H.R. 15119 is one to which we can certainly subscribe.

Although the bill means a bigger tax bite from our profit dollar, since the taxable base is broader and the percentage is greater, H.R. 15119 will be far less costly in the long run than S. 1991 would be. We are in firm agreement with the action of the House Ways and Means Committee in eliminating the objectionable features of the Senate bill, such as Federal subsidies to States with high benefit costs. We firmly agree with the action of the House in refusing to tamper with experience rating as a factor in determining unemployment compensation.

The contract cleaners of the United States would oppose any Senate amendment to H.R. 15119, even one which might be introduced to improve the legislation because we feel that the House has given the Senate a bill which appeals to the business community as being a sensible compromise. We strongly support the provision in H.R. 15119 to allow Federal court review of the decisions of the Secretary of Labor. We feel that this provision is more in keeping with American traditions of justice.

Cleaning contractors further are prepared to live with the longer duration of benefits in recession times as provided in H.R. 15119.

We feel that the respective States should be allowed to make individual determinations with respect to imposition of unemployment compensation tax on smaller employers just as they have in the past.

As a representative of the contract cleaning and building maintenance industry, and as president of NABSC, I strongly urge the Senate to pass H.R. 15119 without change or amendment.

Thank you.

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

I would just like to make this observation: that the chairman of this committee always has been in favor of laborsaving devices to improve the efficiency of the Senate since we came here, and he has for some time urged that we acquire the latest equipment to make copies of various and sundry things that come our way.

Now, Mr. Peavy was here 10 minutes ago with a statement of which he had no copy and we have copied it in the 10 minutes which have transpired since that time. We hope to reduce the cost of Government by using some of these laborsaving devices.

I would like to ask that this be made a part of the record at the conclusion of Mr. Peavy's statement.

Mr. PURCELL. I would like to make one comment which in our experience has been a rather ridiculous abuse of the unemployment compensation.

We have over 300 employees and 75 percent of them are part-time employees, a lot of them work for the Federal Government. Within the past 6 months we had an employee who had been retired for disability reasons from the Federal Government who had been working for us at the same time. He had a heart condition, and he applied for unemployment compensation.

We went to and tried to get the hearing thrown out on the basis that the man was not able to work because of physical disability, and we were not his prime employer at the time he became physically disabled.

We lost in the hearing. The man was classified later on on appeal as an observer. We couldn't find out what an observer was, but this is what he could do. An observer, maybe a pigeon watcher or something like that in the park. But, anyhow, we couldn't find a location for him as observer and he took the full benefits and when the full benefits ran out 2 weeks later he appeared at our door and was interested in coming back to work for us. This is an abuse of unemployment compensation.

The CHAIRMAN. Well, Mr. Purcell——

Mr. PURCELL. This is an exceptional case.

The CHAIRMAN. I don't know whether we can have our cake and eat it, too. I don't know whether we on this committee would be privileged to take the view that we will set no Federal standard on the one hand and try to get at abuse in the program on the other. But if we get into it, I would, of course, be interested in exploring this subject and seeing what we can do to help.

Maybe we can help by just recommending to States they ought to do something and it occurs to me that is one possibility of how we might get these programs to adopt the best features of each. I think I have attended some of their conventions on one occasion and talked about this program about how it could be improved, but I really do think that every member on this committee would be interested in cooperating in a measure to see to it that these people administering the program don't let folks do the kind of thing you are talking about.

You say you had a man working for you and doing nothing and they classified him as an observer.

Mr. PURCELL. Yes. We were satisfied to put him back to work and not pay him these benefits. We felt as though if a man was entitled to them, well, fine. But we wanted to put him back to work, so we offered him a job and they came up and classified him as an observer.

We have these in our records, and we have it right here in the District of Columbia. Why, it was so ridiculous that we sort of let it go, but the irony of it was that 2 weeks after his benefits had expired, he could walk from his home to the office to reapply for a job with us. We turned him down.

The CHAIRMAN. Let's see if I understand it now.

This person who was a retired Federal employee——

Mr. PURCELL. Federal employee; yes.

The CHAIRMAN. And then he proceeded to apply for a job with you, I take it.

Mr. PURCELL. Yes; he worked for us in the evening part time while he was working for the Government.

The CHAIRMAN. While he was working for the Government?

Mr. PURCELL. Yes, yes. He had a nice job with the Government, making about $8,000 a year but he was an ambitious fellow and he wanted to make some more, so he worked in the evening as a porter in one of the buildings.

The CHAIRMAN. Now, he was working for you as a porter. Were you a contractor hiring him?

Mr. PURCELL. Yes.

The CHAIRMAN. And so then to trigger his unemployment benefits, I take it, you must have found that he was a satisfactory worker or something of that sort, I take it. Did you dismiss him or did he voluntarily quit?

Mr. PURCELL. He had a disability. He retired from the Government on disability. He had a heart condition, was retired and was told he could not go back. This was true. It was substantiated by a medical statement and so forth.

The CHAIRMAN. Yes.

Mr. PURCELL. But people with heart conditions sometimes recover, but he got his disability from the Government—disability retirement. He had been with them 25 years or so. Then he applied for unemployment compensation as a result of working for us as well, and his request was allowed.

The CHAIRMAN. Now, the unemployment compensation did not result from the Government employment, that related to work of his employment by you?

Mr. PURCELL. Yes.

The CHAIRMAN. How did he become unemployed, did you fire him or did he quit?

Mr. PURCELL. No, sir; he became unemployed as a result of submitting a medical certificate that he was no longer able to work.

The CHAIRMAN. So he submitted a certificate to the Government, I take it?

Mr. PURCELL. He submitted a certificate to us as well.

The CHAIRMAN. He was no longer able to work and he therefore wanted to draw his unemployment?

Mr. PURCELL. He applied for unemployment compensation shortly thereafter, and we took this medical certificate down showing he was unable to work, and they said they could classify him as an observer.

The CHAIRMAN. So, you either had to pay him the unemployment compensation insurance or put him on the payroll as an observer?

Mr. PURCELL. Yes; and we had no jobs as an observer.

The CHAIRMAN. The work he had been doing for you was janitor work?

Mr. PURCELL. Yes, sir.

The CHAIRMAN. And you were required, in other words, you felt about the best, to make the best out of a bad situation, about the best you could do would be to provide him a chair to observe some other janitor working?

Mr. PURCELL. Yes; this would create morale problems among the others.

The CHAIRMAN. This concludes this morning's hearing, and the committee will meet tomorrow morning at 9 o'clock.

(Whereupon, at 12 o'clock noon, the committee recessed, to reconvene at 9 a.m., July 21, 1966.)

UNEMPLOYMENT INSURANCE AMENDMENTS OF 1966

THURSDAY, JULY 21, 1966

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

The committee met, pursuant to recess, at 9:05 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, Douglas, Gore, Talmadge, Hartke, and Williams.

Also present. Tom Vail, chief counsel.

The CHAIRMAN. The meeting will come to order.

Until today most of the witnesses who have testified have urged the adoption of the House-passed bill.

Today we hear a different viewpoint. We will hear from those who feel that the House-passed bill is not satisfactory and should be strengthened by the addition of Federal standards governing the benefits which should be paid under unemployment compensation.

Our first witness is Mr. George Meany, president of the American Federation of Labor-CIO.

Mr. Meany, we are very happy to have you with us today. We know you have traveled a long way to be here, and we very much appreciate your presence. We hope you will just proceed in your own fashion, and take such time as you think necessary.

STATEMENT OF GEORGE MEANY, PRESIDENT, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS; ACCOMPANIED BY ANDREW BIEMILLER, LEGISLATIVE DEPARTMENT; AND RAY MUNTS, SOCIAL SECURITY DEPARTMENT, AFL-CIO

Mr. MEANY. Thank you, Mr. Chairman. May I express the appreciation of the AFL-CIO for the opportunity of presenting our views on the need for improving the Federal-State unemployment insurance system.

The CHAIRMAN. If I might interrupt you, I would like to note that Mr. Andrew Biemiller is with us as one of your assistants.

Mr. MEANY. And this is Mr. Munts of our social security department.

As I am sure every member of this committee understands fully, we have some concrete views on this matter and a great deal of experience—in the main, highly unsatisfactory experience—with the present setup.

Our international unions and our State central bodies, which have worked for many years trying to improve unemployment insurance at a State level, were most anxious to testify before this committee. Each of our State organizations could have come before you with detailed accounts of the shortcomings of jobless pay in their State. And they could have recounted their continuing but unsuccessful efforts to make basic improvements while working on a State-by-State basis.

However, we felt it would expedite the work of your committee if the record were not burdened with oral testimony. Therefore, we have asked these affiliates not to testify but rather to submit statements on particular points for the record.

On the basis of our 30 years' experience, let me make these points quickly and then I will expand on several of them:

1. H.R. 15119 is a completely unsatisfactory measure. It leaves much of the problem untouched and is, at best, a mere token measure.

2. S. 1991, introduced by Senators McCarthy, Douglas, Metcalf, and others, focuses on the real problems. It is a genuine response to the needs of workers and their interest in a modernization of the program.

3. We trust this committee will take a fresh look at the problems and we believe such an independent appraisal of the unemployment compensation system will result in a bill that will do the job that is so necessary.

Before I go into detail, let me add this: If there are any points we can clear up by putting them in writing, Mr. Biemiller of our legislative department, and Mr. Munts of our social security department, who are here with me, will be glad to supply the committee with whatever information it may require.

Last year President Johnson proposed that the Congress look at the unemployment insurance program, even though unemployment was decreasing. His recommendation demonstrated both imagination and a sense of history as well as real concern for working people.

Those who oppose modernizing unemployment insurance tend to dramatize current levels of employment as evidence that no action is needed now. This is a little like the farmer who won't repair his tractor in the winter since he does not need it until the spring.

In the recessions of 1958 and 1961, hundreds of thousands of people every month were using up the last of their benefits with no job in sight. We urged the Congress at that time to consider the underlying weaknesses in the jobless pay program that were causing such suffering. Instead, Congress enacted a program of temporary extension of benefits. It helped many people for a short period. It offered nothing for similar contingencies in the future. And it left the program saddled with debts that still have not been paid.

Why is it that Congress is unable or unwilling in such times—when unemployment is high, when millions have to live on their benefits only to watch them run out—to make substantive reforms?

I think the answer lies in a political reality. At such times there is demand for immediate alleviation and the Congress responds as quickly as possible because the suffering is current and present. The Congress postpones a more thoroughgoing evaluation of the jobless pay system, not wishing to enact basic reforms in an atmosphere of haste that might lead to ill-considered remedies.

I recall this history to you this morning because the subject of these hearings is leftover business, and if we hold this matter over until another recession, it will continue to be leftover business.

Unemployment insurance is a Federal-State program and both the Federal and State partners have to mesh their activities. Any effort by the Congress to define more precisely the performance standards of the program must be followed by action in the State legislatures. Some of these meet only every other year. There would be, therefore, a timelag of 1 to 3 years before an enactment could be actually translated into results for the unemployed.

This is why modernization of the system is not undertaken in a recession period when immediate results are needed. This is why I think President Johnson was so wise to put this issue on the agenda of this Congress. And this is why the cool appraisal, the considered diagnosis, and the appropriate prescription should be made now.

I do not want the members of this committee to think that unemployment insurance is not important or needed for many persons even under present circumstances. It is true that the number of insured unemployed has been decreasing for the last few years, but there are now about 820,000 persons in any given week drawing unemployment insurance.

The first question that this figure raises is why is the total of insured unemployed such a small part of the total number of persons unemployed? It is estimated that there are over 3 million persons in the labor force who are out of work. Some of these are new entrants and some may have been separated from their jobs under conditions that should not entitle them to benefits. I will not argue that all of those unemployed should receive benefits, but it seems to me that a great many more should.

For example, there are altogether too many people—about 15 million employees—who work in jobs where they have no protection, and if some of them are among the unemployed, they get no help. Then there are some people who use up all their benefits but continue to be jobless. At the present time about 17,000 persons a week do not find employment before their rights are exhausted. There are some who have been denied benefits because they live in States with excessively tight eligibility requirements. A modernized unemployment insurance program could do considerably more to reduce the proportion of the unemployed who get no help or insufficient help from jobless benefits.

As I said, at this moment the lucky ones among the unemployed are about 820,000 persons, the number drawing benefits. This is a kind of snapshot picture at a given moment, but it does not begin to describe the number of persons who will use jobless benefits at some time during the year.

We must remember that the group of claimants drawing unemployment benefits changes each week. Next week some will get jobs, some will use up their entitlement, others will be newly laid off and apply for first payments. In other words, there is a constant turnover.

Now, if you take all the persons during this year who will draw benefits for 1 week or more as sometime or another during this year, the number will add up to 4½ or 5 million persons. And this is comparatively a good year. In a recession period, it will be two or three times as many.

So we are not talking about just a few irregular employees. We are talking about a great many people and their families. We are talking about the way a free economy operates and the cost of keeping it free.

Businesses are dying and being born every day. Plants that have stood for generations are suddenly closed down, even in good times. Competitors are bought out, mergers negotiated, and speculative ventures launched all the time. Along with these activities should go a good, dependable cushion of wage insurance for the employees affected.

The 60 million wage and salary earners in this country should not have to wait and watch in anxiety as economic changes or business considerations threaten the lifeline of their families' well-being. In a humane society, adequate wage insurance is the logical corollary to free movement of capital.

I would like now to make some specific comments about the bills before your committee.

About 25 percent of wage and salary employees are not now covered. This is about 15 million persons. Secretary of Labor Wirtz has given you a breakdown of this unprotected group.

H.R. 15119 puts about 3 million additional persons under coverage. S. 1991 adds 5 million to coverage, and from our standpoint, it is preferable since it extends benefits to more people. But I am aware that the Ways and Means Committee in the House spent a great deal of time on some difficult problems about the financing of benefits for nonprofit employees. Also, that committee felt it necessary to include comparable State-run institutions that some nonprofit organizations regard as competing. Both steps reduced the opposition of the nonprofit organizations affected by these changes. If this House effort broadened the base of support for extended coverage, Mr. Chairman, I see no reason for this committee reworking that area. It is very technical and there are so many other areas the House left untouched, that it seems to us a waste of time for the Senate to replow the territory of nonprofit coverage. We are prepared to accept what the House has done in this area.

However, we believe that the provisions in S. 1991 that would cover farm employees on large farms or some other approach to the same end is highly desirable. Farm employees should no longer be considered unworthy of unemployment insurance. Workers on large farms are employees in the same sense anybody else is an employee.

We must prefer the provisions in S. 1991 that would extend coverage to establishments with one or more persons at any time. Many States now do this and there is no doubt about its feasibility. The House coverage of small establishments is unnecessarily restrictive.

Both bills propose extension of coverage to include Great Lakes seamen whose employers have evaded responsibility by exploiting the differences in State laws. Apparently, there is wide agreement on this matter.

Lastly, we would like to suggest that the committee consider the problems of multistate workers who have no protection from States that are not participating in interestate agreements; a special problem arises from the fact that the base periods in States are different and some workers suffer loss of credits and lower benefits as a result.

I think there is wide agreement that unemployment benefits provided through a social insurance program should not create a kind of

caste system where some jobs are protected and others are not. Rather, it should give basic protection to all who work for salary and wages, who want to work, and who cannot find work.

There are several provisions in S. 1991 that would go a long way to modernize and rationalize the financing of the system. We support all those provisions—allowing States an alternative to experience rating; establishing a system of equalization under which grants to States are made in certain emergency high-cost situations, and increasing the Federal tax base to $6,600. The only step taken by the House in this area is an increase in the tax base to $4,200 and that not until 1972.

The unemployment insurance tax base was once set at the same level as the social security base. There is no reason this can't be done now. One adjustment to a higher base will be lower tax rates, which will straighten out a distortion that has crept into the financing of the system.

I want to add here that one of the most significant ways to improve the financing of the program is to clearly state its objestive. If the Congress will define the minimum benefit levels that the jobless pay system is supposed to guarantee, then the evils of underfinancing will be alleviated.

The problem we have encountered in State after State is that benefits are adjusted in order to keep tax rates low. This puts the cart in front of the horse. When the fund is low, we are told it is impossible to raise benefits; when the fund is high, then we are told it's time to reduce the tax rates. This is the self-defeating circle that plagues State lawmaking under intense employer pressures for a better "business climate."

If the Congress sets the minimum standards of performance expected of jobless benefits in our society, then the financing will be tailored to fit accordingly. This clarifying of objectives is needed more than anything else, and will have a beneficial effect on the financial structure.

I have termed H.R. 15119 a "token" measure precisely because it does nothing to clarify the benefit objectives of the program. On the other hand, the proposals in S. 1991 would constitute a sound minimum basis of social insurance against joblessness. It will restore the relationship of wages to earnings that was in the program at its inception. It will bring back the "insurance" into unemployment insurance.

Look at the record. The maximum benefit in most States in 1939 was $15. The average weekly wage was about $23. This made the maximum 65 percent of the average wage.

Today, the typical maximum is $42; the average wage is slightly over $100, and the maximum benefit, therefore, is only 42 percent of the wage. The drop from 65 percent to 42 percent indicates how out-of-date jobless benefits have become at modern wage levels.

Actually, every State has a different maximum today and a different average wage level, but in every State of the Union the maximum benefit in relation to wages is lower today than it was in 1939.

By raising maximum benefits, S. 1991 will restore the wage insurance feature of the original laws, and at the same time it will correct one shortcoming of those first statutes. It will not set maximums at the same dollar amount in every State. Instead, the maximums would be a percentage of the average wage in each State. This recognizes

differences in State economies, treats the great majority of workers equitably as between States, and assures that the program will adjust with changing levels in the future.

I want to spend a moment on a subject that has been the source of some confusion—the relation of the maximum benefit and the individual benefit amount. This confusion gets deeper when both are set in percentage terms, but they serve different purposes and are percentages of different things.

The individual benefit formula—half of individual weekly wages in the bill—is the controlling principle in a wage insurance program. On the other hand, the maximum benefit formula, which goes up in three steps under S. 1991, is the limiting principle that prevents the individual benefit formula from applying to the highest paid workers.

The maximum should be set high enough so that the great majority of people can draw one-half of their past wages in benefits. This would be made possible under S. 1991.

The trouble with State laws now is that most claimants cannot get an individual benefit of half their lost wage because of the low maximum. For too many unemployed persons, the program has become a flat benefit system rather than an insurance program with benefits geared to their past wages.

By raising the maximum, S. 1991 will allow a wider scope to the individual benefit formula. The question of where the maximum should be set is a question of how many people over how wide a range of wage levels should get a benefit of half their own wage.

It is our feeling that all wage and salary workers, except the 10 or 15 percent with the highest incomes, should be entitled to benefits of half their own weekly wage. We are not proposing that unemployed executives be paid half their past wages in the event they become unemployed; nor even that a well-paid skilled craftsman should get half his wages. But we do feel the great majority should receive this proportional compensation.

The problems workers face trying to live in the 1960's with benefits appropriate to some bygone era have been extensively surveyed and documented. What do they do when they cannot make their benefits last through the week? They use up their savings. They borrow money. They move to cheaper housing or move in with somebody else. They sell what they can. They ask for help from friends and relatives. Some of them, if they can bring themselves to it, and many cannot, will ask for help from public or private welfare or assistance agencies. In short, they are forced to do the very things that an unemployment insurance program is supposed to prevent.

We are for the benefit provisions in S. 1991 because we believe that a social insurance system should not be set at a mere subsistence level. We believe this bill provides a floor of protection, rather than a subcellar of neglect and despair. We believe it offers support to the living standards of the 1960's, not those of the 1930's.

There are several other aspects to benefit standards that I should like to mention, because these too have been completely omitted from the House bill but are adequately handled in S. 1991.

Disqualification penalties: Originally most States established a certain number of weeks, usually 4, or 6, or 8, as the period of benefit denial for those who had quit voluntarily, or who had been discharged

for misconduct, or who had refused to accept suitable work. Some States still handle the matter in this way. The idea is that 6 weeks is about the span of a normal spell of unemployment. To deny the worker benefits for a longer period is to punish him for the slackness of the labor market, rather than for his own actions.

Over the years we have seen a substantial change in this. Now about half the States have gone to the limit and deny any benefits for these disqualifying acts. It makes no difference how long a recession continues: the worker is denied benefits for the duration of his unemployment. Once he is disqualified, the unemployment office loses any interest in him and assumes that because his unemployment was once voluntary that it continues to be so indefinitely regardless of how vigorous his search for work may become.

We agree that a worker should be penalized for a period of time if his act calls into question his involuntary unemployment, but we do not believe he should be penalized by the very economic conditions the program is designed to protect against. And we know that workers' attitudes can and do change. What may be a rash or ill-considered action one day may be sadly regretted later as the weeks go by. For these reasons, we support some specific limitation on the duration of penalties, such as the 6 weeks proposed in S. 1991. Even under this provision, the worker can continue to be disqualified after 6 weeks if he is not available for work, but at least his situation will have to be appraised.

Wage qualifying requirements: We feel that there is some need for outside limits to be set in defining who is attached to the labor force, and therefore who is eligible. The eligibility provisions in State laws have given workers a great deal of trouble. S. 1991 sets these outside limits high enough—20 weeks of work in the base year or the equivalent—that relatively few States would be affected, but it is important to nail down some principle here before the situation gets much worse.

Duration: There should be a standard defining the objective of the program in terms of the potential duration of benefits. The need for such a standard does not arise because all States are deficient, as in the case of the weekly benefit standard, but because a few States are so far behind the others. The average claimant in some States can expect as many as 29 weeks of benefits, if he needs it; in others, the average is only 18. There are 8 States where one-fourth of all claimants cannot even get 15 weeks if they need that many. The excessively limited, short-term benefits provided in too many States helps explain why over 1 million persons in 1965 were dropped from benefit status before they had found employment.

For these reasons, we urge the provision in S. 1991 under which persons who have had 20 weeks or more of work in the base year should be entitled to 26 weeks of benefits if they need it. This would greatly reduce the number of cases where unemployed workers exhaust all their benefit rights while still jobless.

There are additional reasons for establishing a standard for the duration of benefits. If higher weekly benefit payments are made without a minimum duration standard, the result will be that some claimants will qualify for fewer weeks. The methods used to relate weekly benefits and the number of weeks are such in most States that

an increase in weekly payments can mean a decrease in the number of weeks, with no overall improvement.

A Federal standard for regular State duration is the necessary basis for any satisfactory extended benefit programs. This can be seen in the context of the extensions that Congress authorized in the 1961 recession. At that time, the Federal Government made available additional benefit weeks, even in those States where short duration of benefits suggests the State legislature had shirked its responsibility. Why should the Federal Government provide additional weeks of benefits in a State where a large percentage of claimants cannot even qualify for 20 weeks or even 15 weeks? Does not the State have at least a minimal responsibility? Can Congress be asked to provide Federal financing of benefits after 26 weeks in some States and after only 13 weeks in others?

I urge your consideration of this problem because the House bill would perpetuate a confusion of responsibility. By providing extra weeks under recession conditions paid for in part with Federal funds, and failing to require minimal performance by the States for their own regular benefits, the House is offering very bad law. Not only is there a confusion of responsibility as between the Federal and State Governments, but there is a built-in reason for the weaker States not to liberalize their provisions.

The concept of a 26 weeks' or 6 months' watershed of responsibility is useful because it suggests where State financing is appropriate and where Federal financing should begin. Just as Federal financing should not impose on the States up to 26 weeks, so the States should not be expected to carry the full burden of long-term unemployment beyond 26 weeks.

When you look at long-term unemployment beyond 26 weeks, the circumstances that cause it suggest that Federal financing is more appropriate. The half-million persons last year who exhausted 26 or more weeks of benefits were not unusual. Many had been employed in the same job for a long time. They were the victims of economic change. In some cases their plants closed down under competitive pressures; in some cases their jobs were automated out of existence; in some cases they couldn't find employment because of age limits in hiring; in some cases they were victims of shifting defense orders.

Any approach to the serious problem of long-term unemployment has got to take two facts into account. First, as I have said, the Federal Government has a responsibility for financing the benefit cost of long-term unemployment, and, second, we must recognize that long-term unemployment exists in good times as well as in recession periods.

We have vigorously supported the benefits for the long-term unemployed that would be provided by S. 1991. This bill would establish a "Federal unemployment adjustment benefit" payable only to those with a well-established work record who had exhausted their State benefit. It would have continued weekly payments through the first full year of unemployment, if needed that long. This proposal got very little attention in the House, and yet it still seems to us the only way to assure that you get benefits to the right persons at the right time, and within the framework of a reasonable cost.

The House proposes instead that extended benefits be paid to "exhaustees" in recession conditions only. Let me summarize now the shortcomings of this approach as we see it:

First, without a Federal standard for the regular State duration, the Federal recession benefits take over after a different number of weeks in different States, and this badly clouds the question of where Federal responsibility for financing begins.

Second, by offering 50 percent Federal financing of the additional weeks, the proposal acts in a manner to discourage any further liberalization by the State and also to discourage a full realization of State responsibility for benefits up to 26 weeks.

Third, by providing half again as many additional weeks as the number compensated under State law, the House proposal increases the discrepancies that already exist between State laws. Some States will allow only 12 weeks of benefits to an unemployed worker whereas if that same worker had been employed with the same earnings and work history in a different State, he would have received 26 weeks of benefits. By allowing him half again this duration in additional weeks, the discrepancy is thereby widened to 18 and 39 weeks in different States for the same kind of worker. In this way the Federal Government becomes a party to intensifying the inequities.

Fourth, the proposal does nothing for long-term unemployment except in recession conditions. As I have already indicated, there are continuing forces at work in relatively good times that produce some long-term unemployment even among steady workers.

Fifth, the maximum of 13 weeks in additional benefits is not a long enough time under recession conditions. This was demonstrated by the high rate of exhaustions of the extended benefits in 1958 and 1961.

It is too abundantly clear that there are weaknesses in both the concept and the details of the triggered recession benefits. Nothing can be done to make a fundamentally unsound program worthwhile, but there are steps that could be taken to alleviate some of the shortcomings. Establishing a standard for the duration of State benefits would be a good beginning. If a weaker standard than that in S. 1991 were established, the additional weeks of benefits should be uniform for all exhaustees, that is, the same number of weeks for all. There clearly should be full Federal financing for extended benefits paid from a uniform increase in the Federal portion of the tax contribution. Lastly, the number of weeks of benefits should be more than 13 to do the job under the kinds of recession we have recently experienced.

However, under the best of circumstances there is no way to make a triggered recession-type program do the job that is needed for the long-run unemployed whose luck can run out at any time, and that is the reason we still like the "Federal unemployment adjustment benefits" in S. 1991.

Since the House has already expressed itself so forcefully, there may be a compromise that can be reached involving 13 weeks of "Federal unemployment adjustment benefits" and 13 weeks of recession-type benefits.

Year after year, our State labor organizations have fought for better unemployment compensation, for the benefit standards that Republican and Democratic administrations have recommended for 15 years. From these experiences we are absolutely convinced that a stronger role is needed for the Federal partner in the program.

There are three basic reasons why the States cannot do the job unaided by the Federal Government:

First, most State benefit provisions are geared to insufficient financing arrangements. Benefit levels are adjusted to the fund reserve level instead of the financing being tailored to provide adequate benefits. The history of several State programs in recent years tells this story—Pennsylvania, Ohio, Minnesota, Wyoming, and others. There has been a lack of interest in sound, long-term financing. Experience rating and the dwindling tax base have substantially reduced reserves. So long as legislative policy is controlled by those whose first concern is the tax rate rather than the needs of the unemployed, the benefit structure is going to suffer.

Second, separate State programs financed entirely apart from one another leave the whole system vulnerable to the unequal incidence of unemployment. The specter of insolvency is called forth to discourage each State from liberalizing its benefits.

The third reason that the Federal Government must set standards of performance arises from the fact that many States consciously pursue a policy of underfinancing as part of an industrial development program to attract new industry through low payroll taxes. I doubt whether the small variation in rates between States actually has any significant influence on plant movement, but the lower rates effective in some States are frequently among the sales arguments of those States.

If unemployment insurance is to be insulated from interstate competition, either the tax rates must be standardized, or there must be a minimum standard applied to benefits. Nothing could be clearer from our quarter-century experience with this system.

We will not be deterred by false cries of "Federalization." The AFL–CIO is not asking that the Federal Government take over the basic program that should apply to the first 26 weeks of unemployment. We do not urge that separate State funds be abolished. We do not argue that States cannot have different benefit schedules such as those providing more than 50 percent compensation at lower wage levels. There is plenty of room for further experimentation with dependent allowances, with measures of attachment and rules of entitlement.

All we ask is that the Federal Government no longer allow moneys raised by the Federal Unemployment Tax Act to go for State benefit payments unless that State program does a creditable job. This is not federalization. It is fiscal responsibility in intergovernmental relations.

There is nothing new in the concept of Federal standards for the distribution of moneys raised by a Federal tax; it is not even new to unemployment insurance where some 30 standards, mostly of an administrative nature, already exist.

The modernizing of unemployment insurance—of focusing it to the problems of the 1960's—is at base simply a problem of clarifying original purposes which have been corroded with time.

Meaningful wage insurance is the human element in a nation that gives wide freedom to the allocation of capital. We should be willing to refurbish our institutions so they will serve move vigorously the objectives of a self-respecting society.

The CHAIRMAN. Mr. Meany, I want to thank you for what I think is a truly great statement.

Let me announce that on the first round of questions of Mr. Meany, I am going to impose on myself and every other Senator a 10-minute limitation and thereafter a Senator can ask as many questions as he wants to.

I note that from the tenor of your statement, and from something which I read in the press of occasion, that labor feels somewhat frustrated about this Congress; that the two political parties, and the Democratic Party in particular, made a number of commitments that have not been fulfilled, and that some of the main commitments that labor was most interested in did not happen.

It is worth pointing out that your ship did not run aground in this committee. You came here with medical care for the aged and retired workers, and this committee went a lot further than the House did; on the public welfare sector we went a lot further; in the tax-cut area we shed more sympathy for the kind of thing that your organization, representing workers, had advocated, than the House did; and in most instances we prevailed on those things in conference with the House.

The argument that this program should be absolutely sacred in that the Federal Government should have no minimum standards whatever is somewhat inconsistent with the views that have been taken on everything else, is it not?

Mr. MEANY. Well, it is inconsistent with the Federal tax which was imposed 30 years ago, and a portion of it rebated back to the States on the basis of the States meeting standards. So the idea of Federal standards in this very field itself is not new, I mean, for the distribution of Federal tax money.

The CHAIRMAN. Even in this field.

Mr. MEANY. In this field; yes, sir.

The CHAIRMAN. We do tell the States how they must administer the program as far as their own employees and their own State organizations are concerned, don't we? They are required to have a merit system and things of that sort.

In addition to that, I notice that in dealing with public welfare we have put a lot of standards in there to tell the States that they must do this and they must do that if we are going to match them with Federal money.

One of those, I recall, was a pass-on provision which said that we are going to increase matching but if these States take advantage of this to simply reduce their own contribution without benefiting the needy they do not get that matching. We did this in this last social security bill, and I think we had worked on that many times, and the only reason it had not been done earlier was that there just was a technical difficulty of how to work it out. Everybody agreed the States should be made to carry out the intent that we had in mind if they were going to take our money in the program, and it would seem somewhat inconsistent to me, and I would ask you if you would not agree to that, for us to take the view that in every other program where the Federal Government has a Federal-State relationship we could tell the States, "Here are certain minimum things you must do," then say, "Wait a minute, on this program, this is absolutely sacred; we cannot impose any sort of Federal standards in order to carry out the intention of this program."

Mr. MEANY. Senator, it is not only a question of the Federal Government's right to set standards but when you look at the whole program and the whole idea of unemployment insurance, there must be some standardization or else the program fails.

Now, I was in this back in the early days in my home State, and I can remember that we were keenly conscious of the relation between the benefits and the wage that the worker got at the time. There was a definite relation.

In other words, we had a $15 limit, but it was against a $23 average. Now, if that was a proper standard at that time, surely the standards applied on a percentage basis should apply today.

The CHAIRMAN. You have also made a statement here on page 13 of the statement before me that in some respects here—by having no minimum standards you say, "Many States consciously pursue a policy of underfinancing the unemployment insurance program"——

Mr. MEANY. Yes.

The CHAIRMAN (continuing). "As a part of an industrial development program to attract new industry through payroll taxes."

Now, I was somewhat amused when a spokesman for the U.S. Chamber of Commerce on yesterday denied that to be the case.

Before I came here, before I ran for U.S. Senator, I was executive counsel to the Governor of Louisiana, I was his lawyer in helping him prepare his bills, and that is the argument they made to us all the time, that "Here, if you provide any more of these benefits that is going to so up the costs of our program that is going to make it difficult for us to attract new industries here," and every time there has been a discussion in our State legislature of the problem of providing more adequately for these uninsured workers, that is the first argument they have always made. I must say that it kind of gave me the impression that the national chamber ought to get in touch with the State chambers of commerce.

Mr. MEANY. There is no question they use it, Senator. We do not think it results in an exodus of plants from one State into another, but it is used, and it may have some influence.

The CHAIRMAN. Well, I pointed out an example of the benefit to my State, and I would like to keep it that way insofar as the advantages are concerned, but as far as justice and fairness and equity, it does not seem quite right.

Here we are bidding for a $50 million shipbuilding contract against Maryland, a Maryland shipyard. We underbid them by $100,000 on a $50 million contract. That is one-fifth of 1 percent.

Well, in our State, the minimum unemployment tax is 0.9 percent, and here is a shipyard with a $500 million backlog of work that it is doing. On the other hand, here is this Maryland outfit with all sorts of people out of work. With all those people out of work, they have a poor rating, and that means a tax rate of 3.9 percent. We beat them 2.8 percent just on that one item.

Some States permit the unemployment tax to go down to zero, and so one State competing with another can say, "Here is a way to keep our shipyards full of business. Let us just do nothing for our unemployed workers that we just do not absolutely have to do."

It would seem to me there should be at least some sort of minimum tax in this program, and to that extent I think you are right.

I was impressed by an argument that you made, frankly, with which I never agreed before. I never understood why you felt that a person who had been fired for cause would be entitled to any unemployment insurance benefits at all, and I must say that you made a very impressive argument on that. That is the first time I have understood the logic of it. But you have a very good argument.

Thank you very much, Mr. Meany.

Senator Williams.

Senator WILLIAMS. No questions.

The CHAIRMAN. Senator Anderson.

Senator ANDERSON. I think it is a very fine and illuminating statement, Mr. Meany.

On the very first page you say H.R. 15119 is a completely unsatisfactory measure. Supposing that gets before the Senate for action. Would you recommend that we vote for what it is, regardless or would you just pass no bill at all?

Mr. MEANY. What was that, Senator?

Senator ANDERSON. The House took certain action, sent a bill over here, which many people think is a very good bill. You say it is a completely unsatisfactory measure. If it came before the Senate in the House form would you advise the Senate to vote for or against it?

Mr. MEANY. Well, this would be a question of legislative strategy, and my offhand reply would be to vote against it.

Senator ANDERSON. You do not think it has any improvement in it at all?

Mr. MEANY. Well, the trouble is, and we were up against this situation on another very important bill a few years ago, and this means if you take an unsatisfactory bill you more or less close the door, at least for a few years, of getting any improvement because the argument is, well, let us see how this works. We gambled on this a year and a half ago and we have done quite well, as you recall.

The CHAIRMAN. It is a matter of the King-Anderson amendment to the social security bill. [Laughter.]

Mr. MEANY. Even though we left ourselves open to the charge that we were hurting the recipients of social security by denying them an increase in benefits at that particular time.

You see, Senator, we have had this problem back to the recession years, and you can look up our messages and our letters, that we realized then that the passage of an emergency would just foreclose us, and we were saying we want the standards looked at. We want something done about revising standards and improving them, and so on and so forth. But we could not get it, because, as I say, the Congress was concerned with the immediate thing, and once they passed an emergency measure which provides for this supplement Federal benefits, well, they said, that takes care of the problem for now and we do not have to do anything.

So I would say, in answer, that rather than a completely unsatisfactory measure, we would be willing to wait for another go-around. We have waited pretty long anyway.

Senator ANDERSON. Well, I think it is a practical consideration that may come up in the Senate and may add up that way by passage of the House bill or recommendation of the House bill before we take final action. I wonder what our action will be?

Mr. MEANY. Well, you keep in touch with Andy. [Laughter.]

Senator ANDERSON. I do not have to check with Andy. He always comes around earlier.

On page 4 you mention the fact that the number of people during the year who draw benefits add up to 4½ or 5 million persons. Doesn't the Department of Labor have an actual figure on that?

Mr. MEANY. The amount of people, do they have an actual figure? This is this year's estimate. They will give you it for last year, I imagine, but this is an estimate of this year.

Senator ANDERSON. I was thinking if they didn't, somebody ought to correct it because that is an important figure.

You have some reference on page 6 to the tax, Federal tax base and increasing that to $6,600, whereas the House increases it to $4,200.

Actually, in terms of—I do not know whether my economist colleague here would say, dollars, usefulness, what was the figure in 1936; $3,000, was it not?

Mr. MEANY. In 1939, it was the same as the social security base at time, which was $3,000.

Senator ANDERSON. Yes.

What would that $3,000 mean today in actual money, about $10,000?

Mr. MEANY. Much more than $10,000.

Senator ANDERSON. Much more than $10,000.

Mr. BIEMILLER. At least $12,000 and maybe higher.

Senator ANDERSON. At least the raise from $3,000 to $4,200 and even to $6,600 is not unreasonable in terms of the history,

Mr. BIEMILLER. No.

Mr. MEANY. No, and actually, what we are trying to do, Senator, and which we think is good logic, is to keep it at the same level as the social security base.

Senator ANDERSON. I think I was the author of the amendment to increase the social security base to $6,000, and I am glad to have your confirming opinion that was a good move.

I have some questions about the bill but I do not think they are important for the record at this time.

I do want to say to you, I think it is a very good statement of the situation.

Mr. MEANY. Thank you.

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. Mr. Meany, this is a very carefully prepared statement, and I think highly intelligent, and it brings out a lot of fresh arguments which I do not think I have ever seen stated as succinctly or as well as you have done.

I was particularly impressed with the principle which you advanced that, first, States should be required to come up to a minimum standard of duration of benefits and payment for this minimum standard would then be a charge upon the so-called State funds; and then, second, that there be, in addition, an additional duration borne by Federal funds, not tied to a triggering of a recession, but adjusted to individual instances.

I think this general principle is correct. Has your staff been able to work out what increase, if any, would be required in the Federal share of the unemployment insurance tax? Would you have to increase the Federal share or would the raising of the covered wage base be sufficient to meet it?

Mr. MEANY. Mr. Munts has had a figure on that, something less than two-tenths of 1 percent.

Senator DOUGLAS. Two-tenths of 1 percent?

Mr. MEANY. Yes.

Senator DOUGLAS. On what wage base, $6,600?

Mr. MUNTS. Yes.

Senator DOUGLAS. Suppose the wage base were $4,500?

Mr. MEANY. It would be correspondingly higher.

Mr. MUNTS. I do not know exactly.

Senator DOUGLAS. Would it be three-tenths of 1 percent?

Mr. MUNTS. I would have to calculate it.

Senator ANDERSON. Is it not true that the Department has figured out that the two-tenths is all you needed on a $4,200 base?

Mr. MEANY. No. This is with the $6,600 base, is it not?

Mr. MUNTS. Are we talking about the extended benefit program?

Senator DOUGLAS. What proportion should the Federal share be if you vest the Federal responsibility in the extended benefits beyond the standards?

Mr. MUNTS. An additional 26 weeks beyond the State benefits as in S. 1991?

Senator DOUGLAS. An additional 26 weeks.

No, I was thinking of an additional 13 weeks.

Mr. MUNTS. That would be substantially less than two-tenths.

Senator DOUGLAS. So that this would not increase Federal deductions.

Mr. BIEMILLER. If I may just interject for a moment, Senator——

Senator DOUGLAS. May I follow up for just a minute. Would this be separated from the amount required for the employment offices?

Mr. BIEMILLER. Yes.

Senator DOUGLAS. So that the total Federal share would increase.

Mr. BIEMILLER. That is right.

If I may just interject for amoment, I think Senator Anderson is correct that it is 13 weeks. Mr. Munts was talking about what 26 weeks would be, and that is two-tenths on $6,600.

Mr. MEANY. We could go into it a little deeper, Senator, and give you a memorandum as to what the Federal costs would be at $4,200.

Senator DOUGLAS. This would be over and above the present deductions for administrative purposes.

Mr. BIEMILLER. It has nothing to do with the administrative tax. It is in addition to.

Mr. MEANY. We could give you some further figures on it to show what it would mean under the $4,200 and the $6,600, and also under the 13 weeks as compared to the additional 26 weeks.

Senator DOUGLAS. I wish you would. Is the representative of the Department of Labor here? Would you have those figures checked and submit figures of your own.

(The following information was received from the Department of Labor:)

The Department of Labor has estimated the cost of the several proposed programs of additional benefits as a percentage rate on a $6,600 taxable wage base needed to finance the program over the next decade. A brief description of each program and its estimated cost rate on a $6,600 wage base is as follows:

1. A 26-week extended benefit program as contained in S. 1991—about 0.26% (all Federal).

2. A program of extended benefits restricted to those exhaustees with strong labor force attachment (as in S. 1991) but limited to 13 additional weeks—about 0.15% (all Federal).

3. An extended benefit program for up to 13 additional weeks during extended periods as defined in H.R. 15119—about 0.12% (costs shared—State 0.06%—Federal 0.06%).

4. A Federally financed combination program of 13 additional weeks of benefits restricted to exhaustees with strong labor force attachment (program No. 2) plus 13 weeks for all exhaustees during extended periods as defined in H.R. 15119 (program No. 3)—about 0.23% (all Federal).

5. Current Department of Labor proposed program for a combination of shared costs if State pays regular benefits for weeks 27 through 39 and an additional 13 weeks of Federally financed benefits during extended periods as defined in H.R. 15119—about 0.21% (Federal 0.15%—State 0.6%).

All the above cost rates are expressed as rates applicable to a $6,600 taxable wage base. Each cost rate would have to be increased by one-third to obtain the equivalent rate on a $4,200 taxable wage base.

Senator DOUGLAS. Now, on the question of the amount, I take it what you want is 50 percent of the previous earnings, subject to a maximum of 50 percent of average earnings in the State is that correct?

Mr. MEANY. No.

Senator DOUGLAS. I wondered if you would be willing to——

Mr. MEANY. No, it is subject to a maximum of two-thirds of the weekly wage.

Senator DOUGLAS. Two-thirds, yes.

Mr. MEANY. Of course, this is really the insurance principle, Senator. I mean, that it was really intended when we passed these bills originally.

I went through the first bill passed in New York State in 1935. It was a bill that we presented. It was approved by the Governor, who was afterwards Senator Lehman, and we went all through this whole question. There were a lot of questions thrown in about need requirements and all this, and we passed that bill as an insurance measure, and if you follow the insurance principle, then you have got to relate benefits to the wage already earned and, of course, it represents proportionately the same problem.

Senator DOUGLAS. I agree with that principle completely.

The question is about two-thirds or one-half. The Department of Labor, I believe, is advocating one-half, isn't that true, Mr. Merrick? Isn't it true that the position of the Department of Labor is that benefits should be equal to one-half of the individual wages, subject to a maximum of one-half of the average wage in the State?

Mr. MERRICK. I am sorry, Senator. I was talking with Tom Vail. I did not hear the question.

Mr. MEANY. Senator, as far as we know, they were behind the two-thirds as it appears in the Senate bill, and we have no indication they have changed their minds about that.

Senator DOUGLAS. The staff expert informs me that it is a three-step proposal beginning at 50 percent.

Mr. BIEMILLER. Yes, 50, 60, 66⅔.

Mr. MEANY. Yes.

Senator DOUGLAS. Now, if you take a highly skilled workman with weekly earnings, let us say, of $150 a week, that would make possible unemployment benefits of $100 a week.

Mr. MEANY. No; oh, no; but it has got to be related to the average weekly wage in the States. That is where that would hit the ceiling, you see, before it ever got there.

Senator DOUGLAS. I beg your pardon. So if the average wage were $110, that would be restricted to about $72.

Mr. MEANY. At the highest when it got up to the last step.

Senator DOUGLAS. I am glad to clear that up. That was my fault.

On this question of disqualification penalties, a worker is supposed to have lost his job through no fault of his own to be eligible and to be seeking suitable employment.

Mr. MEANY. That is right.

Senator DOUGLAS. Genuinely seeking suitable employment.

We hear a great many complaints that the employment offices are not very rigorous in trying to make the worker actually seek work and not very active in trying to find work for him, and that they will content themselves with paying out benefits, and not try to get the work for the man. Some of these complaints are, I am sure, exaggerated. I am inclined to believe that some of them may have something to them.

What should be done on this?

Mr. MEANY. We do not take the position that the worker who either walks out voluntarily or won't take a job should not be penalized, and they certainly are penalized to the extent of several hundred thousand every year.

But we think that it does not make sense if the worker has been employed, and from the viewpoint of the employer, if he has been employed the required length of time, the employer is paying a tax which really represents earnings by that worker; in other words, anything that is paid in there represents earnings.

Now, in order that you would have an orderly system you say to the worker, "Well, if you quit voluntarily you just cannot draw these benefits. This is not the idea to take care of a fellow who wants to go on a vacation. This is to cope with unemployment."

We are not trying to defend that, but what we are saying is this: that you should not extend this penalty forever. If the worker turns around, and all the Senate bill says is that he gets a hearing after a certain length of time, the worker turns around and says, "Yes, I quit voluntarily but I think I made a mistake. Now I want to find work, I need to find work," you see, in the final analysis, the problem that these laws are directed to, the legislators and the Congress-legislated too, is the problem of the effects of unemployment.

In other words, you are trying to insure the worker and his family against the economic consequences of getting out of work, and it does not seem to make sense to say, in a case where a worker has voluntarily quit and is not eligible, to say that he will never be eligible until he goes back to work again because you are punishing him and you are punishing his family indefinitely, and you are taking away, in a sense, rights that he did establish.

We have no quarrel with the idea of a penalty because you could not run this system unless you had some restrictions that would prevent people from saying, "Well, we are just going to go off on a vacation and we decided we are going to draw on our unemployment insurance." This is not the idea of unemployment insurance. You do not draw a benefit from your fire insurance until your house gets on fire, and so we

stick to the insurance principle. But, at the same time, we do not think the worker should be penalized indefinitely.

All the Senate bill says, in effect, is after he pays his penalty of 6 weeks or whatever it is, why, then, he should get a hearing, and if he is then in a frame of mind that he is ready to accept work, and so on, then he should be given his unemployment insurance.

In New York State, you know, we even recognize the fact that a worker who went on strike and later became available for work was unemployed and was entitled to unemployment insurance, but not until he had a penalty or a period of 10 weeks; in other words, on the theory that even the worker who was on strike, voluntarily quit his job on strike, that he was entitled to benefits after a certain period. If the strike goes beyond 10 weeks it presents the worker and his family with the same problem as if he had been discharged. But we are not arguing for that.

What we are saying is that the penalty against the worker should not be life imprisonment, let us put it that way. He should have a chance. Suppose he has a change of heart, suppose he comes around and says, "Yes, I walked out and quit, and I was very foolish, and now I think I want a job," I think at that point he should be forgiven and he should be allowed to draw the money that his work has put into the system.

The money does not go in there unless somebody works for it. It is all on the basis of a payroll tax, and somebody has to work for it.

Senator DOUGLAS. Don't you get single men upon whom the pressure for work may not be great, and you get men who are careless of family responsibilities?

Mr. MEANY. Well, Senator, we are not saying that they should automatically be put it. We are saying after they are penalized this period, then they should be given a hearing and they should look at it again.

Senator DOUGLAS. One other point. I think the printers' strike in New York is, I think, now in its 82d day. I have never believed that the unemployment insurance fund should provide strike benefits. I think that is a responsibility of the labor movement. It is on a 6-week disqualification.

Mr. MEANY. It is a 10-week disqualification. I think there are only 2 States that have this. I do not know how many had it originally. New York and Rhode Island have it, but in New York it is a 10-week disqualification, the theory being that the 10-week period of unemployment insurance could not do anything toward financing the strike.

Senator DOUGLAS. They will now be eligible in New York——

Mr. MEANY. Yes.

Senator DOUGLAS (continuing). For unemployment benefits.

Mr. MEANY. Yes, they will.

Senator DOUGLAS. Without passing on the merits of the strike, it would seem to me that this is a responsibility of the labor movement rather than of the unemployment insurance.

Mr. MEANY. Well, Senator, this was discussed at great length when we passed the bill, I can tell you that, and there were a lot of people——

Senator DOUGLAS. You were very persuasive.

Mr. MEANY. Certainly, a lot of people agreed with you.

Well, the theory was that, yes, the labor union had to finance the strike. But after 10 weeks of financing a strike, no labor union can

really pay benefits beyond a few weeks because the amounts become astronomical. So the theory was after the 10-week period then the worker, as an individual, if he was still out of work, he would be entitled to the benefits that he had built up while he was employed, and after that point the question of whether or not unemployment insurance was financing a strike became more or less moot, after the 10 weeks.

Senator DOUGLAS. It is very rare for strikes to go beyond that.

Mr. MEANY. But we had a very liberal Governor at the time.

Senator DOUGLAS. No prospects of immediate settlement.

Mr. MEANY. No.

Senator DOUGLAS. Unless you have better information than I have. That is all, Mr. Chairman.

The CHAIRMAN. Actually, Mr. Meany, I think we had a provision like that in the Louisiana law for awhile, and while we had it we did not have any lengthy strikes.

Mr. MEANY. Even as Andy points out, even the striker, to be eligible, has to be available for work. Now, of course, if the plant is struck he cannot work in his old plant but he has to be available to take a job.

The CHAIRMAN. Available to work somewhere else.

Mr. MEANY. Oh, yes.

The CHAIRMAN. In other words, the logic, as I understand it there, is that after a certain number of weeks you would not deny the benefits because he declined to walk through a picket line, is what you are talking about.

Mr. MEANY. He was protected on that, but he had to take suitable work if it was provided. No, he was protected, they could not force him to go through a picket line.

The CHAIRMAN. But if you said, here is a job somewhere else, here is work that he can do, some other type of work, he could not get the benefits if he did not take the job.

Mr. MEANY. Yes.

The CHAIRMAN. I was somewhat surprised to find that a lot of States that have actually gotten thier experience rating in their statutory minimums, where a person can get by with zero tax, and some States actually have an effective zero rate for some employers.

Now, of course, that means they have to have a good experience rating, but I wondered what the logic of an insurance program that is supposed to spread the risk would be where one fellow, because he had——

Mr. MEANY. There is no insurance logic that brings it down to zero. If you take it down to zero, then you mean the people who are best able to pay won't pay, and the people who have the worst rating and are less able to pay are the ones that are going to pay.

The CHAIRMAN. Clinton Anderson and Herman Talmadge are my insurance advisers. They are both in the insurance business in a small way, and——

Senator ANDERSON. I resent that last statment. [Laughter.]

Mr. MEANY. Senator, if I may be facetious for a minute, back in the depression days when we had the list of our legislators, there would be alongside of each fellow's name, "Insurance" and we used to say then that is another way of saying he is out of work. [Laughter.]

The Chairman. What I am getting to is, if the Senator will pardon me, if you have automobile insurance and you do not have any accidents over a period of years, you are entitled to a refund or cheaper rate because you are a good driver.

Mr. Meany. Yes.

The Chairman. The idea of just paying nothing for insurance in the future just does not seem to make much logical sense to this Senator.

Let me see if I can find about one other point. With regard to farmworkers, it is the case, is it not, that farmworkers are frequently out of work during certain parts of the year—during the winter season or prior to spring planting, and that sort of thing—is that the logic under which farmworkers were never included under unemployment insurance?

Mr. Meany. Well, the logic was back in the early days, it was not the type of employment that you could very well cover, and especially on the family farm where you had one or two workers, it was even pretty hard to estimate what wages were in those days. You know what I mean. They got paid in kind and keep.

But today we have people who are, I would say are, properly characterized as farmworkers, but who are really working in factories, where there are thousands—you take the packing sheds in California, and I have seen a packing shed with 3,000 people in it, but under the rules they are defined as farmworkers, but yet they are no more farmworkers than the people in an auto plant. It is just a great big factory.

The Chairman. It seems to me if we got around to doing something about the farm labor thing that it might cause some modest increase in the cost of food if the owner of the farm had to pass this on as a part of his cost of doing business. But wouldn't the logic that supports a minimum wage be applicable there, that in the last analysis we do not care to save—in the hope of saving a penny here and a penny there, we do not want to victimize the other fellow to the extent that he has to go without the meager bit that it takes for him to exist in decency.

Have you ever thought about trying to work out some sort of suggested program of a different nature to insure farmers under this program or some parallel program?

Mr. Meany. Mr. Munts tells me there has been some talk about a different formula approach, such as that used in the old age and survivors insurance. But there is nothing in the bill about it. It was just discussion.

The Chairman. On this argument about this social security tax on tips problem, we went "up hill and down dale" on that thing for years, and we finally worked it out so that everybody was happy.

Mr. Meany. Yes. That is an example, if you really apply yourself to a knotty problem you can come up with an answer.

The Chairman. Yes, sir. It was a novel answer, and you could not have provided that answer for everybody, but we said, "Well, let the employee pay the tax on tips at the employee rate and we will just put him in the program, and we do not think we will lose money anyhow." We could do that for that isolated, relatively small group of people.

Senator Anderson, do you have any questions?

Senator Anderson. No.

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. I would like to ask this question: There have been proposals that the work of the employment offices be divided, that one branch concentrate on the payment of benefits, another branch on finding work, and that these not be merely separate wickets, separate windows, in the same office, but that they be separate offices.

What would you think of that for large cities, so that the employment function would not be swallowed up by the benefit function?

Mr. MEANY. I do not offhand see any objection to it if it would make the service better by separating the two activities, and they would be better off.

Senator DOUGLAS. You have no opposition. I think it might be—I am not certain, but it might be—a measurable step forward.

I am greatly pleased that you are continuing to take under your wing farm labor on the big farms, the so-called factories in the field. I have inspected a few of those farms in California, and I think they need inclusion. There is tremendous pressure against doing this, but it seems to me it is important.

Do you want to add any statement on that point?

Mr. MEANY. Well, of course, Senator, my experience goes back to where every measure that we introduced in the State legislature for the benefit of workers, we had to exempt the farmer, whether there was any logic to it or not, because we just could not get enough votes unless we exempted the farmer.

Senator DOUGLAS. Workmen's compensation, for example.

Mr. MEANY. This, of course, has gone on for years and, as I say, exemption of agricultural workers became sort of a habit or a way of life.

But whether there is some justification for exempting an agricultural worker who is assisting on a family farm or on a small farm, with two, or three, or four or five people employed, there is no logic under the sun which can support the exemption of the factory employing 2,000 or 3,000, or 4,000 people just because the goods they are processing happen to be from a farm, and this in the situation we have where there are exemptions and all sorts of laws for people in the agricultural field which apply to factories, and these packing sheds in California are factories.

Senator DOUGLAS. I have no more questions.

The CHAIRMAN. Senator Hartke.

Senator HARTKE. Well, Mr. Meany, I am sorry I am late, but let me ask you about this triggering device that is in the House bill. What about the man who lives, for example, as we had tragically demonstrated to us, in South Bend, Ind., who was working for the Studebaker Corp.

Now, they closed down their operations in South Bend with the result that people who had over 30 years of seniority in many cases, were suddenly, and without any fault of their own, thrown upon the marketplace with no jobs and with no real hope of finding a comparable pay job in that community. Unemployment went up to about 11 percent overnight, and yet statewide and nationally we were in a period of relative prosperity. There would have been no triggering device which would have——

Mr. MEANY. In other words, your point is that the triggering device would have to be individual.

Senator HARTKE. Well, the triggering device in the House bill has two triggers, one statewide and one nationally.

Mr. MEANY. But there is no triggering device in the Senate bill.

Senator HARTKE. Well, none in the Senate bill at all, no. What I am talking about is the triggering device in the House bill which, at the present time, is the one which has been receiving quite a bit of comment, and the one which some people, especially the State directors, indicated they wanted us to rubberstamp.

What I was wondering about was this, don't those people who lose their jobs in such a situation suffer just as much and don't their families suffer just as much as if there had been a nationwide recession with high unemployment?

Mr. MEANY. Well, this is one of the reasons, of course, we took in our statement for opposing the House bill, for that very reason.

Senator HARTKE. In other words, you really favor the Senate bill.

Mr. MEANY. Where the individual stands on his own and he gets his benefit as an individual.

Senator HARTKE. You favor the individual approach that is in the Senate bill, rather than worrying about what happens in the overall picture so far as the national economy is concerned.

Mr. MEANY. That is right.

Senator HARTKE. It is something he cannot control.

Mr. MEANY. That is right.

Senator HARTKE. Well, now, maybe we do not have to worry about that triggering device so much if the present information which I have received is true; that is, that one of the major automobile suppliers, as I understand it, is preparing a little different approach toward the new 1967 automobile production. Under normal circumstances, the new models are stepped up over the number which are produced off the assembly line at the last of the old model year. Ordinarily, you would be producing in the first month, at least, more automobiles on an hourly and daily and monthly basis during the first run of the 1967 models than you did when you ran the last run of the 1966 models, I just want to bring to your attention. I hope you people are prepared for this. The new run is to be 40 cars less per hour for each assembly line for this major manufacturer. This indicates to me that we are facing a real cutback, at least, in automobile production. This will probably foreshadow the anticipated turndown in automobile sales even beyond what we have had so far.

I might point out, and I think that probably you will agree to this, that in the homebuilding industry we are in a recession now, are we not?

Mr. MEANY. Yes, we think so.

Senator HARTKE. And yet for the Nation, since the unemployment has not reached that triggering device which was necessary in the House bill, these people who happen to be in an industry which is recession-hit at the moment, are just out.

Mr. MEANY. They are out, no triggering for them.

Senator HARTKE. No triggering except possibly the triggers of unhappiness of mom and the kids at home.

All right; I have no further questions.

The CHAIRMAN. Let me see, I did have one other thing I wanted to mention. Where do we stand on this—maybe Andy Biemiller

knows—where do we stand on this minimum wage bill right now? Has the House passed that bill?

Mr. BIEMILLER. The minimum wage bill has passed the House. It has been reported by the subcommittee of the Senate, and we hope to have action by the full committee of the Senate very shortly.

The CHAIRMAN. Does that minimum wage bill include farm labor?

Mr. BIEMILLER. It includes farm labor where there is employment of 500 man-hours in any one quarter. As a rule of thumb, it would work out to about eight employees or more.

The CHAIRMAN. So now when that happens, that may very well result in an increase in farm prices.

It seems to me we should anticipate that that might occur in some areas. Would you anticipate that that would likely be the case?

Mr. BIEMILLER. It might mean a very slight increase. I do not think it is going to have any tremendous effect upon the market.

The CHAIRMAN. Well, as a practical matter——

Mr. BIEMILLER. It is only a dollar an hour.

The CHAIRMAN. As a practical matter, it seems to me, a minimum wage for farm labor is an unseen benefit to the small farmer because he is really competing with—actually he has a small piece of property which is his investment that he is farming, and he has his investment in his labor. Most of what he has to offer is his own labor on his own farm, but he is competing with this farm labor that is being hired at these subminimum wages, so that it would tend to bring farm prices up somewhat in the area where he is competing, and that would give him a better chance to survive in competition if the person with whom he is competing had to pay a decent wage to his farm labor.

Mr. BIEMILLER. The Farmers Union, which as you know is composed primarily of family farmers, is enthusiastically behind the bill, and I have no doubt that your argument is one of the reasons that impels them to that position over and above the fact that they basically support sound programs.

The CHAIRMAN. I should think that is a good reason. But in view of the fact that these farmers who have eight or more employees are in for an increase in cost anyhow with this minimum wage bill, it seems to me this might be a good time to get it over with and let it all go into the pot at one time.

I have no further questions.

Senator DOUGLAS. Following that, you have been an advocate of equal coverage as between minimum wages, social security, unemployment compensation.

The CHAIRMAN. Yes.

Senator DOUGLAS. So it is your argument really that we should have the same coverage on farm labor for unemployment compensation as we develop it for the minimum wage.

The CHAIRMAN. It seems to me that it is good to have, for purposes of making the law so people can understand it; it is good where you can try to have, all things being equal, to make the numbers and the standards parallel or try to equal them out.

One thing that makes it so difficult for housewives is when they had this fractional breakdown under social security where you had to figure out to the last penny how much you paid the maid, and then you had to go to work and multiply that by 3⅛, or some such thing.

If I do say it, my vote to include domestic labor in social security has given me some problems at home. [Laughter.]

I could solve half the problem by simply assuring Mrs. Long that I would pick up the tab for the difference between what she was paying in the past and what she would pay in the future. But the bookwork that is imposed on her has really given her some difficulty from time to time and created some complaint from the other half of my family. So if you can get these things where they are more understandable, other things being equal, it would seem to me to be a good thing.

Thank you very much.

Mr. MEANY. Thank you.

Mr. BIEMILLER. Thank you very much.

The CHAIRMAN. Our next witness is Mrs. Elizabeth Wickenden, National Social Welfare Assembly, Inc.

We are pleased to have you, Mrs. Wickenden. Would you just proceed in your own fashion.

STATEMENT OF ELIZABETH WICKENDEN, TECHNICAL CONSULTANT ON PUBLIC SOCIAL POLICY, NATIONAL SOCIAL WELFARE ASSEMBLY

Mrs. WICKENDEN. Yes.

My name is Elizabeth Wickenden, and I appear today in my capacity as consultant on social policy and legislation to the National Social Welfare Assembly.

Senator, if I may——

The CHAIRMAN. Mrs. Wickenden, I believe that what we had planned to do was to limit witnesses to 10 minutes, allow them to summarize their statements, and print the full statement, and then allow such questions as Senators propose to ask.

Mrs. WICKENDEN. You anticipated what I was going to request, which was that I be permitted to file my statement with the reporter and simply highlight some points, and also submit certain documents for the record.

(The prepared statement of Mrs. Wickenden follows:)

PREPARED STATEMENT OF ELIZABETH WICKENDEN, TECHNICAL CONSULTANT ON PUBLIC SOCIAL POLICY OF THE NATIONAL SOCIAL WELFARE ASSEMBLY

My name is Elizabeth Wickenden and I serve as technical consultant on questions of social legislation and policy to the National Social Welfare Assembly and its Committee on Social Issues and Policies.

The National Social Welfare Assembly is the national planning and coordinating agency for the social welfare field. Seventy nine national voluntary and governmental agencies in the field are currently affiliated or associated with The Assembly. In addition, on questions of national policy and legislation it works in close collaboration with the five hundred local welfare councils affiliated with the United Community Funds and Councils of America. Its work in this area is largely spear-headed by its Committee on Social Issues and Policies of which Mr. Philip Bernstein, Executive Director of the Council of Jewish Federations and Welfare Funds, is Chairman. At its last meeting held on May 18th of this year, the Committee requested that we present testimony on the pending measure, which was reported by the House Ways and Means Committee on that very day.

The voluntary welfare agencies in whose behalf I speak today have a dual interest in the subject of unemployment insurance. In the first place as employers of substantial numbers of employees not currently protected by the existing Federal unemployment insurance law, they are naturally interested in the proposals to extend coverage to this group. In the second place they are concerned

with all measures to reduce the extent of poverty and insecurity which affect directly the welfare of those they serve.

Two actions have been taken by The Assembly to assist its constituency in evaluating their position in this area. In the first place, anticipating that the question of coverage under unemployment insurance would shortly become an issue, a special Subcommittee on Unemployment Insurance Coverage for Employees of Nonprofit Organizations was set up in 1961. This committee decided to undertake a survey, in cooperation with the Bureau of Employment Security of the U.S. Department of Labor, in order to secure a factual assessment of the amount of unemployment experienced by employees of voluntary organizations in this field and the possible cost of unemployment insurance coverage.

I am leaving with the Committee a copy of the report of this survey which was released in January, 1964. Without undertaking to summarize its methods and findings, I would like to state that it revealed—contrary to the general assumption that social welfare is a field in which involuntary unemployment is a rare occurrence—a substantial incidence of involuntary separations. In the sample check that was made of unemployment experience in twenty-one organizations, a figure of 18% involuntary separations was found. Since many welfare organizations run seasonal programs such as summer camps, at least a part of this number can be attributed to this type of employment. However, a further follow-up spot check revealed that approximately half of this number or 9% did, in fact, suffer subsequent unemployment of some duration.

When the Administration's proposals for updating the unemployment insurance program were submitted in 1965 and incorporated in H.R. 8282 and S. 1991, a second step was taken by The Assembly acting through its Committee on Social Issues and Policies. Another subcommittee was appointed to study the issues presented by the proposal and a statement representing the consensus of the group was drafted. This statement, after review and approval by the full committee, was then circulated to all the national organizations affiliated with The Assembly and to all local united funds and welfare councils throughout the country with the request that they indicate whether they wished to endorse this statement as an organization or in the name of their executive. As a result of this rather hasty circulation, twenty-three national, statewide and local organizations endorsed this statement officially. In addition—because of policy or time limitations precluding organizational endorsement—fifty-three heads of such organizations signed the statement in their personal capacity. Since that time several additional national organizations, including the three national organizations representing the principal social welfare activities of the three major faiths, i.e., The National Council of the Churches of Christ in the USA, the National Catholic Welfare Conference, and the Council of Jewish Federations and Welfare Funds, have adopted official positions which are substantially in accord with the views expressed in this statement.

I would now like to present this statement (I am appending to this testimony a list of its signatories) and subsequently will discuss its implications in terms of the pending bill:

"We the undersigned, associated with the voluntary social welfare field, wish to urge, either in behalf of our organization or speaking from our personal experience, favorable action by the Ways and Means Committee on amendments to the Social Security Act which will increase the effectiveness of the unemployment insurance system in terms of wider coverage, more adequate benefit levels, extended duration of benefits and policies better adapted to current labor market needs. While most of our organizations have not taken a position on the specific detailed provisions of H.R. 8282, we wish to express our support for legislation which will carry out the following broad principles.

"1. *Prevention of need.* A primary objective in all welfare policy is the development of programs and policies which will prevent economic need and thus reduce the necessity for large public assistance caseloads. Public assistance is both a heavy cost burden to the tax-paying public and an unsatisfactory source of income to the individual, especially the able-bodied worker unemployed through no fault or choice of his own.

"Unemployment insurance was intended to prevent need and dependency by assuring to the unemployed worker an objectively determined income which, related to his former wage, would be sufficient to carry him through a period of joblessness without requiring him to apply for assistance or make drastic alterations in his way of life. At the present time, however, it is not fulfilling this purpose because its provisions have not been updated to maintain a dynamic

relationship to the economy as a whole or to the changing character of the labor market. Specifically:

"Its coverage is inadequate and should be extended to as many occupations as feasible, looking toward the ultimate protection of the total working force. We are especially concerned about the lack of protection for employees in agricutural occupations and small firms where the risks may be great.

"Benefit levels are inadequate whether measured in terms of wage replacement (by which standard its adequacy is substantially below what it was in 1939) or in relationship to the current concept of a poverty level. They need to be brought up to a higher standard both with respect to the average payment and the maximum limitations now imposed by states.

"Duration limits are inadequate by any standard and do not recognize the extent to which much current unemployment invloves long-time readjustments in skill, location, and occupation. As a result many workers who are exhausing their benefits before finding a new job or making these adjustments have no recourse but to turn to public assistance. Changes in the durational requirements of state programs and recognition of the distinctive character of long-term unemployment through a special program for this purpose are, therefore, urgently needed.

"Policies to encourage retraining, relocation and other longtime readjustments by the unemployed worker are also necessary if need, dependency, and demoralization are to be prevented.

"2. *Federal leadership.* Unemployment is necessarily a national problem to the extent that ours is a national economy in which both employers and workers must function in a national marketplace. The original provisions of the Social Security Act recognized this problem by combining state administration with a tax-offset system which virtually assured a nationwide system operating within common nationwide standards. But these standards can only be effectively adjusted to change in the economic situation through federal action, for no state can move very far ahead of the others in liberalizing its provisions without endangering the competitive position of its employers in the national market by adding to their cost of production. Only through changes in the federal minimum standards can they all act simultaneously so that all workers may be adequately protected without endangering their own jobs through competitive disadvantage.

It is, moreover, obvious that unemployment falls unequally on the several states and that a high incidence of long-term unemployment affects adversely those state unemployment insurance funds least able to bear the cost of benefits adequate in amount and duration. Only the federal government through special financial aids to the states and through federally-financed long-term benefits can solve this major problem.

3. *Unemployment insurance for workers in non-profit organizations.* In view of our general support for a more effective and broadly inclusive national unemployment insurance system, it would be obviously inconsistent not to favor the extension of protection against income loss due to unemployment to our own workers. A spot study by the National Social Welfare Assembly* showed that such unemployment, while not extensive, does in fact occur among the employees of voluntary non-profit organizations and that some of their employees move between covered and currently non-covered employment, thus endangering their benefit rights. On the other hand most voluntary organizations would be extremely hard-pressed to share in the costs of carrying the higher-risk employers without endangering their ability to perform the services for which they receive contributions from the public. We, therefore, predicate our support for the extension of compulsory coverage to the employees of non-profit organizations on a special financing provision, such as that included in H.R. 8282, which would permit states to limit the cost to employing organizations to the actual amounts of benefits extended to their own workers.

In interpreting this statement in the light of subsequent House action, I am obliged to speak as an individual assessing the House-passed bill in the light of general attitudes expressed by those for whom I speak in earlier discussions.

On the question of special financing for the coverage of employees of non-profit agencies, H.R. 15119 is more responsive to our position than the Administration bill inasmuch as it eliminates the Federal tax and permits organizations the option of either reimbursing the State for unemployment insurance payments

*Submitted to the Committee for its information.

actually attributable to unemployment in their own services or of paying the regular tax. In this connection I would like to draw to the Committee's attention a letter of July 29, 1965 from Mr. Lyman S. Ford, Executive Director of the United Community Funds and Councils of America, Inc. in which he urges this action. (Submitted for the record.) I am sure I speak for all voluntary welfare organizations in urging the retention of this provision of H.R. 15119.

The extension of unemployment insurance to employees of non-profit agencies—even on the more limited basis provided by H.R. 15119—is an important step in extending the protections of law to this increasingly significant segment of our work force. Every day it becomes more evident that the expanding frontier for useful employment lies in the area of services and that a substantial part of such service will necessarily be performed on a non-profit basis. Those who perform such service cannot be treated either as second-class citizens or second-class members of our work force.

From the point of view of broad public policy H.R. 15119 is far less in accord with the general principles spelled out in our statement than S. 1991. In that statement we urged the adoption of mandatory Federal standards in order to assure a nationwide program to deal with a nationwide problem and thus to act as a measure of prevention for the poverty and insecurity which is our primary concern. Now in a period of relatively high employment is the very time when we should be taking the steps necessary to strengthen the central institutional structure which protects our working force against the social hazard of earnings loss due to factors which lie beyond the control either of the individual worker or his employer.

Today there is widespread concern on two fronts: (1) the unpredictable impact on employment patterns of our rapidly expanding technology and (2) the intolerable persistance of poverty for a considerable part of our population in an economy characterized by unprecedented affluence. In 1961 the National Social Welfare Assembly adopted an official Position Statement on Public Welfare in which it stressed the primary importance of those measures that prevent need (and hence the dependence on public assistance or other measures based on income deficiency) before it occurs. A system of unemployment insurance adequate not only in coverage but in the amount, duration and circumstances of its benefit provisions is an essential part of such a policy.

Last year I wrote an article entitled *Unemployment Insurance and the War on Poverty* in which I undertook to analyze the potential role of this program in preventing poverty and the ways in which its present operation falls short in meeting that goal. I would like to present this article for the hearing record in support of this general statement. But as one example I would cite the fact that the Federal government currently uses a broad figure of $3,000 as the measure of poverty for a family of four (and there is an increasingly articulate group that advocates a Federally-guaranteed minimum income of this amount) while average unemployment insurance payments (in a program designed to prevent poverty by maintaining income) fall well behind this amount and only a few states permit payment at this level even in the most favorable circumstances.

Our statement to the House Ways and Means Committee stressed the fact that only through Federal leadership expressed in terms of required Federal standards could this problem be solved.

If we are going to continue to use state administrative machinery to deal with problems which clearly derive from economic and technological conditions which transcend state boundaries and control, we must surely find better methods to develop standards which are not solely determined by the economic and political conditions within a single state. Federal standards in a nationwide but state-administered program—far from being the threat to the vitality and survival of state government that some critics maintain—offer the only practical means to meet the challenge of the day and thus strengthen state government. It is, moreover, important that Federal measures to deal with the additional burden of concentrated extended unemployment be closely related to such standards in the basic program so that the underlying institutional structure may be strengthened to weather such a challenge.

Social welfare does not claim any monopoly on the foresight needed to strengthen our institutional measures to prevent new social problems before they occur. But representing as we do the agencies to which the victims of such prolbems turn we are in a good position to know the heavy price they exact in individual suffering. It is from this vantage point that we make our plea.

Mrs. WICKENDEN. I suppose that I represent here the welfare point of view on this legislation. The National Social Welfare Assembly is the national planning and coordinating body for the welfare field. It includes 79 national welfare organizations, and it also deals on matters of national legislation with 500 local welfare councils in various communities.

My point of view that I express here today is officially that of the voluntary welfare field but, as you perhaps know, I have for many years been associated with public welfare in various capacities and, therefore, to some degree it reflects the problem from the point of view of public welfare.

There are approximately 42,000, I should say there were in 1960, 42,000 people employed by voluntary nonprofit organizations. So in one sense I am here representing a group of employers, and it may be rather exceptional that I am here supporting coverage for these employees on the basis of the House-passed bill.

But the welfare organizations generally are very much concerned with the social system, its effective functioning and, particularly, those points at which it is creating a problem in terms of poverty, unsecurity, hardship, and so forth, for the people who are obliged to turn to both public and voluntary welfare agencies and, therefore, I am also speaking on this legislation from the point of view of general public social policy.

Now, from the point of view of the employer, I might mention, because I wish to put it in the record, that in 1961, anticipating that this question of coverage under unemployment insurance would become an issue and, of course, even in our group there was some reluctance to face taking on an additional charge, but being in the welfare business we felt that we should investigate whether there is actually any risk of unemployment in the field of voluntary social welfare and, therefore, we made a survey and I would, with your permission, like to insert this in the record.

(The document referred to may be found in the committee files.)

Mrs. WICKENDEN. It was, of course, a spot check. We did it with the help of the Bureau of Employment Security in the Department of Labor, and rather to the surprise, I think, of some we found that contrary to the general belief that there is no unemployment in this field, that there was an evidence of some, not excessive, but some, unemployment.

Specifically, we found that there had been evidence of 18 percent involuntary separations, and on a spot check subsequently that 9 percent of these people had suffered a period of unemployment.

Really on the basis of this evidence and on the basis of a general principle of supporting social protection for all workers, we have a very substantial body of support for coverage.

However, since they cannot pass on any consumer the costs and are, as always, hard-pressed to find money from voluntary contributors, we have supported the idea of special financing, and from that point of view actually the House bill is preferable to the Senate bill, in that it does exempt voluntary nonprofit agencies from the Federal as well as the State tax and permits an actual cost basis of reimbursement if the agency agrees.

In that connection, I would like to insert in the record at this point a statement of the United Community Funds and Councils which, as you know, has the job of raising the money for these agencies.

(The document referred to may be found in the committee files.)

Senator DOUGLAS. Mrs. Wickenden, would you permit me to ask a question at this point?

Mrs. WICKENDEN. Yes.

Senator DOUGLAS. What you are advocating is a separate industry pool.

Mrs. WICKENDEN. Yes.

Senator DOUGLAS. Would you say that the clothing industry should ask for a separate pool, the public employees for a separate pool, the bakeries for a separate pool? Would you advocate a State fund?

Mrs. WICKENDEN. Well, I think in this, in answering your question, I would have to separate the viewpoint of those that I represent and my own theoretical viewpoint because I feel that social insurance is a universal system.

Nevertheless, I think it is rather remarkable that a group of people who are very hard pressed, a group of organizations, employers, extremely hard pressed for financing, are very conscious of their obligations to their clientele and unable to serve them, will come in and ask for the imposition of any extra financial obligation.

So you might say, in a sense, that this separate financing provision is the price, as it were, of their support for the extension of this protection to their employees.

There are among these organizations, I should make clear, that there are considerable differences among them. For example, I am also a consultant to the YWCA. The YWCA has always supported coverage with no separate financing provisions. So I have to make a distinction among the various ones.

If you asked my personal opinion, I feel we should—that all employees should be covered, and this should be part of the cost of the system.

When the administration's proposals—I wanted to ask permission to insert one other document in the record, and that is I would like to say that all three of the major religious organizations in this field have supported coverage, and two of them have supported the general question of national leadership and national standards that I am about to discuss. I notice that Monsignor Higgins has submitted a statement for the National Catholic Welfare Conference; the Conference of Jewish Federation and Welfare Fund have submitted a statement, and I would like at this point to insert also the statement of the National Council of the Churches of Christ which was adopted by its General Board in February 1966.

The CHAIRMAN. Without objection.

(The document referred to, follows:)

A POLICY STATEMENT OF THE NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE UNITED STATES OF AMERICA—UNEMPLOYMENT INSURANCE ADOPTED BY THE GENERAL BOARD, FEBRUARY 24, 1966

Whereas, the Christian obligation to bear one another's burdens finds partial expression in the pooling of risks through various forms of insurance, and

Whereas, personal and family security and morale are shattered by the interruption of income through continuing unemployment, and

Whereas, unemployment insurance benefits can help persons avoid poverty and unnecessary reliance on public assistance funds by mitigating the wage loss resulting from involuntary unemployment of the breadwinner, and

Whereas, benefits payable under unemployment insurance operate automatically and speedily to support consumers' purchasing power, and help to maintain effective demand and employment in the economy, and

Whereas, the General Board of the National Council of the Churches of Christ in the U.S.A. has adopted as its position the statement that both the federal and state governments should participate in providing adequate unemployment compensation, recognizing that this calls for increases in the amount, duration and coverage of unemployment compensation now available under present laws,[1] and

Whereas, the National Council has also expressed support of the specific application of this policy with regard to agricultural workers;[2]

Therefore, the General Board of the National Council of Churches reaffirms such previous policy statements related to unemployment insurance and now further affirms that:

1. Coverage under unemployment insurance should be extended to all employees who receive wage income without regard to the size, nature, or place of the employing unit.

2. Payment of unemployment insurance benefits should be adequate in amount to sustain human dignity, while preserving incentives to seek further employment, which benefits

   a. are at levels related to the beneficiary's previous wages, with federally established minimum standards aimed at the payment of at least one-half of his average weekly earnings up to an established maximum related to the state-wide average weekly wage;

   b. do not discourage participation in training programs nor mobility on the part of the beneficiary in his quest for work; and

   c. do not, through unreasonable disqualification rules, unduly penalize the jobless worker by preventing the payment of benefits during involuntary unemployment.

3. Payment of unemployment insurance benefits should be available for a period of time sufficient to provide a minimum period of interrupted income from gainful employment with

   a. benefits from the state unemployment insurance fund for a substantial period while the beneficiary searches for employment; and

   b. extended benefits from federal funds to the claimant who has exhausted his state benefits but still has not found work, for an additional comparable period to allow the claimant to make whatever readjustments in skill, location, and subsequent employment are necessary.

4. For dealing with persistent unemployment, long-term social and economic provisions, such as the development of new abilities and enterprises and programs of personal rehabilitation, manpower training and area redevelopment should be utilized in close correlation with unemployment insurance programs.

5. In view of basic differences in economic structure and in the extent of unemployment as between non-profit organizations and private industry, the extension of coverage to employees of non-profit organizations should be made with financing provisions which would recognize these differences.*

The General Board commends this Statement to the churches for appropriate action and also authorizes representatives of the National Council of Churches to testify at legislative hearings in support of the principles embodied in the foregoing sections of this Statement.

65 for; 5 against; 2 absentions.

Mrs. WICKENDEN. Now, when the House bill was introduced—I should say the original bill, H.R. 8282 and S. 1919—we did at that point set up a committee, and we did adopt a statement which is in-

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[1] Policy Statement on Christian Concern About Unemployment, adopted by the General Board, June 4, 1958.

[2] Policy Statement on Ethical Goals for Agricultural Policy, adopted by the General Board, June 4, 1958.

*This paragraph is considered to be in harmony with the intent of Section 203(c) of H.R. 8282 as introduced in the 89th Congress.

cluded in my general prepared statement, stressing three general points which I would like to discuss.

According to our normal procedure, we circulated this statement, and on the basis of that 23 national organizations signed the statement, and 53 heads of organizations signed in their individual capacity indicating their support for the principles that are there set out.

I am going to discuss these in reverse order. I should say that this statement emphasizes three points: the role of unemployment insurance as a preventive of need; the desirability, in fact, the indispensability, of national leadership; and the question of coverage for nonprofit organizations.

Since I have already discussed to some extent the question of coverage, I would like to spend whatever time I have on these other two questions, especially since they are in an area in which I have really a special competence.

I think many people get very confused these days in the discussion about the war on poverty, about those measures that are set up to deal with poverty after it occurs and those which are directed to preventing poverty.

Unemployment insurance clearly belongs in the latter category and we, who are in the welfare business, feel that this is the better way to deal with poverty.

I happened to start working in 1933 with Harry Hopkins in the Relief Administration, and from the very moment that we began dealing with the actual problem of poverty, we began also, at the same time, participating in the committees and other efforts to devise methods by which this would serve to prevent the occurrence of poverty, and which would permit people to have their entitlement to benefits on some basis other than actual need, and to this day that continues to be the official position of the National Social Welfare Assembly and of virtually all organizations that are concerned with welfare.

Actually, at the present time we have a great deal of discussion about who is, as we now say, in poverty. We use a figure of $3,000 as a rough gage; $3,000 translated into a weekly figure is about $57.

You can see that we have very few unemployment insurance benefit levels in the States that are even permitting States to meet that level.

What people do not seem to realize is that if you do not prevent people from becoming poor by an adequate system of payments that are based on some entitlement other than poverty, you are going to pay anyway in your very heavy welfare costs or, possibly, in such social costs as we are now experiencing in some of our larger cities.

So that this is not altogether a matter of whether you are going to pay; it is a matter of whether you are going to do it in a constructive way that is satisfactory to people or not.

For that reason, we strongly urge such measures as are incorporated in the Senate bill which will have the effect of making this a more effective preventive of need, and in that connection I would like to put into the record an article I wrote last year called "Unemployment Insurance and the War on Poverty," in which I point out the various ways in which this is failing at the present time to perform that function.

(The document referred to follows:)

[From the Unemployment Insurance Review]

"UNEMPLOYMENT INSURANCE AND THE WAR ON POVERTY"

Elizabeth Wickenden*

In the present war on poverty, as in other forms of combat, it is perhaps inevitable that, in the public mind, assistance to current casualties should initially overshadow the longrun strategies of building a stable and organized social order in which such casualties can no longer occur. Many people find it easier to grasp the need for particular forms of immediate aid to deprived individuals than to consider the need for basic reform in the institutional structures which affect us all.

Unemployment insurance, as the principal mechanism for giving the worker assured income to partially replace that which he loses through involuntary unemployment, is clearly such an institutional structure and hence a major weapon in the strategy of fighting poverty. Nevertheless, it is not surprising that its central role in any effective war on poverty has not yet received the same degree of pinpointed public attention as the crash program of innovation measures popularly known as "the poverty program," authorized by the Economic Opportunity Act to help the present victims of poverty.

One of the major purposes of the poverty program is to center the attention of all elements in our affluent society on the presence in its midst of over 30 million persons who are not sharing that affluence. This is bound to create a more critical and constructive interest in the basic institutional lags and weaknesses out of which that poverty springs. Thus, the poverty program, as it becomes fully operational, is almost certain to bring about increased attention to the values of the UI mechanism and the need to bring it up-to-date to meet current problems. This article is devoted to an analysis of this process and the challenge it presents.

ASSETS OF THE UI SYSTEM

What are the particular assets of the UI system as a major weapon in the war on poverty? There are four closely interrelated and central attributes whose values will surely be brought into sharper focus as the programs of the Economic Opportunity Act center increasing attention on the needs of the poverty-stricken in our society.

First, UI is a program of cash payments.—Our economy, like other market-oriented industrial economies, is basically money-oriented. Poverty, for virtually all individuals in the United States, must be measured in the first instance as a gap between their money income and that which is considered a tolerable level of individual or family income in relationship to the total actual or potential productivity of the Nation. Obviously, the poverty level in the United States, where average per capita income currently amounts to about $3,000 a year, is a quite different one from that in an underdeveloped country where per capita income runs below $100 a year.

Poverty is also different in modern America from what it was in the days when most people lived directly off the land, many of them in the relative isolation of the frontier. In those days individual enterprise and energetic self-reliance might well make the difference between a groaning board and constricting poverty. Today the individual must earn his livelihood from a job (and increasingly that job requires a large capital investment from a source over which he lacks control), or sell some product or service in the market, or live from the income of savings, or receive cash income from a governmental or other program of transfer payments—like social insurance.

There are many forms of nonmonetary benefit and service, especially those related to education and vocational training, that can enhance an individual's earning capacity, others that can help him make more effective use of his income, and others that either supplement his cash income or meet very particular needs not susceptible of answer in the market economy. In the final analysis, however, most people will measure their removal from poverty in terms of their cash income.

Not only is money income the measure of removal from poverty for most people, but it is also the measure of their dignity and freedom in a modern society. The framers of the Social Security Act understood very well this value

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of the cash payment for they had clearly before them the indignities of the grocery order, the rent payment, the community woodshed and the poorhouse. As these horrors have receded from memory, the proposers and makers of policy have sometimes been less aggressive in their advocacy of the "unrestricted cash payment" and some of their qualifications of the principle have good practical justification. But for the poor themselves, the most obvious answer to poverty is more cash in their pockets. UI is not the answer to the cash needs of all, but in the circumstances for which it is logical—interruption of wages due to unemployment—its cash payment aspect is a major asset.

Second, the purpose of UI is to prevent poverty, not to alleviate poverty after it has occurred.—While most people will gladly concede in theory the primacy of measures designed to prevent poverty, most of the popular criticisms directed against the UI system ignore this distinction. The alleviation of poverty is a welfare job with benefits based on and related to the fact and existence of poverty, more commonly designated as "need." But UI is designed to prevent poverty by assuring to the unemployed worker a predictable and objectively determined income which is related to his previous earnings but unrelated to his other assets or his need and granted as a matter of insured right. It is this attribute that gives UI dignity in the eyes of the beneficiary. The fact that the benefit payment is often too low under many of the State laws to serve in preventing poverty is a different question, discussed later. But the basic role of UI is a preventive one.

Two kinds of criticism, operating on quite different levels of sophistication, are frequently made with respect to this preventive aspect of UI. The first is epitomized by the recurrent newspaper story of the unemployed movie star arriving in his limousine to pick up his unemployment check. Here a naive or deliberate confusion is cultivated between UI, in which entitlement is based on prior work history and availability for work, and public assistance where entitlement is based on actual need. Both programs suffer from this common confusion of their purposes. A more sophisticated version of the same confusion goes something like this: "Assuming a limited amount of money available to 'help' the unemployed, any payments made by unemployment insurance to the nonpoor, in effect, make it impossible to give adequate aid to the poverty-stricken unemployed."

The first fallacy in this line of reasoning is the assumption that either the number of the unemployed or the amount available for their support is fixed. Obviously well adapted economic, educational and service policies should be capable of reducing the extent of unemployment to manageable proportions. But even assuming present levels of unemployment, payments made to the unemployed play such a role in maintaining the consumption side of the market equilibrium as to justify them as an element of production costs. In any case the cost of making payments related not to need but to joblessness is not so great as to justify distorting a preventive institution into one based on need. If one starts with the assumption that prevention of poverty is a primary social goal, no benefit conditioned on the fact of poverty can serve that goal.

Again many of the criticisms directed toward UI are based not on its basic concept of entitlement but on its inadequate implementation in terms of extent of coverage, benefit levels, and conditions of entitlement. Obviously, the answer to these problems is not a different system but a better adapted use of the existing system.

Third, a closely related value of UI is the factor of legally enforceable objective criteria for entitlement based on a previous work history.—If one accepts the premise that in the modern world individuals are largely dependent on social instrumentalities for their income, it follows that the only effective answer to a sense of helplessness on the part of individuals lies in legally enforceable rights and entitlements. This aspect of the war on poverty has been recognized by the Office of Economic Opportunity in the strong encouragement it is giving to the financing of legal services to the poor and the emphasis placed in discussions of those services on representation of individuals before the governmental bodies controlling public benefits. It becomes especially important with respect to those benefits, like public assistance and unemployment insurance, where adverse public opinion in particular circumstances may influence the decisions and policies of administering agencies.

It is sometimes difficult for employees of governmental agencies, conscious of their efforts to protect the interests of their program beneficiaries against every sort of pressure and criticism, to recognize the extent to which the right of

appeal against their decisions and representation by a lawyer or other outside advocate protects the health of the program for which they are responsible. The effective utilization of the right of appeal would also seem to require the review and consideration of State agency practices related to legal representation and assistance for UI claimants and the difficulties they sometimes encounter during the appeals process. Not only the observance of the objective rule of law guaranteeing appeal rights, but the maintenance of a fair balance between the administrative and beneficiary relationships is the essence of legal processes to protect the rights of the latter.

A legal right, however, must also be rooted in a well-accepted social value and here again the entitlement factor in UI has a basic strength in its relationship to a work history. For work is still the most generally accepted basis for income in our society, despite the interesting speculations of groups like the Ad Hoc Committee on the Triple Revolution that automation with its attendant abundance may ultimately make this an obsolescent relationship. Certainly for the present there is no question but that income from productive labor is the most acceptable basis both to the individual and to the molders of public policy. In this sense UI may be regarded as a kind of deferred return on labor already performed as well as a token of good faith with respect to the willingness of the worker to return to productive labor as soon as a job is available to him. Since his ability to perform such labor is conditioned on the productive apparatus of the country, the cost of carrying him over this period of involuntary unemployment is considered an appropriate charge against the cost of production itself, and his entitlement to benefits is still firmly based on his status as a member of the work force in good standing.

There are many precedents for legal entitlements surrounding an individual in his capacity as a worker and unemployment insurance derives great strength from its association with them. Here again the shortcomings of UI in this respect are not intrinsic to the concept. They result from failures to make the adaptive modifications required to meet changing conditions.

Fourth, and basic to all other UI values, is its ongoing institutional stability.—For not only does the mechanism of social insurance protection against the risk of unemployment assure predictable income to the individual, it also plays a major role in the total institutional structure on which the health of our society increasingly depends. Neither production nor consumption can any longer be regarded as functions based exclusively on independent individual initiative and effort. Production requires heavy investment in highly complex organizational structures which in turn rely on a market situation largely supported by the availability of expendable income. An employer cannot control his market conditions any more than a worker can control his job. Both are equally dependent on an elaborate complex of delicately balanced interactive institutional mechanisms in which the market economy is only one of many factors. In this situation the health of the market economy is as dependent on overall institutional mechanisms as is the employer for a return on his investment and the worker for a return on his labor. In simple fact, all are equally dependent on their common instrumentality, government—not to supplant their own functions but to create the institutional relationships with which all can function and thrive.

Obviously, within such a complex interaction of institutional relationships the role or government must itself be institutionalized, i.e., based on a rule of law and operational mechanisms which function with predictable continuity. It is conceivable, of course, that government might deal with the fact of individual poverty due to joblessness in a purely *ad hoc* manner with some official reaching into a common fund for the relief of destitution according to his own best judgment of the moment. But in the anarchy of such an arrangement more than the dignity and security of the worker would suffer. All aspects of economic functioning would be thrown into disarray and the rule of law which is the essence of stable government would be totally undermined. In other words, the prospect is so unthinkable in the modern world as to make the point really unarguable: institutional continuity is a major asset in the role of UI in an effective war on poverty.

ADAPTATIONS FOR THE UI SYSTEM

But institutional continuity does not mean institutional rigidity, and this turns attention to the other half of this analysis; the changes that are needed to make the UI program a really effective instrument for fighting poverty. For institutions are like people: constant growth and adaptation are not only indispensable for effective functioning, they are the very price of survival itself. So when one

comes to look at the shortcomings of UI as a weapon against poverty, one must consider first the failure of our policymakers to keep it up-to-date.

In the 30 years since the passage of the Social Security Act in 1935, our gross national product has grown from $72.5 billion to $634.6 billion in 1964; our total civilian labor force has grown from 52.8 million to 74.2 million and the distribution of that force, both in terms of occupation and geographical location, has drastically altered; changes in the relative contribution of machinery and labor to production have started a process of revolutionary change which is bound to accelerate; the educational and skill components of required labor within that production pattern are equally altered; the age and sex distribution of the work force has likewise undergone a major change; the average weekly gross earnings of a production worker in manufacturing has risen from $23.64 in 1939 to $103.38 in 1964; and the scope of both domestic and world markets has constantly widened. These are just some of the factors that have revolutionized the economic and, more specifically, the job market situation in which UI is expected to play its appropriate role.

What has been done in that 30-year period to bring about commensurate adaptations in unemployment insurance? The answer is very simple: At the Federal level, at least, virtually nothing. While its companion social insurance program of Old Age, Survivors and Disability Insurance (OASDI) has been repeatedly enlarged, strengthened, and adapted to changing needs—through wider coverage, higher benefits, and new forms of protection—the Federal-State UI system has stood virtually still except as individual States have moved ahead of the country as a whole. Fortunately, there are now signs of real hope for imminent change in the fact that the Administration has put forward major remedial proposals, now under consideration by the Congress.

What would be the effect of these proposed changes in terms of the war on poverty? Without discussing the individual provisions in detail their impact applies to five broad related areas: coverage, benefit levels, benefit duration, benefits while retraining, and the role of the Federal Government in UI.

COVERAGE

The criticism is made frequently that the UI system fails to protect those who earn the least, who are the most vulnerable to unemployment and hence most quickly thrown into poverty if they lose their jobs. Obviously, this is not an attribute of the system itself but of our failure to move it out of the selective coverage with which it, like OASDI, began its existence into one of more universal applicability. Assuming, as this article does, that employment opportunities almost universally derive from a total institutional complex which is subject to social and economic factors that cannot be controlled either by the individual employer or the worker, protection against the risk of individual unemployment within that complex should be universally shared. The current proposals move in that direction by extending coverage to 5 million additional workers, mainly those in small firms, in nonprofit organizations, and on large farms, and by modifying the requirements for effective coverage. The fact that many of the workers in these groups are peculiarly vulnerable to destitution is important to the war on poverty but less so, in the view of this observer, than the fact that it is a movement toward universal coverage. For only when all workers are covered will the preventive wall against poverty due to temporary joblessness be complete.

BENEFIT LEVELS

Poverty, to the jobless worker, must be measured by two yardsticks: the absolute levels of his current income and the degree to which he has suffered a reduction from his normal standard of living. By neither standard is our current UI system adequately meeting its proper role as a preventive of poverty. The war on poverty has used a rough average of $3,000 a year for a family of four as the pivotal measure below which poverty may be assumed. Reduced to a weekly figure this would require an income of something over $57 for the elimination or prevention of poverty. But even with all the wide variations among the State benefit schedules the average weekly benefit payment in 1964 was only $35.96. There are, moreover, only seven States (at this writing) which permit unemployment insurance payments—under even the most favorable circumstances—to reach this out-of-poverty level under current maximum limitations.

For the worker who bases his standard of living on the assumption of a continuing earning power, the other measure of poverty is equally important. In

turn, our very economy is based on this same worker's willingness to make long-term expenditure commitments in terms of such essentials as the mortgage on his house or rental levels established by lease, his time payments on an automobile and all the other expensive investments of modern living, his health and other insurance payments, his educational obligations to his children, and his taxes. When he loses his job, not only his personal economy but his role in the national economy is thrown into disarray unless his replacement income bears a reasonable relationship to his earnings. Yet here UI payments are not only hopelessly inadequate, averaging only 35 percent in terms of wage replacement, but are actually 6 percent lower than they were in 1939. Under the provisions of the proposed legislation all States would be required to raise the weekly benefit amount to 50 percent of the individual's weekly wage up to the State maximum, and the maximum would be set initially at 50 percent of the statewide average weekly wage, thus rectifying the situation to that extent. This is a long overdue step in the right direction.

DURATION

In this hasty overview it is clearly impossible to discuss the full implications of existing duration limitations on the effectiveness of UI as a preventive of poverty. Perhaps the most significant fact to note in this area is the changing character of unemployment itself. In the UI system envisioned by the framers of the Social Security Act in 1934, it was apparently assumed that most unemployment would result from seasonal factors in production or temporary dislocations in the market. The role of the worker in this picture was assumed to be relatively static; after the seasonal or market dislocations had passed, the worker would return to his former or similar job. But in today's changing economic pattern the causes of unemployment have changed in ways that create a far greater risk for particular workers of long-term unemployment or major changes of occupation, skill, or location that require considerable time for readjustment. Thus, in practical fact, the exhaustion of claimants' benefit rights under existing duration restrictions of the State laws has become a major factor in creating poverty and dependency. Even though the actual number of individuals exhausting their benefit rights before securing employment has gone down in recent years, they still constitute nearly one-quarter of all beneficiaries. Obviously, these people have no choice but to turn to public assistance or relatives if jobs cannot be found.

The legislative proposals aim to improve this situation in three ways: (1) by requiring the States to provide benefits for at least 26 weeks to eligible claimants who meet the requirements of 20 weeks of prior employment; (2) by giving additional financing help to States whose own funds are depleted due to heavy unemployment; and (3) by the provision of a permanent program of Federal Unemployment Adjustment Benefits (FUAB) for the long-term unemployed worker with a strong prior attachment to the labor force.

RETRAINING

Closely related to the problem of duration, as discussed above, is the question of whether the unemployed worker can hope to find a job without acquiring a new or different skill. Under the origional UI concept a primary condition of entitlement was considered to be "availability for suitable work," by which was meant that the worker must be continually available in case a job similar to the one he had formerly held opened up. But for a worker displaced by automation, changing skill requirements, or major shifts in employment distribution such continuous "availability" may prove an actual handicap to reemployment if it prevents him from acquiring a new skill through training or from moving to a new location to seek employment." The FUAB program would make a progressive step toward solving this problem by conditioning these extended benefits on retraining where appropriate and by the provision requiring States to pay regular benefits to unemployed workers while taking training approved by the State agency.

A STRONGER FEDERAL ROLE

Perhaps the most significant contribution of the current proposals to make the UI system a more effective weapon in preventing poverty is the recognition that unemployment is a national problem requiring nationwide standards of remedy. Even though the Social Security Act left the actual administration of UI to the States, it recognized the need for a nationwide system by the ingenious

tax offset system which virtually assured universal State participation (which in fact did occur), and imposed certain minimum standards to achieve the elements of a common program. Again, failure to update those standards to meet changing conditions has left the States in the situation where any initiative by a particular State to raise standards above the Federal requirement is resisted by employers who fear for their competitive situation in relationship to those employers in less enterprising States. Obviously, in a Federal system where many States must function within a single national market, the Federal Government is the only jurisdiction which can assure simultaneous updating of provisions among all the States, thus providing a reasonable standard of adequacy without competitive disadvantage to any one State.

From the point of view of the worker, the benefits of such action are obvious, but it is hard to understand why employers have not all been equally alert to see its advantages for them. Not only will this action simultaneously protect their own work force and their own competitive position, but it is the surest way to maintain the market on which their prosperity ultimately depends.

LIMITATIONS ON UI SYSTEM

In conclusion something should be said about the limitations of the UI system in the war on poverty. Not all or even a majority of the people who are presently poor can expect to have their poverty eliminated either by finding a job or receiving the kind of substitute income provided by UI. It is even possible that the expanding productivity of each worker may still further reduce the work force by extending the period of youthful preparation, speeding the retirement of the elderly, and encouraging other forms of activity for persons whose major usefulness and fulfillment may lie outsied the wage economy. There are other ways of assuring adequate income to these groups, and the effectiveness of UI would not be enhanced by trying to stretch its provisions to meet their needs.

Moreover, UI can never substitute for a full employment economy. By its very concept of entitlement, its role must always presuppose the ultimate and, in fact, prior existence of a job. Thus the creation of jobs—whether in the private sector motivated by profit, the public sector providing authorized services, or the possible extension of public works jobs specifically designed to make good use of available workers—must always take priority as a goal. But within its own supportive limits UI should be recognized for what it is—a major arm of the country's poverty-fighting establishment, needing only the kind of updating of its weaponry that has been so generously supported in other kinds of warfare.

Senator DOUGLAS. Mrs. Wickenden, would you permit another interruption?

Mrs. WICKENDEN. Yes; certainly.

Senator DOUGLAS. The present war on poverty is primarily aimed at those who have not really been able to establish a work relationship or who are in a period prior to establishing.

Mrs. WICKENDEN. I would make a distinction between the program of the Office of Economic Opportunity and the war on poverty, because, in my view, the war on poverty embraces a far wider range of Federal programs.

Senator DOUGLAS. I quite agree.

What I mean, you certainly are not proposing that social insurance, as it is known, would be a substitute for the Office of Economic Opportunity, are you?

Mrs. WICKENDEN. No, I do not. But I think we should also not permit those measures that are in a sense remedial to take, to obscure the need of updating our basic insitutional system.

Senator DOUGLAS. I quite agree with you, but it is tendency of people to be jealous of their own jurisdiction and to oppose new agencies.

Mrs. WICKENDEN. I did not mean to imply that. Quite the contrary. Since, as I may, I am speaking for welfare agencies which are generally concerned with dealing with the victims of poverty and in-

security, we are asking that you prevent to the maximum degree this type of victimization.

Senator DOUGLAS. I am very glad you clarified you position on this which, I think, you have always held but which is sometimes misunderstood by critics of the Office of Economic Opportunity.

The Office of Economic Opportunity tries to help the disadvantaged who have never been able to establish a work relationship adequate to bringing in an income while they are working and who, therefore, afll outside the scope or protection of unemployment insurance.

Mrs. WICKENDEN. I quite agree, Senator. I do not have any disagreement with that. In fact, I think that to the extent that the Senate bill deals with this problem it aids it by encouraging, by requiring, Sates to make payments for periods of retraining.

Now, it is true that only applies to the older worker, but it is in line with what you are saying.

I would like to take 2 minutes, if I have them, of my time to discuss something on which I feel a particular competence, and that is the matter of Federal-State relationships, because I feel quite strongly, and I think that most of these organizations for which I speak share the opinion, that the States do have a continuing role in our system and should not be written off.

But I find myself in total disagreement with those opponents of this measure who say if you have Federal standards in a State-administered program this is, in effect, destroying the role of the States.

Actually, it is interesting to me from where I sit that there is an even stronger feeling in certain circles that the States have actually outlived their usefulness. I do not hold this view.

Senator DOUGLAS. Nor do I.

Mrs. WICKENDEN. But I hear it said all the time because they can neither—I want this all in quotes—"the States can neither deal with a nationwide problem, nor can they deal with the problems adequately of their own political subdivisions."

One way to make it possible for the States effectively to deal with a nationwide problem, and certainly unemployment derives from conditions which are national in origin—is to have them become the administrative agents of a program in which the standards operate on a national basis.

It is interesting on another front that I was, as you perhaps remember, Senator, for many years the representative of the American Public Welfare Association which is the agency of another State-administered or local-administered program, the public assistance program, and for the most part this organization has consistently asked for Federal standards in order to equalize among the States the disadvantages that they feel.

I have just completed a period of service on the Federal Advisory Council on Public Welfare which was established by the 1962 Social Security Amendments, and that Council came forward unanimously requesting a change in the public welfare law which would have the effect of mandating and financing, nationwide minimum standards. So that I feel—and this is the position stated in this document—that quite contrary to the consistent statement of one of the opponents of this bill, that this was a federalizing measure, and I am referring now to Senator McCarthy's bill—quite the contrary, this is a proposal to

save the States from what may, might well, be the folly of permitting the program to become so depreciated in its usefulness that State administration was no longer possible.

Of course, the one other point that I would make at this point is that if you cannot act in a period of relatively low unemployment to strengthen your basic institutional structure, which is what I am concerned with, you run a grave risk of doing a very inadequate, hasty job if you are later confronted with a crisis.

So, from the point of view that I represent, it is really a conservative position to ask that action be taken now to strengthen the State programs to Federal action so that they can effectively replace income lost due to unemployment and thus prevent need and thus, in effect, reduce the costs, both social and economic, that occur when that happens.

Senator DOUGLAS. Of course, this is one of the reasons why those of us who have supported the Supreme Court decisions on reapportionment held very strongly that the State legislatures would become more representative of the population, and that they will be more zealous in protecting the interests of wage earners.

Mrs. WICKENDEN. I think that is happening. It takes a little time.

Senator DOUGLAS. We hope that legislative reapportionment will lead to greater emphasis by the State legislatures on these matters and, hence, head off the movements for national administration.

Mrs. WICKENDEN. Yes. But that would not meet the problem that Senator Long referred to of competition among the States.

Senator DOUGLAS. That is right.

Mrs. WICKENDEN. I happen to live in a State which has—New York which has—rather a high level, and there is a constant fear that any further improvements in the program will weaken the State's competitive position.

Senator DOUGLAS. That is correct.

Mrs. WICKENDEN. So only Federal action can deal with that problem.

Senator DOUGLAS. That is what held back child labor legislation for many years, and ultimately required a Federal act.

Thank you very much. I have been reading your articles for many years.

Mrs. WICKENDEN. May I insert this list for the record?

(The document referred to may be found in the committee files.)

Senator DOUGLAS. The next witness is Mr. Carl Shipley, of the firm of Shipley, Akerman & Pickett. Good morning, Mr. Shipley. Will you proceed.

I notice, Mr. Shipley, at the bottom of page 1 of your statement you refer to a letter which you addressed to the chairman on June 30 of this year and without objection I am going to make that part of the record.

Mr. SHIPLEY. Thank you, Senator.

STATEMENT OF CARL L. SHIPLEY, ATTORNEY, WASHINGTON, D.C.

Mr. SHIPLEY. Senator, in accordance with my conversations with Tom and with the chairman's statements, I am submitting my statement of several pages for the record. I am doing this for the purpose,

too, of saving the time of this committee and your time in considering this serious problem.

(The prepared statement and letter of Carl L. Shipley, follow:)

LAW OFFICES,
SHIPLEY, AKERMAN & PICKETT,
Washington D.C., June 30, 1966.

Hon. RUSSELL B. LONG,
Senate Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR CHAIRMAN LONG: Our office shares with many of our business clients we represent the hope that the federal unemployment compensation bill passed by the House will be accepted by the Senate without major modifications. At a time when the dollar is under attack, and inflation is undermining the savings of our older citizens, it would not be in the national interest to increase the cost of unemployment compensation for employers. This additional cost naturally will be reflected in price increases of goods and services employers supply to consumers throughout the nation.

As we understand it, the House-passed bill (H.R. 15119) will extend benefits to an additional 3.5 million persons who are not currently covered. The retention of employer "experience ratings" and the existing federal-state structure of the system is far superior to the federalization of unemployment compensation by the establishment of federal standards.

The House bill will increase the federal payroll tax levied on employers to 3.3% from the present 3.1%, which will increase the federal share of the tax from 0.4% to 0.6%, and will permit employers to continue to claim a credit equal to the remainder of their 3.3% liability for taxes above that paid to State compensation funds. The House bill will increase the current $3,000.00 annual wage base to $3,900.00 in 1969, and to $4,200.00 in 1972, which will produce estimated additional revenue of $272 million in 1967, and as much as $628 million commencing in 1972. This expansion of the existing system would seem to be reasonable under the circumstances, and we strongly recommend that it be adopted in the Senate without substantial change. Will you please associate this letter with the record of hearings on the proposal?

Very truly yours,

SHIPLEY, AKERMAN & PICKETT.

WASHINGTON, *D.C., July 21, 1966.*

Re H.R. 15119, Federal unemployment insurance bill.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR CHAIRMAN LONG: It is our understanding that the Senate Finance Committee in considering proposed amendments to the present Federal-State unemployment compensation program is holding this hearing to receive comments respecting the Unemployment Insurance Amendments of 1966 provided in H.R. 15119, the House-passed bill to extend and improve the Federal-State unemployment compensation program, and that the Committee is not considering S. 1991, which was a counterpart to the original House bill, H.R. 8282, sponsored by the Administration. The views we express are our own and not necessarily the views of our clients, although as citizens and taxpayers we share with them and other interested persons a deep concern that Congress not take any action at this time which will aggravate inflation by increasing the cost of doing business, and ultimately increasing the cost of goods and services to consumers. In a letter dated June 30, 1966 we forwarded to you some views in connection with H.R. 15119, and this statement is intended to supplement that letter.

When the present Federal-State unemployment compensation system was enacted by Congress in 1935 as part of the Social Security Act, a rather unique Federal tax device was incorporated to stimulate action on the part of the various States in implementing the system. Under the existing plan, a Federal 3.1% tax on the first $3,000 of each covered employee's annual pay, defined as the

"taxable wage base" is imposed. Each employer, provided the Secretary of Labor has determined the State system involved to be eligible, is permitted an "off-set" or deduction from his Federal tax of an amount up to 2.7% of amounts paid in State unemployment compensation taxes.

Thus, the net Federal tax under the present system is 0.4%, most of which is ultimately redistributed to the various States for administrative expenses. During the past 30 years this system has worked remarkably well and has assisted millions of employees during periods of involuntary unemployment. It has proved to be a stabilizing influence for the national economy and has helped to moderate and avoid the sharp effects of temporary economic recession.

In view of the fact no real need for amending existing law has been shown, we believe Congress should defer action on this proposal until the military and economic picture clarifies. Our country is faced daily with increasing evidence of serious economic dislocation. Inflation is increasing, Federal and State tax increases are under serious study, wages and other costs of business are constantly spiraling upward, and there is a shortage of labor. And unemployment has reached the lowest point in many years. In addition there are a number of other Federal programs such as the Manpower Training Act and the proposed Human Investment Act, which will meet some of the problems sought to be remedied by the pending legislation. The inter-relationship between the Federal-State unemployment compensation program and other developing Federal programs should be studied further before action is taken.

If the Senate Finance Committee determines to report a bill, despite these other considerations, it is our recommendation that it report H.R. 15119 in its present form. Today almost 50 million jobs, including those of Federal employees, ex-servicemen, and railroad workers, are covered by unemployment compensation. Only 15 million jobs are not covered, and nearly half of those are in State or local governments. The House bill will extend coverage to another 3.5 million persons, largely by redefinitions of the terms "employer", "employee" and "agricultural labor", and by requiring States to provide coverage for certain employees of non-profit organizations, State hospitals, and institutions of higher learning. This will increase the total number of covered workers to almost 53 million, a little over 82% of all wage and salary workers in the United States. These changes are set forth in the report of the Committee of Ways and Means of the House of Representatives to accompany H.R. 15119 at page 2, and we incorporate them by reference.

The bill would require the various States to enact laws establishing a new permanent program to take effect on January 1, 1969 to pay extended benefits during periods of high unemployment to workers who exhaust their basic entitlement to unemployment insurance, with the Federal Government and the States each paying 50% of the cost. The "extended benefits" would be triggered by either a national or State "on" indicator. Under present law all States except two pay benefits for at least half a working year, i.e., 26 weeks or more. Under H.R. 15119 additional State benefits will be paid for as much as another one-fourth of a year, i.e., 13 additional weeks. In individual States such benefits will go into effect when the rate of insured unemployment over a 13-week period is 20% higher than it averaged in the corresponding period in the two preceding years, and the total of unemployment is at least 3%. On a national basis, the extended benefits will be triggered when the insured unemployment rate is at least 5% and the rate of benefit "exhaustions" is at least 1%. To protect against difficulties experienced under previous temporary extensions that permitted some persons to get a job, work a short time, and then draw many months of unemployment benefits, H.R. 15119 will allow the States to limit the additional benefits to those who are regularly a part of the labor force and have to work for a living.

The House-passed bill under consideration by the Senate Finance Committee will be financed by increasing the rate of tax under the Federal Unemployment Tax Act from the present 3.1% of taxable wages to 3.3% commencing in 1967. No change will be made in the 2.7% credit allowed to employers in the various States. The bill raises from $3,000 to $3,900 those wages subject to the Federal tax for the years 1969 through 1971, and further increases the wages base to $4,200 per year in 1972. This will result in a net increase in the Federal unemployment tax from 0.4% to 0.6%, of which 0.1% will go into a separate new account in the unemployment trust fund to finance the Federal share of the extended benefits provided by H.R. 15119.

We believe H.R. 15119 as passed by the House is far superior to the proposal contained in S. 1991, which would cause the various States to abandon "experience-ratings" under which employers are given an incentive to avoid lay-offs and maintain employment. Also, as we understand S. 1991, it would establish a new program of Federal unemployment benefits on top of State unemployment compensation payable for 26 weeks in good times and bad, as well as a Federal subsidy to various States claiming to have high benefit costs. In addition, it is our understanding that S. 1991 would impose Federal standards governing eligibility, the size of benefits, and the length of time benefits would be paid by the various States, thus destroying much of the flexibility inherent in the present system under which States can shape their unemployment compensation programs to local needs. One of the worst features of S. 1991 would be its proposed Federal requirement that every State pay benefits to anyone who quits a job voluntarily or who has been fired for misconduct or has refused to take suitable employment while drawing unemployment insurance benefits.

H.R. 15119 preserves the Federal-State system which has worked so well for nearly a generation, while at the same time strengthening some aspects of it and eliminating certain abuses. Contrarily, in our judgment S. 1991 would completely alter the basic structure of the Federal-State system and shift it away from its present pattern of providing unemployment insurance and convert it to a welfare-type program which would ultimately destroy it.

The present unemployment insurance program is designed to protect the worker who loses his job because of circumstances over which he has no control, until he can obtain other employment. It is aimed at relatively short-time unemployment, and is based on the principle of providing unemployment insurance adapted to meet local conditions. Many people believe the changes proposed by S. 1991 would transform the present insurance system into a relief-type program, moving toward a Federal guarantee of regular "wage income" whether a person is working or not.

It is the responsibility of an orderly society to take care of those persons who are the victims of long-term unemployment and need training and retraining. There are a number of Federal and State programs designed to solve that problem. However, unemployment insurance should not be confused with welfare and relief programs, nor should the present Federal-State unemployment compensation system be converted into a welfare program. It is for this reason that we are opposed to the "federalization" of the existing unemployment compensation system and recommend that this Committee, if it feels called upon to take any action, accept H.R. 15119 in its present form.

Respectfully submitted.

SHIPLEY, AKERMAN & PICKETT,
By CARL L. SHIPLEY.

Mr. SHIPLEY. However. there is one aspect of the proposed bill, as I understand it—it is H.R. 15119, the House bill, which this committee is considering, which I have not dealt with at any length in my statement. I wish to call to your attention, Senator, that the bill—and no one can quarrel with the social purposes of the bill or the soundness of the approach. I think——

Senator DOUGLAS. Are you referring to the House bill?

Mr. SHIPLEY. Yes, sir; to the House bill.

Senator DOUGLAS. I see.

Mr. SHIPLEY. I am not discussing the Senate bill because I think the political possibilities of it receiving any serious consideration are very remote indeed.

Senator DOUGLAS. You say you are an expert on that subject?

Mr. SHIPLEY. Only to the extent of having talked with a good many interested persons who have been dealing with this problem over many months, and seemingly the House bill is a kind of a consensus bill, so to speak, which meets many of the areas of objection, and thus there probably won't be any rerun of all the debates and discussions that

went into the development of the provisions that found their way ultimately into the House bill.

I would say this: I doubt very much whether it is advisable for this Congress to pass even the House bill at this time because of the situation in Vietnam, and the inflationary dislocations that are occurring in our economy.

One aspect of the bill I do think, Senator, which is worthy of serious consideration by this committee is that in the extension of coverage in the bill it is really sort of an anti-small-business bill, or an anti-consumer bill or might even be described as a proinflation bill at this time.

I call your attention to this fact, that, as has been developed in the House, some 50 million employees are now covered by the present program, and this bill will only extend coverage to another 3½ million employees. But when you look at the employees to be covered and the devices used to cover them, it does raise a serious policy question.

For example, the number of employees who will be additionally covered will be 1.2 million additional workers who will be brought in from small employers with less than 4 employees.

Now, those 1.2 million people are almost half of the 3½ million people to be covered.

Senator DOUGLAS. Approximately only one-quarter of those covered under S. 1991.

Mr. SHIPLEY. Yes, sir.

Now, another 1.9 million of the newly covered people are not in the productive sector of the economy. They are not in the private enterprise sector. Those are the employees of nonprofit organizations and of State hospitals and institutions of higher education.

Senator DOUGLAS. You refer to them as nonproductive Do you regard them as parasites in the social order?

Mr. SHIPLEY. They are terribly important people. Indeed, I think the people in these types of institutions perform very valuable services. But you, as an economist, I think, would agree they do not add anything to the productive mainstream of the economy. They are not producing economic goods and services.

Senator DOUGLAS. I would question that, and I think there has been really a malformation of social values in thinking that these people are nonproductive, schoolteachers and public health workers and postmen and social workers and the rest, that they are nonproductive. They meet human needs, and the fact that they do not sell their services in the private market does not mean that they are nonproductive.

You, yourself, have said that they are very valuable, and I could not let the record pass without interposing not so much an objection, but a broader definition of the term "productive."

You know a century and a half ago it was said that the only productive people were the farmers. The French physiocrats denied productivity to industrial workers. They said the only productivity came from goods produced from the land. You would not hold to that today, would you?

Mr. SHIPLEY. No, sir. My definition of "productive" in the private sector turns more on what Vice President Humphrey uses sometimes

in some of his speeches as this being simply a relationship between the tax payers and the tax eaters. That is the term he uses, and I think the productive people are those who do pay the taxes, and these institutions will be a claim on the taxpaying element of the population.

Senator DOUGLAS. I admit to not being very close to the speeches of my friend, the Vice President. But I think this——

Mr. SHIPLEY. He makes some good ones.

Senator DOUGLAS. But this distinction between the tax payers and the tax eaters is a false one. It implies that the public employees are parasites. The public employee performs services generally of a highly important nature. And to single them out as consumers of the social product, but not as persons who add to the social product is the same twisting of values which I felt I should object to originally.

Mr. SHIPLEY. Well, I do not want to misquote Vice President Humphrey. In his speech format he talks about the importance of, well, for instance, Federal aid to education, for which he makes one of his very persuasive arguments, and he has used the term "Tax eaters" in stating that this type of person should make a productive unit in our economy, but we must give them skills to change them from tax eaters into tax payers, and I am just drawing that simile.

Senator DOUGLAS. The teacher can prepare people for a more effective life and, presumably, does so. This definition of yours, since we do not like nonproductivity, would close down schools, hospitals, and the rest. We would be in a great pickle if we were to do that.

Mr. SHIPLEY. Well, I am not in favor of that, Senator.

Senator DOUGLAS. So I admonish you, my dear friend, to revise your sense of values, and as you have revised your sense of values, revise your nomenclature.

Mr. SHIPLEY. Well, this is not my sense of values. I, like you, have served on a college faculty, and the distinction I am making here is not only the semantic differences. These are terribly important institutions and, indeed, I cannot think of any factor of our whole society that is more important than those people engaged in the business of education.

Senator DOUGLAS. I am glad you said that. If they are important and if they perform a socially valuable function, why do you say they are nonproductive and tax eaters?

Mr. SHIPLEY. Well, let me develop the idea that I am calling to your attention, which is quite apart from that.

I am saying that of the 3½ million people this bill will cover, 1.2 million will come in by reason of a redefinition of the word "employer." This means that every barbershop, every beauty shop, every architect, every grocery store, dry cleaner, every doctor, every dentist, every lawyer, and all other small employers of from one to four employees in your State of Illinois in every town and community across the Nation will become a new class of taxpayers that were not covered before. They will find themselves, as a result of this bill, confronted with a 3.3 percent new Federal tax. They are not now paying that because they employ less than four people. Present law excludes small employers of less than four employees.

Now, from one end of Illinois to the other end, indeed, all of the other 50 States of the Union, these people are going to get an unhappy message when this bill becomes law because this means for the housewife, I suppose, in the small grocery store that the price of bread goes up. For the dentist I suppose the price of the dentist's bill goes up. Certainly the bills are not going down when you add to the cost of doing business the expense of this new Federal tax.

Now, my only allusion to the 1.9 million nonprofit and the State hospital and higher education institution coverage was that that really does not have an impact because these people are not in the same sense struggling in the free enterprise area against competition to meet the rent and make the payroll.

It is quite a different thing for a one-man delicatessen with one employee or two employees, or three employees, operating on a very narrow margin—I am not speaking for those people—but in our law office we do represent an apartment house association, the National FHA Apartment Owners Association, which is one group—they have fewer than four employees—they will all come under the new coverage. This means rents must go up in your State of Illinois and all the other 50 States or else you have to make the unrealistic assumption that the employer is going to absorb this added cost of doing business.

So I think it is a kind of antismall business, antifree enterprise, and antismall businessman, and indeed, inflationary proposal to the extent that the consumer has to pay a new Federal tax in all of these small businesses in every small town. So this aspect, I think, is worthy of consideration.

There is another provision that should be of concern, in addition. The House bill adds another 200,000 by bringing in agent-drivers and salesmen and other individuals by the device of extending the definition of employee. This again will cover new individuals in your State and every other State and pose an additional difficulty. To legislate by warping and stretching the common meaning of ordinary words is a questionable procedure. And I doubt the social value of this bill at this time, when the economy is under extreme stress and the dollar is under attack throughout the world, and inflation is a real problem for us. I doubt whether adding in this additional coverage at this time when it deals with so few people and has such a narrow impact is meaningful. It hits the small town, the small communities, the small person, the employer of three or less, and that is about the only person who picks up the bill for this increased coverage—and he will pass it along to the consumer as a price increase.

I say that that poses a balancing of social values as between the desirability and, indeed, the extreme desirability, of extending coverage, which brings about greater economic stability and purchasing power and has a value in terms of satisfying participants in our system, so they know that they are adequately protected against the catastrophic loss of employment through circumstances over which they have no control, and these are terribly important social values, but they must be measured—that one aspect is not all there is to it—they must be measured against the fact of what is going to happen in the small

towns and communities when this tax goes into effect next year. Consumers are entitled to protection from the price increases that will follow the imposition of a new 3.3-percent Federal tax on employers of one to four workers. The dollar is entitled to protection from inflation.

So in concluding, I would just say, Senator, since you do have this long experience as an economist and because you have paid special attention in your public life to matters of this kind and because you are one of the most knowledgeable men in public life on balancing these types of considerations, in our various social insurance and social welfare programs, that you would pay special attention to this particular phase of the bill and the really very narrow impact which was not given attention in the House. Indeed, I was surprised there was not more interest shown on the part of these small business people and consumers. I guess they are not organized in terms of large lobbies to come in and talk, and really great opposition to the bill was knocked out because nobody is going to be hit except the small towns and small business people that I have referred to. So I would hope that you would study this so that the country will have the benefit of your very experienced consideration of this problem.

Thank you very much, Senator.

Senator DOUGLAS. You are very kind to say that. I take it, Mr. Shipley, you are opposed to the House bill.

Mr. SHIPLEY. No, sir. I think that any bill really should be deferred so that the relationship between, say, the Manpower Training Act of 1962 and the proposed Human Investment Act could be considered. The Senate bill—S. 1991—I think this argument was made in the House—and the original House bill—H.R. 8282—these are the administration bills, raised the question of whether this was not converting the insurance program into a welfare program; whether it was not the kind of indirect approach to a guaranteed minimum wage by providing for 52 weeks of coverage, whether a person was employed or not, and with the diminution of eligibility standards in terms of those people that Mr. Meany talked about earlier, and the discussion of Mrs. Wickenden with respect to social insurance as distinguished from relief and poverty programs and that kind of thing. There has not been a really adequate study of the relationship between the poverty program, the OEO, the Manpower Training Act, this other pending porposal of the Human Investment Act, and other Great Society programs.

Senator DOUGLAS. You are in favor of postponing action until such a competent study has been made.

Mr. SHIPLEY. Yes, from the standpoint of public policy. In this great policymaking branch of the Government we are talking about a bill to extend coverage to only 3½ million of about 15 million uncovered people. We are talking about a bill now that is going to cover 3.5 million of whom only 1.6 million are private sector employees. We knock out another 7.5 million because we say they are State and municipal employees of some kind: State education and State hospitals come in, under H.R. 15119—what is wrong with the remainder of the 7.5 million public employees?

If there is social value involved there, people who work for State and municipal governments get unemployed, too. I think that there has not been a complete study of the relationships in these pending programs. But I say the real reason for not enacting any bill at the present time is because what you are really doing is only reaching 1.5 million mostly salesmen, agents, corner delicatessens, dentists, barbershops, and so on, who employ one to three, and you really are not doing much when you do that with all the paperwork that is going into this bill. The need for unemployment insurance among these small businesses has not been shown, they are not subject to cyclical and seasonal layoffs or dislocated production, such as in large industrial enterprises.

If there is going to be action, I would say the House bill is the best solution to this problem at the present time, because we will all be back later to discuss some other bill to cover the remainder of the 15 million persons not now covered.

Senator DOUGLAS. Mr. Shipley, our staff expert, who is a very able and openminded and fair man, calls attention to page BT–17 in this comparison of State unemployment insurance laws, and I wonder if you will look at the table and see whether I am accurately interpreting this table. He informs me that there are only 9 States with a uniform duration of benefits, and there are 43 States that have a variable duration of benefits ranging from 8 to 39 weeks, and I suppose this is in the column dealing with minimum potential benefits. Let me read some of these:

The nine States with uniform benefits are Hawaii, Maine, Maryland, New Hampshire, New York, North Carolina, Puerto Rico, Vermont, West Virginia, and all but Puerto Rico do have 26 weeks.

But when you get down into the States, let me read the minimum potential benefits. Alabama, 13 weeks; Alaska, 15 weeks: Arizona, 10 weeks; Arkansas, 10 weeks; California, 12 to 14 weeks; Colorado, 10 weeks; Connecticut, plus 26; Delaware, 11; District of Columbia, 17 plus; Florida, 10; Georgia, 9; Idaho, 10; Illinois, 10 to 26; Indiana, 12 plus; Iowa, 11 plus weeks; Kansas, 10; Kentucky, 15; Louisiana, 12; Massachusetts, 8 plus 25; Michigan, 10 plus; Minnesota, 18; Mississippi, 12; Missouri, 10 plus 26; Montana, 13; Nebraska, 11; Nevada, 11; New Jersey, 12 plus; New Mexico, 18; North Dakota, 18; Ohio, 20; Oklahoma, 10; Oregon, 11 plus; Pennsylvania, 18; Rhode Island, 12; South Carolina, 10; South Dakota, 16; Tennessee, 12; Texas, 10 plus; Utah, 10 to 22; Virginia, 12; Washington, 15 plus; Wisconsin, 14 plus; Wyoming, 11 to 15.

The idea that the maximum benefits are the uniform benefits is a great error. These benefits are so dependent on previous employment plus earnings that a very large proportion cannot get the maximum, and it is a mistake therefore to take the maximum potential as the uniform benefits.

Do you have any reply to make to that?

Mr. SHIPLEY. Well, I think, Senator, you are quite right in your observations as to the facts. I know here in the District of Columbia where I live we have 17 weeks minimum with a maximum of 34 which is high above the Federal standard. In your State the mini-

mum goes down as low as 10 weeks and goes up to 26 weeks. But I think the problem again is a value judgment as between whether the local people in the State of Illinois should make the determination what the minimum should be or whether we in Washington should determine what they should do. Maybe other local programs make a minimum of more than 10 weeks unnecessary.

Senator DOUGLAS. You have this problem of interstate competition which has been referred to both by Mr. Meany and Mrs. Wickenden; namely, a State which raises the duration of benefits by itself, and therefore increases the cost of the system and diminishes the amount of the refund to individual employers, placing those employers at a competitive disadvantage, and, therefore, the same forces which operated in the field of skilled labor operated to a considerable degree in the field of unemployment benefits, and it is the belief of many of us that you should have a national floor above which individual States could go but below which no State should fall.

Mr. SHIPLEY. Well, I do not quarrel with that approach. I am not—I would not be called a red hot proponent of greater federalism or greater centralization by this legislative process which goes on in Washington because I assume the people of Illinois and the people of some of these other States—Alabama you referred to—have a good and sufficient reason based on the knowledge of the local economy, of employment cycles, of industries and farming and these other relationships to establish an appropriate local program.

Senator DOUGLAS. It also has the pressure of the cotton mills.

Mr. SHIPLEY. Well, Chairman Long——

Senator DOUGLAS. It has the pressure of the steel industry and others. I think you will find in the history of the evolution of these laws that many States which did start out with a uniform duration of benefits under the pressure of competition changed those uniform duration laws to variable duration laws with a minimum appreciably less than the maximum. I think you will find that.

Mr. SHIPLEY. I think that might be so, Senator. I do think this is again one of the problems, I say, which has not been reviewed sufficiently in depth, I do not believe, for national policymaking. For example, taking the States that we have talked about, the District of Columbia, with 17-week minimum or Illinois with the 10 or whatever it is, to 26-week, or Alabama with 13 weeks. We do not know the types of social programs they have at the State level which might make it unnecessary to have a Federal standard of 26 weeks. On the House side it was brought out pretty much what Chairman Long was talking about earlier, about this ship contract that his State did not get which a State with a much higher benefit rate did get. As I understand him, he was saying if this was a competitive factor, the contract could have been let to his State for a million dollars and a half less or something like that. California has been cited as being one of the States with high benefits whose economy outstrips States with lower rate unemployment insurance programs.

Senator DOUGLAS. I think he was swearing to his own hurt out of a devotion to the general truth. What he was saying was that no State should be given the advantage of lower standards. If you have a

situation in which States are given this advantage, you would naturally expect them to scramble for it, but there should be a floor below which State competition should not carry the same standards.

Mr. SHIPLEY. Well, I would just say this—I do think Mrs. Wickenden touched on it, it gets into the whole area of Federal-State relationship or whether this federal system is going to become a national system without States. I know you have strongly supported the federal system throughout your public life, and is this a nibbling away of the federal system when the Federal Government creates and substitutes its judgment as to what standards should be in Mississippi, and in New York and in California and Illinois, and so on.

Senator DOUGLAS. No.

Mr. SHIPLEY. I think there is an area of balance there. I am not really competent to discuss it too much. My natural instinct is to support the federal system along with the Founding Fathers, but there is certainly a growing school of thought that that structure of government is not working too well in this century.

Senator DOUGLAS. If the benefit system becomes a percentage of existing State wages, then you get your variation between States as a result of the play of market forces in determining the wages within that State. So you still have a good deal of local elasticity there, and furthermore you have decentralized administration which is important.

Well, this is a big question, but I felt I could not let you get by with this statement of great uniformity when such uniformity as exists is simply on maximum benefits, and is not on actual duration of benefits.

Mr. SHIPLEY. I think, of course, Senator, I must say that the forces opposed to establishing this national uniform minimum, say 26 weeks or even of 52 weeks or 26 weeks plus an additional 13 weeks, that point of view was presented persuasively in the House but not effectively. It may be that a much better case can be made for it. But when the administrators of these State programs themselves really do not go along with that approach, they may have a vested interest for not doing it, but when you added up the total thrust of concern over this issue, I think probably the basic, the commonly held idea that defeated the President's proposals in the House was this federalization of the system by establishing a uniform Federal standard. This seemed to get more people concerned deeply in a bona fide way about the Federal-State relationship than any other thing, and this whole matter in the House was the subject, as you know, of a tremendous amount of pulling and hauling in executive sessions week after week and month after month and it was not only employers or this, that, or the other group of employees that were raising these problems. These were thoughtful students of this whole subject as yourself, and the idea you advance was fairly presented, not effectively, and it lost in the marketplace of competition among ideas over there, and I do not think it will do much better here really.

Senator DOUGLAS. I would like to, unless there is objection from other members of the committee—I would like to insert in the record table 27 of this blue book.

(Table 27 mentioned, follows:)

TABLE 27.—*Potential duration of unemployment insurance benefits for new insured claimants, by State, calendar year 1965*

State	Average potential duration (weeks)	Percent of claimants entitled to—		
		Total	Less than 26 weeks	26 or more weeks
Total	24.1	100	32	68
Alabama	23.7	100	32	68
Alaska	25.3	100	10	90
Arizona	22.4	100	41	59
Arkansas	22.1	100	49	51
California	23.8	100	29	71
Colorado	21.7	100	47	53
Connecticut	22.5	100	42	58
Delaware	23.2	100	39	61
District of Columbia	30.2	100	25	75
Florida	19.5	100	75	25
Georgia	19.4	100	79	21
Hawaii	26.0	100	0	100
Idaho	18.5	100	85	15
Illinois	22.8	100	42	58
Indiana	18.7	100	73	27
Iowa	21.1	100	57	43
Kansas	22.9	100	40	60
Kentucky	23.1	100	42	58
Louisiana	23.8	100	46	54
Maine	26.0	100	0	100
Maryland	26.0	100	0	100
Massachusetts	25.7	100	35	65
Michigan	23.1	100	32	68
Minnesota	24.0	100	47	53
Mississippi	22.9	100	43	57
Missouri	23.0	100	40	60
Montana	21.7	100	48	52
Nebraska	21.4	100	58	42
Nevada	22.7	100	37	63
New Hampshire	26.0	100	0	100
New Jersey	23.6	100	33	67
New Mexico	28.6	100	15	85
New York	26.0	100	0	100
North Carolina	26.0	100	0	100
North Dakota	23.5	100	40	60
Ohio	25.1	100	24	76
Oklahoma	27.1	100	41	59
Oregon	25.3	100	10	90
Pennsylvania	28.6	100	15	85
Puerto Rico	12.0	100	100	----------
Rhode Island	22.9	100	43	57
South Carolina	20.7	100	100	----------
South Dakota	19.8	100	100	----------
Tennessee	23.3	100	38	62
Texas	20.4	100	67	33
Utah	25.6	100	53	47
Vermont	26.0	100	0	100
Virginia	20.0	100	78	22
Washington	27.3	100	26	74
West Virginia	26.0	100	0	100
Wisconsin	28.6	100	30	70
Wyoming	23.8	100	37	63

Mr. SHIPLEY. I do not have a copy of that, Senator. I would like to have it because of the great concern in this whole area.

Senator DOUGLAS. On page 44 which gives the potential duration of unemployment insurance benefits for new insured claimants by State, calendar year 1965, you will see that 32 percent of the claimants were entitled to less than 26 weeks of benefits, and there was a real variation between the States. In Hawaii there were no workers who were entitled—I beg your pardon, all of the workers were entitled to 26 weeks.

Mr. SHIPLEY. Yes; Hawaii was the full 26 weeks.

Senator DOUGLAS. But Missouri and Nebraska, 58 percent were entitled to less than 26 weeks; South Carolina, 100 percent; South

Dakota, 100 percent; Texas, 67 percent; Utah, 53 percent; Virginia, 78 percent; Washington, 26 percent; Wisconsin, 30 percent; Wyoming, 37 percent. I should mention by own State, 42 percent, Illinois.

Idaho, 85 perecent; Georgia, 79 percent; Florida, 75 percent; and so on.

So that as it works out, the restrictions upon duration of benefits is such that about a third of the workers are entitled to less than 26 weeks.

Mr. SHIPLEY. Yes, sir; but I think the other side of the coin, Senator, is that out of the 50 States only 8 have seen fit to establish a 26-week maximum. They have local economic reasons for going the other way.

Senator DOUGLAS. That is right. I am speaking of workers.

Mr. SHIPLEY. Yes, but I was looking at the table that you were referring to and while very few of them do come up to 26 weeks, there are only 8 that have seen fit to reach this national standard of 26 weeks.

After all, we are talking about 6 months, and you get to the point of who should pay the cost of this social insurance up to 6 months or even after 6 months, should this be a general obligation of the whole society or just the employer and the consumer who deals with that employer. It gets to be "whose ox is being gored" and who should really pay the cost of a national program and a national social program. Is it an insurance program financed out of a payroll tax on employers or a welfare program properly chargeable to our whole society?

Mrs. Wickenden, if I am pronouncing her name correctly, her approach—and she is very much concerned with preventing poverty and these nonproductive types of a drain on the economy by people who simply want to work and cannot work or do not want to work and cannot work either, whatever problem puts them in the poverty class—maybe the thing ought to be financed and funded in a different way.

A great deal of time is always spent on how to finance this type of bill and I would say that was the second most important problem on the House side, was how do you fit this additional type of financing into the economy without laying a burden on this segment of business that is affected that is unreasonable and inequitable and unfair, and this gets into this Federal standard business.

So I would say again that there should be a great deal more study of the interrelationship of other programs, of local conditions, of State legislation, and the methods of financing the whole social insurance program if it is going to become a guaranteed annual wage. That really was one of the areas of debate.

If a few businesses are going to guarantee a year's employment to everybody to tide them over loss of earning potential during the time of seasonal shutdowns or economic dislocation or other circumstances over which they have no control, really how do you bear that cost and who should properly bear that cost, everybody, or just some?

Senator, I appreciate very much your time and your courtesy.

Senator DOUGLAS. We appreciate your contribution, Mr. Shipley.

Mr. SHIPLEY. And I would appreciate having my statement associated with the record. Thank you.

Senator DOUGLAS. Thank you.

The next witness is Mr. W. B. Hicks, Jr., representing the Liberty Lobby.

I wish to commend you on making the shortest statement we have yet received in this hearing.

STATEMENT OF W. B. HICKS, JR., SECRETARY, THE LIBERTY LOBBY, WASHINGTON, D.C.

Mr. HICKS. Thank you, sir.

Mr. Chairman, I am W. B. Hicks, Jr., of Liberty Lobby. I appear today to present the views of our board of policy, on behalf of the 185,000 subscribers to our legislative service.

We urge this committee to oppose any extension of Federal standards and control over the unemployment compensation systems of the States. To this end, we recommend that no such extension of standards or controls be added beyond the provisions of H.R. 15119.

Senator DOUGLAS. Do you support 15119?

Mr. HICKS. In lieu of any of the other proposals, yes, sir. However, we have some reservations about that bill which follow in my statement.

Concerning the proposal to extend coverage to all employers of one or more employees, Liberty Lobby is concerned about the possibility that the costs of administration of the program for more than 1 million new employers will far exceed the benefits to society of adding only 2 million new jobs to those covered under present law. It is particularly doubtful that these costs will be justified, since it is obvious that a great number, perhaps even a majority, of the workers to be covered will be ineligible to receive benefits at all, for other reasons, such as being temporary or part-time employees. Liberty Lobby believes that the Congress should insist on an accurate and comprehensive study of the facts before adding new taxes to 1 million small employers only to have those taxes eaten up by the costs of administration without corresponding benefits to society.

Liberty Lobby wishes also to object to the diversion of funds from the unemployment insurance program to finance various projects of the war on poverty. We believe that any bill approved by this committee should provide that in the future none of the administration costs of the unemployment insurance program shall be diverted to other uses.

Senator DOUGLAS. Well now, do you believe that 15119 does that?

Mr. HICKS. No, sir, we are now speaking of the practice which has been referred to in the testimony of other witnesses before this committee of the administration of the unemployment insurance program as it now stands, that many of the costs of administration reflected actually are costs of administering other aspects of the war on poverty, the Job Corps, et cetera.

Senator DOUGLAS. Well, I mean do you say that 15119 does divert funds?

Mr. HICKS. No, sir. What we are saying is that it does not prevent this, and we believe that any bill approved by this committee should include a proviso which would put an end to the existing practice.

Senator DOUGLAS. Is there an existing practice?

Mr. HICKS. At least as testified by other witnesses before this committee, this is the case. I have heard the statement of the Illinois Manufacturers Association.

Senator DOUGLAS. I was not privileged to be here at that time.

Mr. HICKS. I see.

Senator DOUGLAS. Is Mr. Goodwin here, or a representative of Mr. Goodwin here?

Mr. NORWOOD. Mr. Goodwin is not here, Senator Douglas.

Senator DOUGLAS. Would you be willing to comment on this: Are there any present funds of the unemployment compensation program used to subsidize the so-called war on poverty?

Mr. NORWOOD. William Norwood, Director of Unemployment Insurance Service.

The funds are used to finance both the unemployment insurance activities and the Employment Service.

Senator DOUGLAS. That is correct.

Mr. NORWOOD. References of the witness are to some participation of the Employment Service in cooperating with various training programs and other matters of the like. That is the point to which he has reference.

Senator DOUGLAS. Do I understand you favor prohibiting costs of placement in connection with training, placement in connection with training, that that should be eliminated from the functions of the Employment Service?

Mr. HICKS. Sir, may I simply quote from the testimony given by the representative and then answer your question.

He says:

> In the past few years much of the administration funds have been diverted to other uses such as for manpower development and training, youth opportunity centers, community development and other antiproverty programs. Thousands of placement persons have been taken off their regular jobs in the state employment security bureaus and assigned to work on these programs.

Our feeling is this: Employers alone and their consumers who purchase from them pay the taxes which support the employment insurance program. The other programs here referred to by the witness from the Illinois Manufacturers Association have nothing to do with the employment insurance program per se. They are obviously welfare type programs. They should not be paid for with the taxes paid by the employers covered by this bill.

Senator DOUGLAS. I had always thought that placement was a function of the U.S. Employment Service.

Mr. HICKS. Placement of the persons, sir, who are covered by the act is a legitimate function of the Employment Service which serves to lower the costs to the employer.

Senator DOUGLAS. In other words, it is your position that no funds of the Employment Service should be used to find jobs for those who are not eligible for unemployment benefits.

Mr. HICKS. This, I believe, would be our position; yes, sir. However, not all these practices have to do strictly with finding jobs. It is just that the placement persons, placement personnel, have been used to carrying out other functions such as community development and other antipoverty programs, at least this is the statement.

Senator DOUGLAS. Do you know of anywhere where officials of the Employment Service have been used to carrying out so-called community development programs or has their work been primarily confined to the finding of jobs for those out of work, whether covered by unemployment compensation or not?

Mr. NORWOOD. It starts from that, Senator Douglas. The appropriations committees, or course, of both Houses appropriate the moneys that are earmarked for grants to States for operation of unemployment Service activities. This does include and has included for many years, for instance, so far as the Employment Service is concerned, services to youth. It is true that a recent development is the establishment of such things as the youth opportunity centers, and they do utilize Employment Service personnel in carrying out those responsibilities. But they are related broadly to the point that you are speaking to and that is placement of people.

Senator DOUGLAS. You cannot be opposed to that, Mr. Hicks.

Mr. HICKS. Well, sir, I think that we have either an insurance program or a welfare program in the Unemployment Insurance Act.

Now, if this is a welfare program, then it should be so labeled. The costs should be spread over everyone, not just those persons who by purchasing the products of other people's labor, support those other people, in effect, by paying their wages. It should be supported by the community that, by and large, benefits from the welfare program. This is our position, that either this is an insurance program and should be so conducted or is not an insurance program and should be financed as a welfare program.

Senator DOUGLAS. I would like to have you read your next paragraph.

Mr. HICKS. All right, sir.

Above all else, we urge this committee to do something which might encourage the use of our unemployment compensation system as a way of life by those who would rather subsist on unemployment benefits than make an earnest effort to find work. The Congress has a serious responsibility to prevent the unemployment insurance program from becoming just another form of tax-paid charity.

Senator DOUGLAS. Let us stop right there. Now is not the purpose of trying to find work for these young folks who have not yet been able to establish eligibility under unemployment compensation to get them on private payrolls so that they can earn a living and so they will be off relief in the future and will not be a burden upon the taxpayers? I cannot believe that you would favor shutting off the efforts of the Employment Service to find work for unemployed youngsters who have not been able to catch on in the field of industry, who sometimes are barred from industry because of age requirements. It is hard to get industry to take youngsters of 16. They demand a minimum age of entrance as well as a maximum age of retention.

Mr. HICKS. I do not object to these persons doing this work, that this work is done, sir. Our position is that the amount of this work that is done should be paid for out of antipoverty funds and not out of unemployment insurance.

Senator DOUGLAS. Would you favor an increase in the antipoverty funds to provide for this?

Mr. HICKS. To the extent that this program is an effective program, that it is doing what it sets out to do, that it is accomplishing an aim, I would say, yes, sir.

Senator DOUGLAS. Well, of course, no one very completely accomplishes his aim. It is the nature of life to fall short of one's goal. That is true in our individual lives; it is certainly true in my life, both personal and official. The question is, is the aim a worthy one, is the achievement substantial?

Mr. HICKS. Is it the real aim, sir; the real question, that is, whether or not achieving what you are able to achieve costs more than the returns in benefits?

Senator DOUGLAS. Yes. The greatest waste that we have now is human energies, either lying idle or turning to antisocial activities, and every day's newspaper brings some of those costs home. I have just been going through some bad days in my own city of Chicago, a city which I think is superior to most cities, and they are having trouble now in Cleveland. Last year it was Los Angeles, and next week, next year, it may be some other city. I tell you this is a problem of youngsters who have not been able to attach themselves to industry for one reason or another, who are no longer at school, they are drifting about the streets, and I want to say this is not confined to one race or to the cities alone. You will find it on the low-income farms of New England, of the South, and of Michigan, Wisconsin, Minnesota, and in the low-income areas of the southern part of my own State of Illinois.

You have a national problem here, and instead of calling footfaults on the work of the Employment Service in trying to help these people get placed so that in Mr. Shipley's language they can be productive workers—it seems to me it is just throwing a roadblock in the way of something we all ought to get behind.

Mr. HICKS. Sir, Liberty Lobby does not belittle the magnitude of the problem which you described. It is simply to say that it is not a problem stemming from the unemployment insurance program, it is not a problem that should be financed through the unemployment insurance program, because that is no longer insurance, that is welfare, and while it may be fully justified as a public expenditure, which I might question in some other context, but I do not question here, it nevertheless should not be an expenditure made from the unemployment insurance fund, and this is our contention.

Senator DOUGLAS. Thank you very much.

Mr. HICKS. Thank you, sir.

Senator DOUGLAS. The final witness this morning is Mr. A. Weinlein, of the Building Service Employees' International Union.

STATEMENT OF ANTHONY G. WEINLEIN, DIRECTOR OF RESEARCH AND EDUCATION, BUILDING SERVICE EMPLOYEES' INTERNATIONAL UNION, AFL-CIO

Mr. WEINLEIN. My name is Anthony G. Weinlein, and I represent this morning the Building Service Employees' International Union, an organization of 350,000 workers, many of whom are from those allegedly nonproductive capacities that were talked about here before.

I understand there is a shortage of time and that you are asking for a shortening of statements, Senator, and, therefore, if you do not object, I will ask that the entire statement be put in the record, and I will just refer briefly to the first few pages and then go on

Senator DOUGLAS. That will be done.

Mr. WEINLEIN. Needless to say, we support entirely the statements, the written and oral statements, of President George Meany of the AFL–CIO, and our concern, Senator, is chiefly with the coverage provisions, and contrary to Mr. Shipley, we would prefer to have coverage provisions extended rather than decreased.

Senator DOUGLAS. You take this position despite the fact that your employees are in local industries where interstate competition is probably at a minimum.

Mr. WEINLEIN. Yes, sir; interstate competition is at a minimum in these industries. And we have in our union many of the, for example, many of the apartment house employees that Mr. Shipley represents the owners, and I want to assure Mr. Shipley, and I am sure he knows, that the rents of apartment houses are not going to be determined by an unemployment compensation tax. The regrettable thing about this entire situation is that these small employers were not covered nationally years ago. If it is going to be a shock, it may possibly be a shock to some of them, it should have been a shock a long time ago, and Mr. Shipley failed to notice that many States have already taken the proper steps to cover these small employers.

We are asking that all small employers be covered. We are asking with Wirtz, we are following Secretary Wirtz' suggestion made here a few days ago, that the House bill be altered so that employers that have one or more employees and a $300 payroll per quarter be covered in the present bill.

Our other two concerns with coverage, Senator, are the nonprofit institution employees, particularly the hospital and university employees, and the employees of State and local governments. With regard to the hospital and university employees, the House bill is acceptable. We accept the limitations and we agree with the special tax arrangements that have been incorporated into the House bill.

Senator DOUGLAS. We had testimony yesterday from Mr. James Purcell, of the National Association of Building Service Contractors——

Mr. WEINLEIN. Yes, sir.

Senator DOUGLAS (continuing). With whom your union deals.

Mr. WEINLEIN. Yes, sir.

Senator DOUGLAS. I do not know whether you heard his testimony or not.

Mr. WEINLEIN. I read it, sir.

Senator DOUGLAS. At page 492 of the typewritten record Mr. Purcell says:

> Within the past six months we had an employee who had been retired for disability reasons from the Federal Government who had been working for us at the same time, and he had a heart condition, and he applied for unemployment compensation. We went to and tried to get the hearing thrown out on the basis that the man was not able to work because of physical disability and we were not his prime employer at the time he became physically disabled. We lost in the hearing. The man was later classified on appeal as an observer, but still qualified for benefits.

And Mr. Purcell said:

This is an abuse of unemployment compensation.

Two sentences later, he testified that this was an exceptional case. I wondered if you have any comment to make on that case, whether you know about it.

Mr. WEINLEIN. No, sir; I did not know about it before I read the testimony. I would certainly agree that it was a very exceptional case. I do not know all of the ramifications of the law involved.

Senator DOUGLAS. Would you say that if the facts were stated by Mr. Purcell that this was a proper case for unemployment compensation? I had always felt that unemployment compensation applied where a man was able to work, willing to work, left his job without just cause, and was actually seeking suitable employment. Now, if a man is not able to work, do you think that this should come under unemployment compensation?

Mr. WEINLEIN. No, sir; essentially we do not.

Senator DOUGLAS. I am glad that is cleared up, because sometimes there is a tendency to stretch unemployment compensation pretty far. Thank you.

Mr. WEINLEIN. I would like to say, with regard to the nonprofit institutions, that the limitations on these institutions, on the coverage of these institutions, in the House bill are acceptable to us and we are very happy that some steps have been taken to cover hospital and university employees.

I would like now, if I may, Senator, in the interest of speeding along, to read the section about employees of State and local governments, which begins at the bottom of page 4 in the testimony we are submitting.

In testifying before the House Ways and Means Committee last year, we pointed out that only about a half million employees of State and local governments are protected by unemployment compensation and we suggested that Congress incorporate into the present bill a policy statement indicating that it is the policy of the Federal Government to encourage States to cover their own employees and employees of subsidiary governments as well as other persons who are not covered by Federal statutes.

Since that time, progress has been made in the two area of fair labor standards and unemployment compensation coverage of State and local government employees.

On May 26 of the present year the House of Representatives passed amendments to the Fair Labor Standards Act which would extend the minimum wage coverage to approximately 8 million workers, including school custodians and employees of State and municipal hospitals. Subsequently the House passed H.R. 15119 which would extend unemployment compensation coverage to the employees of State hospitals and colleges. Last Friday the Senate Labor Subcommittee approved with only one major change, the House-passed amendments to FLSA.

We are grateful for this turn of events, but we would like to suggest that the Senate now go the whole way and extend coverage completely to the employees of State and local governments. At very least, it would be logical to extend coverage to employees of city, county, and other local governmental hospitals and institutions of higher education,

as long as H.R. 15119 is already extending coverage to such institutions at the State level.

We believe that the employees of State and local governments who render such important services to our Nation are deserving of unemployment compensation protection like all other workers. While their jobs are relatively stable, it must be noted that there is unemployment among them.

May I say here incidentally, that an adequate measure of unemployment among State and local government employees is not available. The rate calculated by the Labor Department is limited to employees in "public administration." Service and other blue-collar workers employed by State and local governments are not included in this rate, and it is probable that the true rate of unemployment for those employees of State and local governments who need unemployment compensation most is probably twice as high as the present level of 1.4 percent. That is this public administration rate.

In conclusion, we would like to briefly summarize our position by saying that we believe that unemployment compensation insurance should be extended at least to all wage earners in the United States. We believe that no person should be denied unemployment compensation protection simply because he happens to work in a small establishment or in a nonprofit institution or for a State, county, city, or local government.

The proposals for the extension of unemployment compensation coverage that are contained in H.R. 15119 as well as the suggestions for the extension of coverage suggested by Secretary Wirtz, President Meany, and our own testimony would extend protection of unemployment compensation insurance to millions of low-wage workers who are particularly in need of such protection. This extension would contribute to the war on poverty and would be an excellent forward step in the direction of universal coverage. We ask that the members of this distinguished committee recommend that action to the U.S. Senate.

We want to thank you for this opportunity to be heard, Senator.

(Mr. Weinlein's prepared statement follows:)

STATEMENT OF THE BUILDING SERVICE EMPLOYEES' INTERNATIONAL UNION, AFL–CIO, SUBMITTED BY ANTHONY G. WEINLEIN, DIRECTOR OF RESEARCH AND EDUCATION

My name is Anthony G. Weinlein and I want to express the appreciation of President David Sullivan and our entire Union, the Building Service Employees' International Union, for this opportunity to speak briefly on the proposed amendments to the unemployment compensation statutes.

I will identify our union only by saying it is an organization of approximately 350 thousand men and women engaged in various kinds of service occupations, and employed by private industry, government and non-profit institutions. Many thousands of our members are not currently covered by unemployment compensation laws. A large portion of them are employed in non-profit hospitals and universities. Many of them are employed in establishments which have fewer than four employees, and many others are employed by state and local governments. It is on behalf of these members particularly that we present this statement.

SUPPORT OF AFL–CIO STATEMENT

With regard to H.R. 15119 in general, and with regard to the need to improve the entire unemployment compensation system, we wish to associate our organization with the remarks of President George Meany of the AFL–CIO. We are entirely in support of those views.

With Mr. Meany we hope that the Senate will reincorporate uniform federal standards for the amount of weekly benefits and the duration of such benefits, as well as a minimum of 26 weeks for the extended federal benefits program.

In the rest of this testimony, however, we will limit ourselves solely to the question of coverage.

NONPROFIT INSTITUTIONS

We applaud the House of Representatives in its action in supporting the extension of unemployment compensation coverage to the employees of nonprofit hospitals and institutions. We have no objections to the exemptions from such coverage as written into H.R. 15119, nor do we object to the special tax arrangements which can be made by states for nonprofit institutions under 15119.

We call upon the members of this distinguished committee and upon the Senate as a whole to grant unemployment compensation coverage to the employes of nonprofit hospitals and other nonprofit institutions. Employees of such institutions are among some of the lowest paid workers in our nation, despite the fact that large numbers of people are thus employed.

Hospitals account for the largest grouping of nonprofit employees. Because of the way in which hospitals have developed historically and because of the traditions and sentiments that have grown up with the institution, hospitals are often looked upon as a kind of special enterprise which should not be subject to the rules that apply to other enterprises. Our nation must, however, recognize the fact that in their economic activities hospitals behave pretty much like all other organizations. They pay standard rates for the products and services which they purchase from the outside; they attempt to accumulate an income that exceeds expenditures; and their administrators and staff professionals naturally work to maximize their own personal incomes.

Hospitals represent a huge enterprise in the United States. In the view of the American Hospital Association, they constitute the fifth largest industrial complex in a nation of large enterprises.

The fact that nonprofit institutions are given special tax status does not immunize their employees from the hazards of unemployment. We believe that hospitals must accept the fact that the payment of unemployment compensation taxes are essentially a part of modern economic life. The failure to protect hospital and other nonprofit institution employees with unemployment compensation in the past has been an injustice which should now be rectified. It has, incidentally, led to some anomalous situations in cases where profit-making activity is carried on by the nonprofit institutions, and some employees of an institution are covered while others are not.

There is unemployment among the employees of nonprofit institutions, even though the rate may be somewhat lower than it is for manufacturing. In those states where hospital workers are covered (like Hawaii and Colorado, for example) there is clear evidence of unemployment and periods of unsuccessful job hunting. The non-professional employees of hospitals and of nonprofit institutions generally are relatively low wage employees and have almost no opportunity to accumulate personal savings to protect them against periods of unemployment.

We believe that it is most urgent that the employees of all nonprofit institutions be protected by unemployment compensation.

SMALL ESTABLISHMENTS

H.R. 15119 would cover those small employers who have one or more employees in 20 weeks or who pay wages of $1,500 in a calendar quarter. Mr. Meany has suggested that the coverage of small establishments be extended. Secretary Wirtz has specifically supported the use of the Interstate Conference of Employment Security Agencies' recommendation that coverage be extended to those employers who have one or more employees if the employer had at least a $300 payroll in a quarter. This amendment of H.R. 15119 would add about 350 thousand more employees of small establishments to the 1.2 million that would be covered under H.R. 15119. We heartily support this recommendation.

There seems to be no genuine reason for denying unemployment compensation coverage to the employees of small establishments. Twenty-four states have already covered some or all of the employees of such establishments and this action on the part of the states has brought unemployment compensation to 1.2 million employees.

Our Union is particularly concerned with small establishments since many of our members are service workers in buildings that employ only a few people.

While we cannot cite specific instances, we assume that the inroads of automation as, for example, through the installation of an automatic elevator as a substitute for a manual elevator, could reduce the number of personnel employed by a building covered by unemployment compensation to a number of employees fewer than four, so that the remaining employees who did not lose their jobs through automation would, however, lose their unemployment compensation protection.

We are accordingly asking that the coverage be extended to employees of small establishments using the definition suggested by Secretary Wirtz.

EMPLOYEES OF STATE AND LOCAL GOVERNMENTS

In testifying before the House Ways and Means Committee last year, we pointed out that only about a half million employees of state and local governments are protected by unemployment compensation, and we suggested that Congress incorporate into the present bill a policy statement indicating that it is the policy of the federal government to encourage states to cover their own employees and employees of subsidiary governments as well as other persons who are not covered by federal statutes.

Since that time, progress has been made in the two areas of fair labor standards and unemployment compensation coverage of state and local government employees.

On May 26 of the present year the House of Representatives passed amendments to the Fair Labor Standards Act which would extend the minimum wage coverage to approximately 8 million workers, including school custodians and employees of state and municipal hospitals. Subsequently the House passed H.R. 15119 which would extend unemployment compensation coverage to the employees of state hospitals and colleges. Last Friday the Senate Labor Subcommittee approved, with only one major change, the House-passed amendments to FLSA.

We are grateful for this turn of events, but we would like to suggest that the Senate now go the whole way and extend coverage completely to the employees of state and local governments. At very least, it would be logical to extend coverage to employees of city, county and other local governmental hospitals and institutions of higher education, as long as H.R. 15119 is already extending coverage to such institutions at the state level.

We believe that the employees of state and local governments who render such important services to our nation are deserving of unemployment compensation protection like all other workers. While their jobs are relatively stable, it must be noted that there is unemployment among them.

May I say here incidentally, that an adequate measure of unemployment among state and local government employees is not available. The rate calculated by the Labor Department is limited to employees in "public administration". Service and other blue collar workers employed by state and local governments are not included in this rate, and it is probable that the true rate of unemployment for those employees of state and local governments who need unemployment compensation most is probably twice as high as the present level of 1.4 percent.

CONCLUSION

We can briefly summarize our position by saying we believe that unemployment compensation insurance should be extended at least to all wage earners in the United States. We believe that no person should be denied unemployment compensation protection simply because he happens to work in a small establishment or in a non-profit institution or for a state, county, city or local government.

The proposals for the extension of unemployment compensation coverage that are contained in H.R. 15119 as well as the suggestions for the extension of coverage suggested by Secretary Wirtz, President Meany and our own testimony would extend protection of unemployment compensation insurance to millions of low wage workers who are particularly in need of such protection. This extension would contribute to the war on poverty and would be an excellent forward step in the direction of universal coverage. We ask that the members of this distinguished committee recommend that action to the United States Senate.

Senator DOUGLAS. Thank you very much, sir.

Now that concludes the list of officially listed witnesses. Mr. Heath Wakelee, who represents the Electronic Industries Association, has

been scheduled to appear at this time. Is Mr. Wakelee in the room? If he is not, he has submitted a letter in lieu of a personal statement supporting the House bill. Without objection by other members of the committee, his letter will be made a part of the record at this point in the proceedings.

(The letter, with attachments, follows:)

ELECTRONIC INDUSTRIES ASSOCIATION,
Washington, D.C., July 20, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: The Electronic Industries Association wishes to be recorded in favor of H.R. 15119, now being heard before your Committee. Our Association strongly urges that this bill, as approved overwhelmingly by the House of Representatives on June 22, be reported favorably by your Committee.

Last August the Association, represented by Mr. James J. Brant, appeared before the House Ways and Means Committee, testifying on H.R. 8282 (companion bill S. 1991). In his detailed statement (a copy of which is attached for purposes of incorporation in the Record of your hearing), he reviewed for the House Ways and Means Committee the interest of the Association in the sound development of the Federal-State unemployment insurance programs. (Pages 895–902 of the House Ways and Means Committee hearings on H.R. 8282.) The views then expressed accurately reflect the Association's current thinking in this area.

While it would be repetitious to restate here EIA's position, especially in view of this recorded testimony and the subsequent passage by the House of H.R. 15119, we believe it appropriate to underline three major points we made last August and which undoubtedly will be considered in your deliberations.

First, the Association desires to again underscore the dramatic progress that has been made under the present system in terms of increasing benefit protection. Today's average benefit check will buy at least 54 per cent more in goods and services—in terms of constant dollars—than its 1939 counterpart.

The belief that Federal benefit standards, as proposed in H.R. 8282, are needed because the State programs have been unfortunately laggard in keeping benefits updated, is not based on fact. H.R. 15119 correctly recognize the facts and does not incorporate, therefore, any Federal benefit standards. We believe the facts also justify your support of this conclusion.

Second, the House passed bill wisely rejected the provisions of H.R. 8282 which we believe would have, in effect, repealed the desirable experience rating provisions—which encourage more stable employment through better planning and provide the fairest allocation of unemployment insurance costs among employers. We urge your support of this position.

Third, EIA has endorsed, and hopes your Committee will endorse, the House approved recession extended duration program. We believe it makes sense to extend the normal duration of benefits only during periods of high level unemployment.

In summary: EIA believes that H.R. 15119 merits the Committee's approval and we urge its speedy enactment.

Yours very truly,

HEATH WAKELEE,
Director, EIA Industrial Relations Department.

ATTACHMENT A

SUMMARY OF STATEMENT OF THE ELECTRONIC INDUSTRIES ASSOCIATION

1. EIA endorses the existing nation-wide federal-state unemployment compensation system which has made a major contribution to the economy over the last 30 years.

2. The present system is a dynamic one, in which both the Congress and the states have made significant improvements.

3. Contrary to the opinions of some, the facts show that benefit protection has expanded greatly since 1939. The record of progress shows that state legislatures have continually adjusted benefit levels and that actual benefit protection has more than kept up-to-date. Today's benefits have more than 50% greater

purchasing power in constant dollars than its 1939 equivalent. The majority of claimants, according to best available data, are receiving at least 50% of their wages. In view of this record, we believe there is no need for additional benefit eligibility disqualification standards.

4. EIA suggests that, if there still remains any doubt as to the fact that the majority of beneficiaries are receiving at least 50% of their wages (and a much larger percentage in after-tax income dollars), the U.S. Labor Department commence gathering from the states and publishing this relationship.

5. EIA supports the extension of coverage to employers of one or more employees as long as it is a reasonable test of employer status (20 weeks work in a year).

6. EIA believes that the proposed removal of the present federal experience-rating requirement would be most unfortunate and undesirable, being contrary to the underlying purposes of encouraging efforts to regularize employment and most equitably allocating costs of unemployment.

7. EIA supports the concept of a stand-by program to extend the duration of benefits during periods of recession when jobs are harder to find. Appropriate federal enabling legislation should give the states all necessary flexibility to design and finance the programs within the existing state system.

ATTACHMENT B

STATEMENT OF THE ELECTRONIC INDUSTRIES ASSOCIATION

My name is James J. Brant. I am Staff Vice President, Personnel Administration, Radio Corporation of America. Our corporation is active in the Electronic Industries Association, and I am Director of the Industrial Relations Department of that association. I appear today in behalf of the Electronic Industries Association.

INTRODUCTION

The Electronic Industries Association (EIA), while one of the older industry organizations, founded in 1924, represents an expanding industry which is the fifth largest manufacturing group in the country, with shipments in 1964 of $16.1 billion and with about 875,000 employees. EIA, with 274 members, represents about 75% of the dollar volume of the electronics industry business.

As might be expected from this brief background, our membership is not only vitally interested in the public unemployment program, which so directly affects electronics industry employment and costs, but we can also come before this Committee without any long-standing, preconceived ideas about the program. EIA looks upon the public unemployment insurance system as an essentially sound and necessary program in our increasingly industrialized and more urban-oriented economy. We can endorse philosophically the existing unemployment insurance program as a wholly workable blending of both federal and state responsibilities.

Our review of the history of the federal-state partnership indicates that Congress wisely passed, in 1935, what is essentially enabling legislation encouraging the states to enact unemployment insurance laws. Congress correctly expected that the individual states would continue to experiment with a variety of approaches which would develop the most meaningful programs to suit the varied conditions found across the country.

Certainly "perfection" wasn't expected—nor has it been obtained. Unemployment insurance is a dynamic, changing program which has more than kept pace with the times. If the present system had stood still or if the program was a sham, Electronic Industries Association would hope to be in the forefront of a movement to demand drastic reform. We do not believe, however, that the proponents of H.R. 8282 have made out either a good or convincing case for their omnibus bill.

We are concerned seriously with the fact that, except for the schedule of projected higher federal tax rates, there is a seeming absence of data on what the short and long-range cost impact of the so-called standards would be under the state programs. We cannot see how it is possible to have a thorough discussion or evaluation of any such program without taking these facts into consideration.

This general evaluation does not mean that EIA disagrees with some of the major objectives of the proponents but only that some of the means proposed are inappropriate or that the objective has already been achieved in large measure.

We also would hasten to point out that some of the features of H.R. 8282 are worthy of additional study and others, modified somewhat along the lines of other pending legislation, could well prove a salutary addition to existing law.

POINTS OF AGREEMENT

With respect to the U.S. Labor Department's explanation of the "reasons for the proposal,"* we can concur wholeheartedly with two basic observations. These are:

(1) "In its 30 years of existence, the unemployment insurance system has made major contributions to the economy as well as to the millions of unemployed workers who have received payments"—and

(2) "The States have made significant improvements in their laws".

Our analysis, showing annual benefit payments of over $2.5 billion to about 5.5 million individuals, with an aggregate benefit pay-out of over $38.8 billion through May 1965, demonstrates a major contribution. The generally dramatic increase in benefit protection since the program began, and as accentuated in the last five years, testifies to the willingness and ability of the program to keep up to date.

BENEFIT PROTECTION INCREASES

It would be repetitious, here, to restate the large body of evidence demonstrating how benefit protection has expanded since the so-called 1939 "benchmark" year. It is clear that today the average weekly benefit check is far more meaningful than its 1939 counterpart in buying goods and services. The 1939 average benefit was $10.66—in April 1965, it was $37.16. When the 1939 check is converted to 1965 equivalent dollars, all must agree that the 1965 check buys at least 54% more than its 1939 counterpart.

Benefit protection has expanded tremendously since 1939 when the maximum duration was about 16 weeks. By 1965, all but two states had a maximum duration of at least 26 weeks and nine states had provisions to further extend duration in periods of recession.

In 1939, the maximum weekly benefit in most states was almost uniformly $15. Today, that picture is changing so rapidly that even the fact sheets (e.g., Table 6, page 72) submitted to this Committee on July 30, 1965, by the Department of Labor are out of date significantly in some states and additionally fail to reflect the additional amounts payable in 9 states for dependency benefits.

The record of progress, in terms of increasing maximum weekly benefits, is dramatic. Today 37 states provide a maximum weekly benefit—exclusive of any dependency allowance—of $40 or more. They represent almost 82% of covered workers. 25 states, having over 52% of covered workers, have a maximum benefit of $45 or more (68.6%, when states having dependency benefits are included). In fact, nine states pay *$50* or more as maximum weekly benefit (increasing to 16 states, having a total of 53% of the covered employees, when dependency benefits are included).

As is well recognized, and brought out in much of the evidence already submitted, the product of the weekly benefit amount times benefit duration is a truer measure of individual benefit protection. In 1939, the maximum benefit protection was about $240 per year ($15×16 weeks). From a visual inspection of the current state maximum, it is evident that maximum benefit protection is well over $1,040 (26 weeks × $40) for at least 82% of the work force. In states having at least 50% of the covered employees, it is at least $1,300. Indeed, the range is from $1,300 to about $1,690—exclusive of dependency benefits—at the 26 week duration limit.

When the extra protection available in nine states during recession periods is considered, the maximum amount of protection increases to $2,535 (Calif.) exclusive of dependency allowances and to $2,925 (Conn.) including such allowances.

Maximum benefit protection has thus far outstripped cost of living increases.

State legislatures have adjusted benefit levels continually. Just since January 1960, all but six states (Alaska, Florida, Mississippi, New Mexico, Oklahoma and Washington), including almost 95% of covered workers, have increased benefit protection materially, and even since January 1, 1962, 37 states have increased their benefit protection.

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*June 30, 1965: "Background Information," prepared by the U.S. Department of Labor for the House Ways and Means Committee.

The record of progress is also outlined graphically in the attachment which indicates benefit changes in the nine states which have about 80% of EIA membership.

EIA therefore disagrees emphatically with the Department of Labor's appraisal that the program has not been "kept up to date". Perhaps benefits may not have increased quite as fast as the Labor Department would have liked but the record just doesn't justify the proposed so-called federal "benefit standards".

EIA does not quarrel with the concept that a majority of claimants should receive a payment equal to at least 50% of their wages under the unemployment insurance program. We believe that, as is well known, the benefit formula in all states provides at least 50% wage replacement up to the maximum weekly benefit of ceiling amounts. The maximum weekly benefits should and have been reviewed with that purpose in mind.

A MAJORITY OF ACTUAL BENEFICIARIES RECEIVES AT LEAST 50% OF WAGES

The Department of Labor data demonstrates to us that at least a majority of claimants do in fact now receive at least 50% of their wages. A current Labor Department tabulation indicates that a majority of the claimants in 1964 were entitled to receive at least 50% of their wages. We believe that this tabulation seriously understates the actual situation, since this available data does not fully reflect either the extra amounts paid for dependents or the numbers of claimants at the maximums who would not have their benefit increased even if the maximums were increased.

EIA suggests that the Labor Department (if it really wishes to demonstrate how the program is actually operating for beneficiaries) gather from all states in the period immediately ahead the percentage of actual beneficiaries who are and who are not receiving 50% of their wages. This information should be made public so that all can review and judge more accurately how the program is treating actual claimants. We also suggest that it would be helpful to know the actual wage replacement percentage of beneficiaries *based on "after-tax income"*, since today's benefit is not subject to tax and since today's wages for most beneficiaries, unlike those of 1939, are subject to income and social security taxes. Even today's rather incomplete and sketchy tabulations understate the actual wage-replacement percentages because they fail to recognize these obvious facts of life.

ON FEDERAL ELIGIBILITY AND DISQUALIFICATION STANDARDS

We have been unable to discover any justification, other than a rhetorical one, for the Department's reasoning for the proposed eligibility and disqualification "standards", except that some states have "excessive" minimum base-period wage requirements or "excessive" provision requiring a prior work force attachment of more than 20 weeks (or equivalent). Only one state, Wyoming, has actually more than a 20 weeks-of-work test.

We have carefully reviewed the earnings requirements of the 17 states falling under the Department's ban on "excessive" earnings requirements. These "excessive" earnings tests range from annual earnings of $450 in Arkansas (where the U.S. Labor Department says $372.85 is the satisfactory limit) to $800 in Washington (where the Labor Department says $504.70 is all right).

We fail to see any logic in the Labor Department's proposed federal standards of 20 weeks work or five times the state's average weekly wages. We see especially little logic when we note that 80% of new claims (January-March 1965) had sufficient wage credits for insured status. Indeed, many students of the program are criticizing the program for not doing a better job in screening out those people who really have only very marginal work force attachment.

We have noted with disappointment that while the Department has made recommendations for federal "disqualification" standards (except as to Labor disputes, fraud, and criminal cases) that, as of July 30th, the Department did not have data on what the increased cost or other impact would be as a result of its federal requirement that benefits could only be postponed 6 weeks. Indeed, an August 2nd Labor Department release did little to clarify the situation, except to indicate that apparently Alaska, Connecticut, Kansas, and Puerto Rico would meet all the Department's current requirements in this area.

Philosophically, we can see nothing improper, for example, in requiring a claimant to show that he has returned to the work force after he has quit work without good cause.

We can find no objective rationale to justify the Labor Department's attitude in the disqualification area nor any broad base of fact to suggest a departure from the wisdom of the present practice.

We can see no need for the Congress to concern itself with the detailed basic eligibility and disqualification matters. We hold to this view and are not tempted to the contrary even by the proposed provision in H.R. 8282 which would disqualify an individual for a second round of benefits (the double-dip problem) unless he has "some" intervening employment. This should be a matter for state resolution.

ON COVERAGE

EIA is inclined to favor some broadening of employer coverage under the Federal Unemployment Tax Act. We recognize that many states have extended employer coverage below four or more employees.

We believe, however, that coverage should only apply where the employer has one or more employees in at least 20 weeks (present federal requirement). Any shorter time period seems too casual a relationship to be considered an "employer".

ON EXPERIENCE-RATING

EIA cannot express to strongly its opposition to the removal of the present experience-rating requirement. We believe it possible that the Department of Labor has not been completely candid with either the Committee, employers, or the public in discussing or explaining the proposed deletion of the experience rating provision (Part (1) Sec. 33-3(a) of IRC). The Secretary of Labor has not even mentioned it in his printed testimony.

Experience-rating distinguishes unemployment insurance from the welfare oriented programs. It encourages regular employment. It most equitably allocates costs. It encourages improved administration. It minimizes abuse.

EIA believes that the "savings" that have resulted from "experience-rating" have been wholly in the general public interest.

They are a measure of direct employer involvement. Not only do they provide the financial incentives to help encourage regular jobs, but they mean a fairer and proper distribution of employment costs.

Of some concern are the recent Social Security Amendments pushing the employer-paid portion of the Social Security tax from the present maximum of $174 per year to a future $372.90 maximum tax on $6,600 earnings. We are sure that these increases are as startling to employees as they are to employers.

The H.R. 8282 proposed increase in the Federal tax from the present $12 maximum per employee per year to $36.30 represent new costs, and we cannot even estimate the total unknown and invisible iceberg which H.R. 8282 may mean in terms of increased state costs.

EIA members value "experience-rating" and believe it should be preserved, strengthened in fact, and not undermined as H.R. 8282 would do.

Experience-rating has meant "savings" to EIA members in the millions of dollars. A relatively small sampling of EIA membership (both large and small companies) showed that 50 members have "saved" over $235,000,000 in the last ten years (some of the sample had not been in business during the entire period). Of course "savings" represent only the difference between the actual benefit costs which have been fully paid for and a possible maximum tax rate. "Savings" also represent a measure of the meaningfulness of U.C. in employer regularization effort. These companies paid in $97,000,000 in federal taxes and $432,000,000 in state unemployment compensation taxes over the period. EIA has a big stake in a soundly-financed unemployment compensation program with experience-rating and would not want to see it weakened.

EIA believes that the removal of the experience-rating provision in FUTA would soon mean the end of experience-rating. We must question the statement of some of the proponents that this deletion of the experience-rating provision has no meaning. In this we share the AFL-CIO's appraisal which, as recently as the June 19, 1965 issue of AFL-CIO News, in a review of H.R. 8282, said that the change would "repeal(ing) the experience-rating feature that allows employers to cut tax liabilities . . ."

EXPERIENCE-RATING AND INTERSTATE COMPETITION

The value of "experience-rating" in minimizing interstate competition cannot be over-stated.

As long as "experience-rating" exists and to the extent it is fully operative, an individual employer's tax rate in each state is determined in major part by his own employment experience in that state. An individual employer does not pay an "average employer tax rate" in each state, since unemployment compensation taxes under experience-rating (unlike some other taxes) are not levied on a uniform basis. Federal "standards" without experience-rating would indeed tend to intensify, rather than diminish, differences in average state cost rates.

It is EIA's further contention that the arguments for federal standards, based on the proposition that they are needed to remove competitive handicaps causing employers to move from one state to another, are without real substance. In this we can agree with the statement of Mr. Nelson Cruikshank, Director of the Social Security Department of AFL–CIO who has stated: "I do not think employers actually choose a plant location because of a 1 or 2% variation in unemployment compensation contribution rates".

ON EXTENDED DURATION AND "MATCHING" GRANTS

EIA wishes to endorse the basic idea that there be a standby program to extend the duration of benefits during periods of recession when jobs are harder to find. We believe that Congress can provide the basic enabling legislation, along the lines of the 1961 TEUC Act, as a basic guide to encourage the states to have such a program but to permit the maximum state flexibility in design and operation. We urge consideration of a "trigger-point" approach, as recently enacted in Pennsylvania—i.e., an indicator of high level unemployment based on levels of further exhaustion. We believe that this program can be most economically financed through the existing state system.

While EIA supports the concept of an extended duration during recession periods, we believe that there is presently no justification for the permanent federal extended duration program. This seems to be not only wasteful of unemployment compensation resources which could be better used in either the regular program or a recession extension, but it would mean the establishment of an undesirable competing system of federal benefits.

We are not persuaded that the cost of a sound recession extended duration program is so prohibitively expensive as to require changing present financing arrangements. Certainly the 1958 or the 1961 programs have been adequately financed through state programs, even though we believe that methods could have been improved. The general financing arrangement for the extended benefit program, as found in the Pennsylvania state statute, seems highly desirable. This keeps the financing with the original employer and permits the use of normal reserves without the necessity of tying up additional reserves or the levying of extra taxes.

Subject to our firm conviction that the recession extended benefit can be more economically and better financed wholly within the state programs, we are inclined favorably towards the H.R. 7476 (Mills-Byrnes) approach, which extends benefit duration only when the conditions in each state call for it.

IN CONCLUSION

EIA, in supporting a state financed extended duration program during recession periods, believes that there is little justification for the large recommended increase in the taxable wage base or the proposed increase in the federal tax rate. If additional revenue is needed to finance administration of the program, there would seem to be a more appropriate way of raising the revenue than by relying primarily on the wage base, which tends to penalize the very employers who have agreed to pay higher wages.

Current state reserves of $7.7 billion are at their highest point since 1957 and only slightly lower than their all-time highs of $8.3–$8.7 billion in the early 1950's. They are continuing to be rebuilt to meet future recession demands. If any additional assistance is needed, we suggest that the existing Reed Loan Fund be strengthened. A modest, temporary, increase in the federal tax could bring the level of the Reed Loan Fund up from the present $150 million to that which had been contemplated—nearer $600 million. This could be accomplished over a period of a few years and would not provide an additional burden.

EIA has welcomed this opportunity to review the status of the existing national federal-state unemployment compensation program. We pledge our support to its continued modernization and sound improvement.

Changes in unemployment compensation benefit protection—Major EIA member States (1939–65,, maximum amounts available

	1939			1960			1965		
	Maximum weekly amount	Maximum duration (weeks)	Maximum potential protection [1]	Maximum weekly amount	Maximum duration (weeks)	Maximum potential protection [1]	Maximum weekly amount	Maximum duration (weeks)	Maximum potential protection [1]
California	$16	20	$320	$55	[2] 26 [39]	$1,430 [2] [2,145]	$65	[2] 26 [39]	$1,690 [2] [2,535]
Connecticut	15	13	195	[3] 45–67	[2] 26 [39]	[3] 1,170–1,742 [2] [1,755–2,613]	[3] 50–75	[2] 26 [39]	[3] 1,300–1,950 [2] [1,950–2,925]
Illinois	15	16	240	[3] 32–50	[2] 26 [39]	[3] 832–1,300 [2] [1,248–1,950]	[3] 42–70	[2] 26 [39]	[3] 1,092–1,820 [2] [1,638–2,730]
Indiana	15	15	225	36	26	936	[3] 40–43	26	[3] 1,040–1,118
Massachusetts	15	20	300	[4] 40	30	[4] 1,200	[4] 45	30	[4] 1,350
New Jersey	15	16	240	35	26	910	50	26	1,300
New York	15	16	240	45	26	1,170	55	26	1,430
Ohio	15	16	240	[3] 42–53	26	[3] 1,092–1,378	[3] 42–53	26	[3] 1,092–1,378
Pennsylvania	15	13	195	38	30	1,140	45	[2] 30 [39]	1,350 [2] [1,755]

[1] Maximum weekly amount times maximum duration.
[2] Bracketed amount reflects extended duration provision.
[3] Higher unbracketed amount includes dependency allowance.
[4] In Massachusetts dependency benefit cases, the limit is the full wage of the individual.

Senator DOUGLAS. This committee will now adjourn until tomorrow at 9 o'clock. Thank you very much.

(Whereupon, at 11:55 a.m., the committee recessed, to reconvene at 9 a.m., Friday, July 22, 1966.)

UNEMPLOYMENT INSURANCE AMENDMENTS OF 1966

FRIDAY, JULY 22, 1966

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

The committee met, pursuant to recess, at 9:10 a.m., in room 2221, New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long (presiding), Anderson, Talmadge, McCarthy, Williams, and Morton.

Also present: Tom Vail, chief counsel.

The CHAIRMAN. We are glad to have as our first witness this morning Mr. Robert J. Brown, commissioner of the Minnesota Department of Employment Security.

Other witnesses today will come from Massachusetts and Texas.

Mr. Brown, we are pleased to have you today.

STATEMENT OF ROBERT J. BROWN, COMMISSIONER, MINNESOTA DEPARTMENT OF EMPLOYMENT SECURITY

The CHAIRMAN. Our procedure here, Mr. Brown, is for the witness to have a prepared statement. I believe you do have.

Mr. BROWN. Yes, sir.

The CHAIRMAN. We will ask you to summarize the statement. I will just take a minute to read the statement over.

All right.

Mr. BROWN. Mr. Chairman, members of the committee, first I want to thank the committee for the opportunity to express my views with regard to H.R. 15119.

My statement indicates generally some concern with regard to the extended benefits provisions of that bill. Basically I believe it does not go far enough. I think it handles an extremely distressful situation with regard to an entire State or with regard to the Nation, but all of us know and realize that in this age of advanced technology, jobs are being displaced every day, even in full employment, and so some provision ought to be made with regard to extended benefits for these people. These are the unfortunate people who are displaced because of technology or because they live in an area of a State which is distressed.

Now, the bill does not provide for either of these situations, and I believe that this should be included as an amendment to H.R. 15119.

Of course, the most important exclusion of the bill is the benefits standard. The State administrators had a special meeting with regard to H.R. 8282 when it was in the House. They met 2 days and

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the State administrators by a vote of 34 to 12 supported a benefits standard. I think all of us realized that we have long had unemployment compensation standards in regard to many other facets of our unemployment compensation program, but we have not had standards with regard to benefits. Really that is what the unemployment compensation is all about. And there are great differences among the States. And there has been a great dilution in terms of the benefits paid in the several States through the years.

When the program began, the benefits were high in relationship to the average wage in the State. As a matter of fact, they were over 50 percent in all but two States; but today, as you know, the great majority of the States pay benefits that are below 50 percent.

It seems to me that the one most important thing this bill really ought to have is a benefits standard, and it really makes or breaks the unemployment compensation program amendments this year. So I would strongly urge that the Senate provide an amendment in concurrence with the suggestion of the State administrators that a benefits standard be established at 50 percent of the average wage basis in the State, that each individual be entitled to 50 percent of his average wage when he is unemployed through no fault of his own.

The CHAIRMAN. Here is a thought that occurs to me, and frankly I haven't closed my mind on it at all. Congress started out by simply imposing a tax and then we said, "Now, here is about what we think the States ought to do with this. If the States want to move in the field, we will give a credit for the whole State part of it 2.7, and here is what we think they ought to do."

A great number of States just sent to Washington saying, "Would you mind sending us a model statute on how you think it ought to be done." Washington gave the one and that is what most of them adopted. They weren't made to do it but they thought that would be a good way to proceed because they had no experience in the field. The Federal Government had none either, but it was relying mainly on the Wisconsin experience.

Now, all this fight to keep the benefits from going up has for the most part been based on the fact that it would cause an increase in State taxes. In some States the experience rating puts the rate down to zero. The thought occurs to me that if we simply required experience rating to be used the way it was intended to be used and not used to reduce the tax down to zero, there might be enough money to go ahead and do these things. The States might very well do them if we simply saw to it that the money was there.

What is your reaction to that?

Mr. BROWN. In my prepared statement I did indicate that I thought it was very important that we increase the taxable wage base. This is one of the major reasons why we ought to do it. There is no question that the taxable wage base, the Federal taxable wage base, has tended to hold the taxable wage base down in several States. This has meant that reserve funds in the States have been reduced when measured against total wages. As a reserve fund is reduced as a measure against whole wages, there is a natural reluctance to increase wage benefits, because it is going to be more difficult to pay benefits unless you have an adequate reserve.

So both of these things mitigate against raising and keeping benefits equitable in relationship to the cost of living.

So I would encourage that the taxable wage base be increased for that reason and also for another reason. I think we recognize that you have been doing some wonderful things with manpower programs in the Congress the last 10 to 20 years, with the Area Redevelopment Act, the Economic Development Act, the expansionary fiscal policies. We have done a great job in terms of reducing unemployment, but people are still unemployed. It seems to me that we just have to recognize that if we are going to take that extra step in terms of reducing unemployment below 4 percent without causing inflation, we must recognize that we have got to match people to jobs quicker, and one of the best ways to do that is improve the U.S. Employment Service. If we can cut down a week or 2 weeks between jobs, we can significantly reduce that unemployment rate without causing inflation.

The reason we have inflation obviously is because we don't have the skills, the trained people for jobs. Through training and accelerated placement through the U.S. Employment Service, I believe we can reduce unemployment below 4 percent at least to some degree without putting additional pressures on the inflationary problem.

Now, as you know, the U.S. Employment Service is supported by this tax, and as a matter of fact on a taxable wage base of $3,000. This was almost total wages when it was enacted, and now, of course, it——

Senator ANDERSON. Almost what?

Mr. BROWN. Almost total wages. Total wages of the average individual when it was enacted. Now $3,000, of course is considerably below the average wage across the country which, as I recall, is around $5,600. So if we are going to really provide the U.S. Employment Service with the tools to do the job, we have to provide adequate funds. And this is an additional reason for raising the taxable wage base.

The CHAIRMAN. Senator Anderson?

Senator ANDERSON. What would you do to this bill H.R. 15119 if you were writing the law?

Mr. BROWN. Well, sir, I would provide a benefit standard, if I personally were to write this bill.

Senator ANDERSON. I am not asking what Minnesota—what would you do if you were sitting up here?

Mr. BROWN. I would provide a benefit standard as the number one important inclusion in the bill. I would provide extended benefits to anyone who has a long solid attachment to the labor force and is unemployed over 6 weeks, regardless of whether or not he is in a distressed area or whether or not the country is in a recessionary period. This individual, if he meets the requirements of the State unemployment compensation law, if he is ready, able and willing to work, is looking for a job and is unable to find one; and the condition of the economy at that time, it seems to me, is not particularly important; what is important to that individual is trying to support his family and if he has had a firm labor attachment, something like 18 months in the last 3 years, then I think he ought to be eligible for extended benefits.

In addition, I think it would be important to raise the taxable wage base to $5,600 immediately and to $6,600 in 1971. I would also include a restriction against onerous or unusual disqualifications for voluntary quitting. I would not include—I would not allow by statute disqualification for above 6 weeks for voluntary leaving. There are many reasons why a person leaves a job voluntarily and ordinarily he

is able to find another job in 6 weeks. I think he ought to be disqualified for that period of time. But some States go far beyond that. Some States simply indicate he is ineligible for unemployment insurance during the entire period of his unemployment, which may be 15 weeks, maybe 20 weeks. So I would recommend that a restriction against onerous disqualification should be included in the bill.

Basically, then, I suggest four additions to the bill: benefit standards, improved extended benefits, restriction against disqualification, and an increase in the taxable wage base.

Senator ANDERSON. You said that when this was started it was about half the wages, did you? Nearly all the wages?

Mr. BROWN. Nearly all the wages in terms of taxation.

Senator ANDERSON. Have you looked back on the history of it to be sure of that statement?

Mr. BROWN. Yes, sir. As a matter of fact, when the bill was first enacted, it was total wages.

Senator ANDERSON. It was what?

Mr. BROWN. When the bill was first enacted it was on total wages and I believe in 1939 the taxable wage base was set at $3,000 which was then—which then included almost everyone who was employed, with rare exception.

Senator ANDERSON. I was administering a program like that in 1935 and 1936. My memory isn't quite the same as yours. I will have to check up.

Mr. BROWN. I will be glad to submit the exact figures for the Senator.

(The following table was subsequently submitted for the record:)

TABLE 17.—*Percentages of wages taxable under State UI laws, 1938–64*

[Amounts in billions]

Calendar year	Wages in covered employment		
	Total	Amount	Percent of total
1938	$26.2	$25.7	[1] 98
1939	29.1	28.4	[1] 98
1940	32.4	30.1	93
1941	42.1	38.7	92
1942	54.8	49.7	91
1943	66.1	59.0	89
1944	69.1	60.6	88
1945	66.6	58.5	88
1946	73.4	63.7	87
1947	86.6	73.0	84
1948	96.1	78.5	82
1949	93.9	76.3	81
1950	103.1	81.5	79
1951	118.7	90.3	76
1952	127.8	94.7	74
1953	139.2	99.6	72
1954	137.1	96.5	70
1955	148.6	101.6	68
1956	164.5	109.8	67
1957	173.6	112.8	65
1958	171.5	109.1	64
1959	186.9	115.3	62
1960	195.1	119.3	61
1961	199.0	119.4	60
1962	212.6	125.5	59
1963	223.0	129.6	58
1964	239.2	136.3	57

[1] Total wages in covered employment subject to State contributions in all States except Michigan and New York, where $3,000 base was in effect during all of 1938 and 1939; Delaware, $3,000 beginning October 1939; and South Carolina, $3,000 beginning July 1939.

Senator ANDERSON. I wish you would. I thought you meant to say the benefit was almost as much as the wages, didn't you?

Mr. BROWN. Benefits—maximum benefits were high in those days. There is no question about it in terms of or when compared to the average wage paid in the States. The benefit to the individual, however, was 50 percent ordinarily of his wage, and this is what I am proposing: that the individual's wage be 50 percent of his average wage, up to a maximum of 50 percent of the average wage paid in the State. This is, of course, what the State administrators indicate.

Senator ANDERSON. You mean you recommend the benefit to be——

Mr. BROWN. Yes.

Senator ANDERSON (continuing). Half the wage.

Mr. BROWN. Half of the individual's wages.

Senator MORTON. Or half of the State average, whichever is the lower.

Mr. BROWN. That is correct.

Senator ANDERSON. That is all.

The CHAIRMAN. Let me just ask about one thing. I was looking at your State, Minnesota. Your statutory limit on employer tax rate is 0.1 and the maximum would be 4.5.

Now, I move over here to see what the actual 1965 rates were and I take it that—the minimum was 0.6 and the maximum was 3.0. To move up on this chart, one State, here is the next State above you, alphabetically, Michigan. The statutory limitation is zero, maximum 6.6.

Now, here is a 1965 rate. Minimum zero, maximum 4.6. Do you think that it is appropriate in an insurance program that a person with the best experience rating ought to have a zero tax?

Mr. BROWN. No. I don't really think that that is an insurance program. I think that an insurance program almost requires that there be some kind of——

The CHAIRMAN. It seems to me the idea of an insurance program is to spread the risk.

Mr. BROWN. Correct.

The CHAIRMAN. I pay for insurance on my automobile and I may never have an accident. That doesn't mean I get it for the rest of my life at zero but it means that I perhaps might get a rebate or cut in my rate because I have never had an accident. The idea of spreading the risk doesn't get me the insurance for zero. I continue to pay for the insurance. Perhaps I get a reduced rate but I don't get zero. And it seems to me that where we have given these credits in other areas such as to Puerto Rico and the Virgin Islands and others for taxes paid to those territories, we have usually required that—had some requirements about the extent to which they could rebate that or just give it all back to the taxpayer, and I think appropriately we might think about doing that here.

Mr. BROWN. There is one other problem that I would like to call to your attention, Mr. Chairman, and that is the difference between the taxable wage base and the rate in terms of equity among employers, and I think it is a very important point, one the committee ought to consider.

A low taxable wage base generally discriminates against the low wage-paying employer. Some employers, as you know, have workers

that do not require high skills. For example, let us say a large supermarket, with a number of carryout boys, and so forth. They must pay taxes on their entire payroll because they do not employ skilled workers that happen to get high wages, about $3,000. You take the same number of employees at a small tool and die firm that employs tool and die workers. He may be paying the tax on only 50 percent of the wages that he pays. So there is really a loss of equity almost by accident among the employers of the country because the kind of employees they employ and how much tax they are going to pay. So I would recommend that taxable wage base be increased and that the rate generally be decreased.

Senator ANDERSON. Could I ask——

The CHAIRMAN. Yes.

Senator ANDERSON. I don't quite follow you on this zero rate that Senator Long brought out. He said the rate got down to zero and you said that is not insurance. Did I understand you correctly?

Mr. BROWN. I guess there would be one exception to that and that would be if you had a completely solvent reserve fund which——

Senator ANDERSON. That is the whole point. Some States do get enormous reserves and why keep charging insurance premiums when you don't need it?

Mr. BROWN. That is correct. That is the one exception. I would submit, however, that most States are in a situation where they simply don't have adequate reserve funds.

Senator ANDERSON. But you said that wasn't insurance and I think it is.

Mr. BROWN. Well, that was a mistake on my part. In that situation it is still a reserve—still an insurance program.

Senator ANDERSON. That is right.

The CHAIRMAN. Senator Talmadge?

Senator TALMADGE. No questions.

The CHAIRMAN. Thank you very much.

Mr. BROWN. Thank you, Senator.

(The prepared statement of Mr. Brown follows:)

ROBERT J. BROWN, COMMISSIONER, MINNESOTA DEPARTMENT OF EMPLOYMENT SECURITY

Mr. Chairman and members of the committee, thank you for the opportunity to express my views on HR-15119.

In the past five years we have seen the development by the Congress of a national manpower policy aimed at full employment—and equally important—aimed at the full utilization and development of our Nation's manpower skills.

The 88th and 89th Congress have indeed demonstrated their deep understanding and concern for the distressing human problems caused by the lack of full employment.

This concern was clearly reflected by the passage of the Area Redevelopment Act, the Manpower Development and Training Act, the Economic Opportunity Act, the Civil Rights Act, the Economic Development Act, and the Vocational Education Act. Working hand in hand with expansionary fiscal policies, these programs have done much to reduce unemployment, but some workers are still unemployed. No economic measure, no training measure can completely reduce the problems caused by the onrush of technological change nor eliminate the continual displacement of workers from their jobs. There will always be unemployment; consequently, we must deal with it in a manner consistent with our recognition of the economic consequences as well as our concern for the integrity of the individual.

HR-15119, if improved, could be another effective step in alleviating the problem of unemployed workers so that they too can live in decency and dignity while unemployed through no fault of their own. Just as with other features of the Social Security Act, the Unemployment Compensation Program should be brought up to date so as to correspond and to complement our ever-changing and ever-growing economy. Although I favor certain provisions of this bill, in most instances, it falls far short of effectively improving our Unemployment Compensation Program. I should like to indicate to the Committee what I believe should be changed in this legislation.

EXTENDED BENEFITS

The extended benefits provisions in HR-15119 (Title II) are unrealistic, inequitable and inadequate in the following respects: (1) Unemployment has long since ceased to be a problem occasioned by economic conditions within a given state. In 1958 and again in 1961, when the Congress provided for temporay extended benefits on an emergency basis, it was recognized that long-term unemployment knows no state boundaries but is caused by national economic conditions. Heavy and prolonged unemployment in one major industry can and does create unemployment in almost every state, not only in that particular industry but secondary unemployment in allied and supporting industries. HR-15119 only partially recognizes this fact by requiring the states to finance 50% of the extended benefits.

(2) *Pockets* of unemployment persist, even during the present period of high economic activity and growth. HR-15119 does not recognize any such distressed areas within a state. Also, technological advances have caused countless *individuals* to remain unemployed for extended periods. The distressed area and the distressed individual have been completely ignored in HR-15119. These are the hard core unemployed and should be protected when their jobs disappear. These are the individuals most in need of additional protection and for whom we should have the same concern.

I would recommend, first, that the bill recognize that unemployment is a national problem and concern and that such benefits be wholly financed by the Federal government. Second, I would recommend that extended benefits be based on the length of an individual's period of unemployment and his past attachment to the labor force.

BENEFIT STANDARDS

For years, the benefits available under most state laws have failed to increase in proportion to rising wage levels. Hence, such benefits, as a percentage of average wages, are much lower today than at the inception of the program. When benefit payments began in 1939, the maximums were high in relation to average wages—over 50% in all but two states, over 60% in 34 states, 66⅔% and better in 22 states, and 75% or better in 12 states. Today, however, the great majority of states provide *maximum* weekly benefits below 50% of the average wage paid in the state. And in Minnesota, even after changes in our law which were effective July 1, 1966, maximum benefits will be less than 45% of the average wage in the state.

The Unemployment Insurance program must be of meaningful assistance to a claimant in meeting non-deferrable expenses during periods of temporary unemployment. Therefore, it must have some reasonable relationship to his customary income.

At its last meeting, the Interstate Conference of Employment Security Administrators recommended by a vote of 34 to 12 to support a Federal Benefit Standard for each eligible individual equal to 50% of his average wage up to a maximum of 50% of the statewide average wage in covered employment.

I strongly urge that the Interstate Conference's position on benefit standards be favorably included in the proposed legislation.

DISQUALIFICATIONS

There is presently very little uniformity among the states in imposing penalties against claimants who become separated from their employment under disqualifying circumstances. Such penalties may include one or a combination of the following: (1) a postponement of benefits for some prescribed period, ordinarily in addition to the waiting period required of all claimants. (This varies from 1 to 26 weeks.) (2) An outright cancellation of benefit rights or (3) A reduction of benefits otherwise payable.

The most common cause for disqualification is for voluntary separation. There are numerous reasons for this type of separation, many of which involve factors over which neither the employee nor employer have any control. (Illness in the family, loss of transportation to work, etc.)

In 24 states (including Minnesota) disqualification is imposed if the claimant left his employment without good cause "attributable to the employer." With few exceptions, there is no escaping disqualification even if there was good and compelling personal reason for voluntary separation and the penalties in such states vary from one week to the *entire period of unemployment*, and several reduce available benefits after the period of disqualification.

With such a wide variance in the type and/or period of disqualification, it seems to me we should consider the philosophy involved in the imposition of penalties of this nature. It is agreed that some disqualification should be assessed against a claimant who voluntarily leaves his job, for whatever reason. However, can it be said that such a person remains *voluntarily* unemployed for as long as 26 weeks, or for the entire duration of his unemployment, if he leaves because of an unfortunate family situation, loses his transportation to work or even if he was dissatisfied with his working conditions or salary, and is honestly seeking other employment? Statistics show that such individuals obtain other employment after an average period of six weeks of unemployment.

In view of this, I suggest to you that arbitrary, punitive and confiscatory penalties for relative minor actions are onerous and grossly unfair. I therefore recommend that a disqualification restriction be included in the bill which would limit disqualification for voluntary quit to six weeks delay with the stipulation that there be no total benefit reduction.

FINANCING

Title III of H.R.–15119, Section 301, increases the Federal Unemployment Tax from 3.1% of taxable wages to 3.3%. Section 302 increases taxable wages from the first $3,000 paid to a worker during the calendar year to $3.900, effective January 1, 1969, and further increases it to $4,200 for the calendar year 1972 and thereafter.

It is generally recognized that if unemployment rates are to be reduced below 4% without inflation, the matching of jobs with workers will have to be accelerated. This process can be assisted with a more effective Employment Service, which is financed through this tax, but, obviously, the proposed increase is extremely limited and does not provide for *any* increased activity.

I, therefore, recommend that the taxable wage base be increased to $5,500 in 1967, a figure representing average annual earnings being paid today.

I further recommend that this figure be advanced to $6,600 in 1971, the projected average wage for that year.

ECONOMIC BUFFER

When either "demand shortage" or "structural" unemployment strikes, it is important to the affected area as well as to the nation to maintain consumer purchasing power. When structural unemployment comes as a result of technological change, we must not allow it to snowball through the economy by drying up purchasing power. Unemployment compensation funds are volatile, liquid, immediate, and spent when they do the most good for the economy. This important buffer must be made more effective as an economic tool. I believe the proposed changes to HR–15119, which I have suggested, will contribute effectively to that goal.

In summary, Mr. Chairman and members of the Committee:

The Unemployment Compensation Program, enacted 30 years ago, has been steadily deteriorating when measured by benefits paid as a percentage of average wages. Obviously, this program's purpose is to pay equitable benefits. This goal must now be clearly and unmistakingly stated as a national policy. To delay is to perpetuate and to encourage poverty in the midst of our war on this ancient enemy.

I strongly urge that you provide a truly effective extended benefits program by recognizing that unemployment problems of technologically displaced individuals are just as distressing and perhaps more so than those who are unemployed because of a general business downturn.

We should also in this, a time of plenty, take effective steps now so as to insure the effectiveness of this program as an economic tool so that when unemployment comes, it will not feed on itself.

I urge that that key cornerstone in the War on Poverty, the Unemployment Compensation system, be shored up, revised, and improved.

Thank you for the opportunity to testify today.

The CHAIRMAN. Mr. Carl Schatz decided to submit his statement. So we will print his statement as part of the record.

(The following statement was received in lieu of a personal appearance:)

TESTIMONY OF AMERICAN RETAIL FEDERATION, PRESENTED BY CARL F. SCHATZ

My name is Carl F. Schatz. I am Treasurer of the G. C. Murphy Company. I am also Vice Chairman of the American Retail Federation's Committee on Taxation and Fiscal Policy.

I am speaking today on behalf of the American Retail Federation, an organization comprised of 73 statewide and national retail associations, representing hundreds of thousands of retailers throughout the nation. (One of our member associations, the Illinois Retail Merchants Association, has, however, testified in variance with the Federation's views, principally in the light of advanced efforts made by that state in the area of unemployment compensation.)

The thrust of this statement is addressed against S. 1991 and the modifications proposed before this Committee by the Secretary of Labor. In general, we support H.R. 15119.

The American Retail Federation contends, at it also did against H.R. 8282, that it is inequitable to attempt to legislate, at the Federal level, the benefit standards proposed in S. 1991. Unemployment compensation is a very complex subject. Its very complexity is one of the reasons states must be left free to take their particular work force and economic circumstances into account. Otherwise, their unemployment compensation programs cannot be a positive support to their own economy and afford protection for their own real work forces. It is impossible to establish standards that will be equally effective in an industrial state, an agricultural state, or a state whose economy depends on mining, manufacturing, agriculture, and vacation seekers. Each state has its own peculiar economy requiring a different approach to unemployment compensation problems.

THE MAXIMUM BENEFIT STANDARD

The maximum benefit standard proposed by S. 1991 provides for a maximum benefit of 50 percent of the statewide average gross weekly wage. This maximum would increase to 66⅔ percent in 1971.

A maximum benefit based on average gross weekly wages of all workers in a state is not a proper standard. An average so computed includes many high-salary employees who will never receive benefits in proportion to their wages, and are unlikely to ever apply for benefits. If a standard is needed, and we do not agree that it is, it should be a statewide average based on the wages of claimants. This average would more nearly approach the maximum subsistence level needed.

The application of a percentage to the statewide average gross wage to determine the maximum benefit is a fallacious approach to this matter. This approach does not reflect the large deductions made from gross salary for taxes, dues, meals, transportation and other expenses connected with work such as special clothing. Therefore, gross salary is not a measure of expendable income. It would be far better to let the states establish a dollar maximum related to the subsistence level in that state which would take into account the varying payroll deductions of its workers. A maximum benefit of more than 80 percent of take-home pay—as it would be in 1971—would defeat the purpose of the unemployment compensation program, as it would make it exceedingly attractive to be on the unemployment rolls.

UNIFORM BENEFIT PERIOD AND EXTENDED BENEFIT PERIOD

The proposed uniform minimum benefit period—26 weeks of benefits for 20 weeks of work—would foster unemployment because it permits workers to plan their periods of unemployment so as to gain maximum benefits. Duration of benefits should be geared to periods or wages of prior employment in order to be meaningful. A demonstration of permanent attachment to the work force

is a necessary barrier to uncontrolled demands on unemployment compensation funds. Furthermore, the maximum amount of work—20 weeks—which a state would be permitted to require as necessary to be eligible for benefits is inconsistent with the required period for the extended benefits under the extended program now in S. 1991.

An extension of the benefit period to 52 weeks may be necessary in a limited number of cases, but it certainly goes a long way to encourage a claimant who in all reality is not seeking employment and who has virtually removed himself from the labor market. The need for assistance beyond the benefits contained in state laws should be provided by retraining or other allowances, except in recession periods when employment in other industries or areas is also at a low level.

As an alternative to the FUAB provisions of S. 1991, the Secretary has proposed a dual program of extended benefits. One, voluntary for the states, would provide extended benefits with a 50–50 federal-state sharing, and in addition, a fully federally-financed program triggered for an individual state or for the nation in the same manner as is proposed in H.R. 15119.

We do not oppose some type of standby legislation to extend benefit duration when a substantial number of workers in a state exhaust their regular benefits. The framework of such a plan has been incorporated in H.R. 15119. We could support this proposal if it were to be financed wholly by state funds, letting the states determine the method of financing. Denial of an offset against Federal Unemployment taxes could be the tool to enforce compliance.

THE INCREASE IN TAX BASE AND RATE

The proposals in S. 1991 to increase the base and the rate are made on the contention that the added revenue "is needed for both Federal and State taxes". It is also claimed that such increases are needed to meet "administrative costs, build the balance in the loan fund and the employment security administrative account". Part of these increases are considered necessary to finance the extended benefit program. With wholly state financing of this program, certainly the drastic increases proposed by S. 1991 are unnecessary and the rate and base changes in H.R. 15119 could be reduced as no well defined need has been demonstrated.

DISQUALIFICATIONS

We believe that the proposed seven-week maximum postponement of benefits for voluntary quits or discharges for cause proposed by S. 1991 is totally inadequate. Nor can we accept the Secretary's alternative proposal for a maximum of 13 weeks delay, even though it is sugar coated by a suggestion that an employer's experience rating account should not be charged with benefits paid for unemployment which follows a disqualifying act. This merely transfers the cost of benefits from one employer to all the employers in the state.

The original and underlying purpose of the unemployment compensation system was to provide benefits for a worker who lost his job through no fault of his own. Those who were discharged for cause were completely excluded from benefits. There is still great merit in this position.

An individual who voluntarily quits should be required to demonstrate some further attachment to the labor market before becoming eligible for any benefits. A short postponement of benefits is not of sufficient impact to eliminate this invasion of the basic philosophy.

EXTENSION OF COVERAGE TO SMALL RETAILERS

We are concerned about the proposal in S. 1991 to cover an employer who employs one or more persons at any time. We are equally concerned about the Secretary's alternative to cover employers of one or more who have a $300 payroll in a calendar quarter. Our concern stems from the fact that retailing is largely composed of small, unincorporated businesses. The 1963 Census of Business shows that, of a total of 1,707,931 retail establishments, 838,275 had sales of less than $100,000 a year, and were operated by individual proprietors. In these small establishments, there are part-time and sporadic employees who could never qualify for benefits; including them will only result in additional bookkeeping and tax problems for the small business man.

The provisions of H.R. 15119 appear to us to be more realistic, if these smaller businesses are to be covered at all.

EXPERIENCE RATING

We were pleased by the Secretary's statement before this Committee that, contrary to the provisions of S. 1991, he did not urge a change in the experience rating provisions of the present law. We believe that experience rating helps to stabilize employment and safeguard fund balances in the various states. We see no need for any legislation in this area.

CONCLUSION

Retailing represents about 40 percent of the Gross National Product through consumer purchases. It employs nearly 9,000,000 and operates nearly 2,000,000 establishments.

Naturally, in an industry as large as ours, there are differences of opinion. Some of the members of the American Retail Federation would prefer certain provisions included in an unemployment compensation law and others omitted.

However, we believe that, in general, H.R. 15119 represents a reasonable compromise between widely varying views. We support it with the reservations already noted.

Thank you.

The CHAIRMAN. Our next witness is Mr. Robert J. DeFlaminis of the Greater Boston Chamber of Commerce.

Proceed, sir.

STATEMENT OF ROBERT J. DeFLAMINIS ON BEHALF OF THE GREATER BOSTON CHAMBER OF COMMERCE

Mr. DEFLAMINIS. Mr. Chairman, members of the committee, our basic position that is being taken with respect to 15119 is that we feel that the bill as drafted reaches into the past and projects into the future for an unemployment compensation system that will meet the needs and the challenges of what is in front of us, with specific reference to the triggering of the Federal extension of unemployment compensation benefits either within a State basis or National basis.

We, of course, in the State of Massachusetts exhibited back in the late forties and early fifties a significant change in our industrial base, namely, when the textile industry moved to other States. At that time our particular program provided for a maximum of 26 weeks of unemployment compensation benefits.

However, with this tremendous industrial base moving and leaving large unemployment in its wake, we found many individuals who had exhausted their unemployment compensation benefits and, of course, this created an economic situation within the State of Massachusetts.

Senator ANDERSON. Excuse me. What page are you on?

Mr. DEFLAMINIS. I am not reading.

The CHAIRMAN. He is summarizing.

Mr. DEFLAMINIS. I am summarizing at the chairman's suggestion.

So, therefore, with the triggering in at the individual State level, we feel that this will provide for the changes that will come in the future and that we will be able to protect the basic economic level of those States in which this does occur.

With respect to the taxable wage base, a provision such as this, Massachusetts, as you know, has a taxable wage base which reached into $3,600 by legislative act of 2 or 3 years ago. So therefore——

Senator ANDERSON. To what figure, please?

Mr. DEFLAMINIS. To $3,600, which is now the taxable wage base in the Commonwealth of Massachusetts.

Senator ANDERSON. You are going to comment on whether it should be that of $5,600 or what?

Mr. DEFLAMINIS. No. We feel we have gone up to $3,600, that the additional $300, raising it to $3,900, would create some increases in the taxable wage limits in the State and also it would provide for the further extension of unemployment compensation benefits. So we are not going to comment specifically as to whether we want this to be increased to $6,600 or $5,600. We feel that our individual State system has met the need at this particular point and that 15119 has asked for some increases, and I think we can support the increases that have been indicated in 15119.

So, basically, the position that we have taken has been one of which we felt that the House committee has done a statesmanlike job in putting together 15119, and we feel that it will meet the needs presently and will project into the future.

The CHAIRMAN. Thank you very much.

Senator Anderson, any questions?

Senator ANDERSON. No.

The CHAIRMAN. Senator Talmadge?

Thank you very much.

Mr. DEFLAMINIS. You are welcome, sir.

(The prepared statement of Mr. DeFlaminis follows:)

STATEMENT OF MR. ROBERT J. DEFLAMINIS, CHAIRMAN, SUBCOMMITTEE ON UNEMPLOYMENT COMPENSATION, GREATER BOSTON CHAMBER OF COMMERCE

My name is Robert J. DeFlaminis, a Partner in the firm of Weaver Associates of Boston, Massachusetts, consultants to industry on matters dealing with unemployment compensation. I am also Chairman of the Sub-Committee on Unemployment Compensation of the Greater Boston Chamber of Commerce, and it is in this capacity that I appear before this Committee today.

The Greater Boston Chamber of Commerce is a corporation organized under the laws of the Commonwealth of Massachusetts, having its place of business in the City of Boston. Its basic objective is the promotion of sound and equitable laws and procedures designed to strengthen commerce and industry in the Greater Boston area.

The Chamber, acting through its Board of Directors, represents over 3,200 businessmen and firms in the Boston metropolitan area. A cross section of the area businesses including manufacturing, retailing, finance, insurance and service industries make up its membership.

Our position in support of H.R. 15119—The Unemployment Insurance Amendments of 1966—came about after detailed study and analysis of the impact of H.R. 8282 on the economy of our area. We found H.R. 8282 to be an unreasonable and unwarranted burden on business in our region. Our opposition to this bill is a matter of public record for it was submitted to the House Ways & Means Committee during their extensive hearings on the bill. Several amendments to H.R. 8282 which we believed necessary and which were supported by other business oriented groups have been included in H.R. 15119.

In support of our position favoring H.R. 15119, we would like to make some pertinent observations concerning the impact of this bill on Massachusetts business which may assist the Committee in its deliberation.

Massachusetts has long been one of the nation's leaders in formulating progressive unemployment compensation legislation. We candidly say that Massachusetts has met the economic challenge of providing a system of unemployment compensation benefits that is consistent with our times.

In 1935, President Franklin D. Roosevelt established a Commission on Employment Security which brought forth, after long and arduous consideration, four basic guidelines for the establishment of an employment security system:

First, try to find a job for the unemployed individual;

Second, if no job is available, provide partial replacement of income for a temporary period of time;

Third, benefits should not be in an amount more attractive than a job;

Fourth, the system should be supported by the employer through a tax which encourages him to maintain full employment.

These guidelines were accepted by the Federal Government and the states, and through their successful practical application over the past thirty-one years, have proved their lasting value.

We believe that we should seriously reflect on what experience has revealed to be successful. It is significant that in laying down the foundation for state employment security systems, the Federal Government in principle and in practice, reserved to the states the traditional right to administer their own programs, to finance their own benefits, and to establish their own standards for eligibility and disqualifications. In this way, the Federal Government gained its objective and arrived at a compatible federal-state relationship; namely nation-wide protection for the unemployed with individual state system to meet individual state needs.

We feel that the House Ways and Means Committee in reporting H.R. 15119 has done a statesmanlike job in its approach to amending the Nation's Employment Security Law. This has been clearly evidenced by the strong bi-partisan support this bill received this past month in the House. The provisions of this bill will provide a national trigger for extended unemployment compensation benefits during a period of recession which eliminates the legislative lag period we have witnessed in the past. In addition, the bill goes a step further in providing a state trigger point for extended unemployment compensation benefits.

We have all seen in the last ten or fifteen years the considerable mobility of industry and its impact on the industrial bases of the states. This is vividly illustrated by the case of the textile industry in the Commonwealth of Massachusetts which was a substantial part of our industrial base, and which moved to other states leaving high unemployment in its wake.

The Massachusetts Employment Security System, at that time, provided for twenty-six weeks of unemployment compensation benefits. After this twenty-six week period had elapsed, no further partial replacement of income was afforded to the unemployed worker. Needless to say, this condition had a serious impact on the Commonwealth's economy. The provisions that have been included in H.R. 15119 to provide for state triggered extended unemployment compensation benefits could aid in the resolution of this problem.

In Massachusetts we have recognized also a responsibility to the unemployed worker whose family unit may be larger than another's by providing him with dependency benefits. From 1957 to 1964, $84.7 million has been paid out. There are only a handful of other states that provide dependency benefits in the amount receivable by an unemployed Massachusetts worker.

H.R. 15119 also protects the basic foundation of the unemployment security system by its provisions to retain experience rating by the states, something we consider to be fundamental.

In conclusion, the Greater Boston Chamber of Commerce recommends Senate approval of H.R. 15119. This legislation will strengthen the unemployment security system measurably by preserving from the past and projecting into the future, provisions that will provide the nation with a financially sound and equitably structured Employment Security Law.

On behalf of the Board of Directors and the membership of the Greater Boston Chamber of Commerce, may I express my appreciation for being permitted to present our views on this important matter.

The CHAIRMAN. Mr. William J. McCarthy, of Associated Industries of Massachusetts.

STATEMENT OF WILLIAM J. McCARTHY, ASSOCIATE COUNSEL OF ASSOCIATED INDUSTRIES OF MASSACHUSETTS

Mr. McCARTHY. Mr. Chairman, members of the committee, I should like to briefly review my statement.

My name is William J. McCarthy. I am a counsel for the Associated Industries of Massachusetts. We want to be recorded in favor of H.R. 15119 and urge its passage by the U.S. Senate.

The provisions of H.R. 15119 constitute in our judgment significant, timely, and necessary changes in the Federal-State system of unemployment compensation. This bill received the bipartisan support of the House Ways and Means Committee and virtually unanimous approval in the U.S. House of Representatives after the committee gave the matter the most deliberative and thoughtful examination of unemployment compensation in this country since its inception under the Social Security Act of 1935.

The character of the House Ways and Means study is stated in the report. The bill is the broadest and most intense review given the unemployment compensation program since the enactment in 1935 as part of the Social Security Act.

After more than 3 weeks of public hearings, 2,000 pages of printed testimony, covering testimony of every facet of unemployment compensation from the most knowledgeable and expert people in the area of unemployment compensation, the House Ways and Means Committee approved this bill. In doing so the committee made substantial changes in the unemployment compensation system while wisely reserving to the States autonomy to design their own programs tailored to their peculiar needs, economic, and unemployment compensation needs.

The House Ways and Means Committee after this thoughtful examination deliberatively rejected H.R. 8282 and its notions of federalization of unemployment compensation. We are thoroughly in accord with the view and judgment of the House Ways and Means Committee and the House of Representatives on this matter.

This bill has been characterized as an anemic bill. We have described it as having made substantial and important changes in the unemployment compensation program. I should like to elaborate on this thesis.

Extension of coverage of this bill: This bill would add 3 million additional workers to the already 49.7 million workers protected by the unemployment compensation in this country. We submit this is extensive coverage.

Under the new bill employers of one or more individuals in each of 20 calendar weeks a year would be covered in the bill. In Massachusetts we have since 1950 covered employers of one or more individuals on 1 day in each of 13 calendar weeks.

Federal-State extended unemployment compensation program: The extended benefit program under this bill I think is a most significant aspect of it. It will establish a permanent system of extended benefits to be triggered in during periods of high unemployment, either on a State or a National basis, and will be payable to claimants who have exhausted their State benefit rights. Twice within the last decade, in 1958 and 1961, the Congress has found it necessary to enact an extension-of-benefits program to alleviate the economic needs of both the

long-term unemployed, who had exhausted their State benefit rights, and the national economy. Enactment of a permanent extended benefits program as contemplated by H.R. 15119 would obviate the future need of ad hoc congressional action whenever economic conditions warrant this action. This type of approach is often ineffective because such programs are enacted under the coercion of emergency situations during recession periods that have been underway for some time. H.R. 15119 presents a program for extended benefits that would become effective as the need arises and end as the need passes.

We also feel that the approach to compensating long-term unemployment under this bill is entirely consonant with the Federal-State concept. The extended benefit would be paid under the provisions of State laws, thus recognizing that the States have a responsibility in meeting the problems of high unemployment. In addition, providing an alternative trigger in point on a State or National basis, this bill recognizes the principle that oftentimes there is an uneven incidence of unemployment among the States that long-term unemployment in one State does not necessarily mean that the same unemployment exists in another State, and that a State may be experiencing a problem of high unemployment even though the Nation as a whole is not.

In addition to this, to avoid discouraging States from providing regular compensation for longer than 26 weeks, as Massachusetts does with respect to its claimants for 30 weeks, the Federal Government will also pay under the extended benefits program one-half of the regular compensation in excess of 20 weeks, a benefit year, of such regular compensations paid during the extended benefit period.

In sum we feel that this is an infinitely preferable approach to the extended benefit program contemplated by S. 1991.

Insofar as the judicial review aspects of this bill are concerned, this has been a matter that the entire employment community of the United States has long sought to obtain. Judicial review of administrative agency decisions is provided for under the Administrative Procedure Act of 1946 and a variety of other specific Federal statutes. H.R. 15119 in extending it to unemployment compensation matters is merely a logical extension of principle to provide court review against judicial abuses of administrative excesses or agency abuses.

Perhaps the most important aspect of H.R. 8282 that came before the House of Representatives Ways and Means Committee was the Federal benefit standard. We are especially pleased that H.R. 15119 does not contain a Federal benefit standard. We agree with the deliberative judgment of the House Ways and Means Committee that a Federal benefit standard is for a variety of reasons unadvisable at this time. It should be pointed out, and I don't know whether or not it has been mentioned during these hearings, that one of the principal concerns of the House Ways and Means Committee insofar as the Federal benefit standards are concerned was the fact that there are 11 States in the United States that provide dependency allowance or pay benefits under the so-called variable maximum system.

The House Ways and Means Commitee either did not or could not or would not come up with a standard that would provide crediting of the additional dependency allowance benefits toward complying with the Federal benefit standard.

In addition to this, the Federal benefit standard contemplated in 1991 would thoroughly distort provisions in my judgment of the State of Michigan, for example, that pays its weekly benefits under so-called variable maximum system.

We feel that a Federal benefit standard under any consideration is inadvisable at this time. Unemployment compensation needs, like other economic needs, vary from State to State and region to region. This fact principally accounted for the establishment of the Federal-State concept of 1935. The validity of this concept is no less valid today than it was 30 years ago. Some of the factors causing this variance are geographical location, composition of the economy and work force, type and extent of unemployment, and other factors. Also the ability of the employers, employer-made products to pay for the unemployment compensation program similarly vary from State to State or region to region.

It would be most unwise, then, in our judgment, to impose an inordinately high-level unemployment compensation benefits standard or any Federal benefit standard for all States and regions in the manner contemplated by 1991, thereby forcing all States to conform to this Federal standard without an unmistakable demonstration of the need in all States.

Individual States generally, and particularly the industrial States, of which Massachusetts is one, in meeting their own peculiar unemployment compensation needs and designing their own programs, social and economic forces at work in the individual States in large part contribute to the current adequacy of these programs. The history of unemployment insurance in the United States generally has shown that invariably these forces within a particular State or region will cause levels of the various programs to rise to meet the needs of the unemployed of those States and regions in a manner consistent with the economics of the community and the policy and purposes of the program.

State legislatures generally are becoming increasingly responsive to these forces, if they have already not been completely responsive to them, and are designing their programs in accordance with them.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you for your statement, Mr. McCarthy.

What is your reaction to this increase in tax that is provided by the House bill. Does it increase the tax and the tax base?

Mr. MCCARTHY. Yes, it does. We feel that—as I have indicated, H.R. 15119 we support unequivocally and without modification. We feel that in order to finance the role of the expanding needs of the Division of Employment Security in the United States, the Department of Labor, we feel that a tax increase is probably inevitable at this time inasmuch as there has been no change since 1939 in the tax base. We feel that this is a moderate increase in the tax rate and in the tax base, infinitely preferable to that provided for in Senate 1911. It is necessary, of course, to finance the additional personal contribution for the extended benefit program. Therefore, as I understand the bill, a proportion of this increased Federal tax would be set aside for this purpose.

The CHAIRMAN. Thank you. I am torn between two extremes on this, as to whether we ought to have Federal standards here. The record has been that so far as the States knew what was expected of them, they did it, hasn't it? It has been pretty good in that respect. In other words, if you say, "Well, the benefits are far below what they were, but that is because—the main reason for that is that the tax rate—neither the base nor the rate was increased." The money wasn't there to provide greater benefits, was it?

Mr. MCCARTHY. Well, I can only speak to the Commonwealth of Massachusetts, Senator. We have refinanced our program in 1961 where employers voluntarily did this to preserve the concept of experience rating. They are now paying in 50 percent more in contributions, employer tax contributions, in 4 short years than they were in 1961—5 short years—50 percent more.

I am sure that the employer community in this country in order to preserve the concept of experience rating will refinance that program, broaden their tax base and increase their rates whenever it is necessary. The solvency of the fund in any event indicates that it is necessary.

We feel that the benefit level is the central consideration of the unemployment compensation program. In order to preserve the Federal-State concept, this should be reserved to the States.

As I indicated in my statement, social and economic forces at work within a State will cause the levels of the various programs to rise to meet the needs of the unemployed in a manner consistent with the policy and purposes of the program, consistent also with the economics of the region.

The CHAIRMAN. Do you find that there is something to this competitive problem that when you raise the tax on unemployment insurance, it makes it more difficult to compete with other States for business?

Mr. MCCARTHY. I think that the cost of unemployment compensation, like any other cost, employer cost, is a factor in interstate competition, but, for example, the Commonwealth of Massachusetts, competes in interstate commerce with most of the other—with the other 13 industrial States. The programs in these areas, in these States, are competitive. Benefit levels are essentially the same. Costs are proportionately the same. I don't think an argument can be made that federalization—the establishment of national standards will eliminate the interstate competitive aspect, particularly insofar as that dependency and credit is concerned. The standards in 1991 has no provision for the allowance of crediting of the payments of dependency benefits for compliance with this standard. If this is not provided for, even if the standards were to be provided for, then the cost disparity would only widen rather than narrow. Insofar as the Commonwealth of Massachusetts is concerned, we pay out $44 million in addition to basic benefits in Massachusetts. And other States similarly have dependency laws.

The CHAIRMAN. Well, if you look at what the benefits are, would it not tend to put you more in line from a competitive point of view if the other States did come up to your level of benefits?

In other words, just competing for industry like we are bidding against you for a ship. Generally speaking, I have seen some of those

bids and sometimes they are very, very close and if the benefits that the States pay are substantially comparable, then on that item neither State had any particular advantage and it would seem to me that compared to a State that had a minimal unemployment benefit, it would be to your advantage if they brought their's up more in line with yours.

Mr. McCarthy. Do you want me to respond? Again, the Commonwealth of Massachusetts essentially competes in interstate commerce among the States, with 14 industrial States, where the levels in these 14 industrial States are essentially the same. The costs are essentially the same. However, I think there is a much more basic problem. I do not think the Congress should enact Federal benefit standards requiring all States to meet, based on the economic and social needs, unless there is an unmistakable demonstration among all the States that this standard is necessary to meet the unemployment compensation needs of the unemployed individuals in those States.

I do feel that the State legislatures inevitably respond to the social and economic forces within their jurisdictions in raising the benefit levels whenever they are necessary. This is consistent with the policy and purposes of the program and the unemployment compensation needs in the State and its other economic forces in the State.

The Chairman. Senator Anderson?

Senator Anderson. Well, I asked a question of a labor leader yesterday, if 15119 came to the floor of the Senate and was substituted for whatever we may turn out, if any differently, what he would do about voting for or against the bill. He would oppose it. What is your point of view as to benefits in 15119?

Mr. McCarthy. Pardon? I did not get the last part of your question.

Senator Anderson. Wouldn't you say that 15119 is beneficial to the labor movement?

Mr. McCarthy. Indeed. I indicated in my statement, our presentation, that it has been characterized unwarrantedly as an anemic bill. We feel, the Associated Industries of Massachusetts, feels that H.R. 15119 makes substantial, timely, and significant changes in the Federal-State system of unemployment compensation, major improvements in the unemployment compensation.

Senator Anderson. I think that is probably true and I am happy to have you say that. You say instead of the extended benefit concepts, H.R. 15119 is infinitely preferable to what is contemplated by S. 1991.

Mr. McCarthy. Yes.

Senator Anderson. You think it has real benefits to the people of your State?

Mr. McCarthy. We do.

The Chairman. Senator McCarthy?

Senator McCarthy. One question, you made the point that in Massachusetts you include dependency benefits in your program of unemployment compensation. The conception of the unemployment compensation program, as I have understood it and I think as reflected in the Senate bill I introduced, was this was not to be made into a special kind of relief measure. Rather it was to reflect so far as we could, purely economic considerations that would be related to the

wages the man earned, and related to the employment record in the State.

I think it would be a mistake for us to begin to make concessions to States to use the unemployment compensation program for dependency benefits, for disability, for other things of that kind. These are different programs, I think.

Mr. McCarthy. I agree with you, insofar as disability is concerned, but I do respectfully disagree with you insofar as the dependency allowance program.

Senator McCarthy. Do you think we should write into Federal unemployment compensation legislation special benefits for those who have five or six children?

Mr. McCarthy. No, Senator. What I had indicated was that with respect to those States that provide dependency benefits in addition to their basic benefit entitlement, that some provision in the Federal benefit standards, if one were to be enacted, and we do not by this imply that we think any should be enacted, but if one were to be enacted, should contain the provision that would credit allowing employers in the Commonwealth to credit payments of dependency benefits toward compliance with Federal benefits.

Senator McCarthy. There is a danger in opening this up that other States come in and say, we don't have a dependency allowance but we have a better disability program than in Massachusetts and these disability costs ought to be credited against our unemployment compensation.

Mr. McCarthy. I respectfully suggest, Senator, that there is a signal distinction between care and sickness programs and unemployment compensation programs and dependency benefits payments are essentially a part of an unemployment compensation program and not so with respect——

Senator McCarthy. Except it moves into another area, welfare, and other forms of social benefits, whereas my conception of this program is we ought to try to relate it as closely as we can to the economics of the man's work and productivity and the productivity of the industry in which he is employed and to the general productivity of the State. It seems to me you inject an entirely new factor into the base which we are to use in determining benefits and credits and all these other things in the program.

Mr. McCarthy. We feel that a Federal benefit standard is wholly inadvisable under any circumstances, without any——

Senator McCarthy. I understand that.

I have no other questions.

The Chairman. Thank you very much.

Mr. McCarthy. Thank you, Mr. Chairman.

(Mr. McCarthy's prepared statement follows:)

STATEMENT OF THE ASSOCIATED INDUSTRIES OF MASSACHUSETTS, DELIVERED BY WILLIAM J. McCARTHY, ASSOCIATE COUNSEL

Mr. Chairman and members of the committee, my name is William J. McCarthy. My business address is 2206 John Hancock Building, Boston, Massachusetts. I am an associate counsel for the Associated Industries of Massachusetts, a state-wide association representing more than 2,300 manufacturers in the Commonwealth. We offer the following statement in respect of H.R. 15119, "The Unemployment Insurance Amendments of 1966."

We support, without amendment, H.R. 15119 and urge its approval by this committee and subsequent passage by the United States Senate.

The provisions constituting H.R. 15119, as reported by the House Ways and Means Committee and passed by the House of Representatives, reflect necessary, significant and time improvements in the federal-state system of unemployment compensation. H.R. 15119 received the bipartisan support of the membership of the House Ways and Means Committee after that committee completed the most thoughtful and deliberative examination of the entire system of unemployment compensation since its establishment in 1935. The character of the House Ways and Means Committee study is stated in its report accompanying the bill. It said: "The bill (H.R. 15119) is the broadest and most intensive review your committee has given the unemployment compensation program since its enactment in 1935 as part of the Social Security Act."

After more than three weeks of public hearings producing more than 2,000 printed pages of testimony from the most informed and knowledgeable specialists in the field of unemployment compensation which covered every facet of unemployment compensation and after seven weeks of extensive work and study in executive sessions, the House Ways and Means Committee approved a new bill, H.R. 15119. In doing so, the committee made substantial changes in the unemployment compensation system, while wisely reserving to the states autonomy to design their own programs tailored to their peculiar unemployment compensation and economic needs.

The Ways and Means Committee and the House of Representatives, in taking the action of virtually unanimously approving H.R. 15119, deliberately rejected the Administration's proposal, H.R. 8282, and its notions of federalization of unemployment insurance.

The Associated Industries of Massachusetts is in accord with the views of the House Ways and Means Committee and the House of Representatives. It supports and urges Senate approval of H.R. 15119 without modification and Senate rejection of S. 1991, the Senate bill identical to H.R. 8282.

We have said that H.R. 15119 would make major improvements in unemployment compensation within the existing federal-state concept of unemployment insurance. We should like to elaborate upon this thesis.

I. EXTENSION OF COVERAGE

Under the new bill three million new workers would be added to the existing 49.7 million workers who are protected by unemployment compensation. This, we submit, is a most significant extension of coverage in the system of unemployment insurance. In Massachusetts, for example, coverage has since 1950 extended to employers of one or more individuals on one day in each of thirteen weeks in the calendar year. Under H.R. 15119 coverage would be extended from the present employers with four or more individuals in each of twenty calendar weeks in a calendar year to employers of one or more individuals on one day in each of twenty weeks in a year.

II. FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION PROGRAM

H.R. 15119 would establish a permanent system of extended benefits to be "triggered in" during periods of defined high unemployment either on a state or national basis and payable to workers who exhausted their basic entitlement under state programs. Twice within the last decade, in 1958 and 1961, the Congress has found it necessary to enact an extension of benefits program to alleviate the economic needs of both the long-term unemployed who had exhausted their state benefit rights and the national economy. Enactment of a permanent extended benefits program as contemplated by H.R. 15119 would obviate the future nedes of ad hoc Congressional action whenever economic conditions warrant such action—an approach that is often ineffective because such programs are enacted under the coercion of emergency situations during recession periods that have been underway for some time. H.R. 15119 presents a program for extended benefits that would become effective as the need arises and end as the need passes.

We also feel that the approach to compensating long-term unemployment under H.R. 15119 is entirely consonant with the federal-state system of unemployment compensation. The extended benefits would be paid under the provisions of state laws, thus recognizing that the states have a responsibility in meeting the problems of high unemployment. Additionally, in providing an

alternative "trigger in" point on a state or national basis, H.R. 15119 recognizes the principle that oftentimes there is an uneven incidence of unemployment among the states; that long-term unemployment in one state does not necessarily mean that the same unemployment exists in another state; and that a state may be experiencing a problem of high unemployment even though the nation as a whole is not.

To avoid discouraging states from providing regular compensation for longer than twenty-six weeks, the Federal Government will also pay under the extended benefit program in H.R. 15119 one-half of the regular compensation in excess of twenty-six weeks in a benefit year, if such regular compensation is paid during an extended benefit period.

In sum, the extended benefit concept in H.R. 15119 is infinitely preferable to the extended benefit program contemplated by S. 1991 whereby extended benefits would be paid automatically to any person who exhausted his state benefit rights under any economic conditions.

III. JUDICIAL REVIEW

H.R. 15119 affords the states to obtain judicial review of the findings of the Secretary of Labor which would result in the denial of certification for payment to a state of costs of administration or the denial of certifications relating to tav credit to employers in the state. Judicial review of administrative action traditionally protects against arbitrary interpretation of the law. The Congress, by the Administrative Procedures Act of 1946 and numerous other statutes, provides for judicial review of administrative and agency decisions. H.R. 15119 logically extends this right of court review to decisions by the Secretary of Labor in relation to unemployment compensation matters. It will properly protect employers and the states against possible administrative excesses of the Department of Labor.

IV. H.R. 15119 HAS NO FEDERAL BENEFIT STANDARD

We are especially pleased that H.R. 15119 does not contain a federal benefit standard. We agree with the deliberative judgment of the House Ways and Means Committee that a federal benefit standard is, for a variety of reasons, inadvisable at this time. It should be pointed out that the Ways and Means Committee thoroughly studied the impact that the proposed federal benefit standard would have on various state laws which provide for the payment of dependency benefits on top of their basic benefit entitlement or pay benefits under the variable maximum system. They pondered the question of how to impose a benefit standard on weekly benefit amounts in these states without distorting the benefit structures in these states. They were not able to find a solution and ultimately determined a federal benefit standard was not feasible and ought not to be imposed.

Unemployment compensation needs, like other economic needs, vary from state to state and region to region. This fact principally accounted for the establishment of the federal-state concept initially in 1935. The validity of this concept is no less persuasive today than it was thirty years ago. Some of the factors causing this variance are geographical location, composition of the economy and its work force, type and extent of unemployment and others. Also the ability of employers and employer-made products to pay for the unemployment compensation programs similarly vary from state to state and region to region. It would be most unwise then to impose an inordinately high level of unemployment compensation requirements for all states and regions in the manner contemplated by S. 1991, thereby forcing all states to conform to this federal standard without an unmistakable demonstration of the need in all the states.

Individual states, generally, and particularly the industrial states of which Massachusetts is one, are meeting their own peculiar unemployment compensation needs in designing their own programs. The social and economic forces at work in the individual states in large part contribute to the current adequancy of these state programs. The history of unemployment insurance in the United States generally has shown that invariably these forces will cause the levels of the various programs to rise to meet the needs of the unemployed in a manner consistent with the economics of the community and the policy and purpose of the program itself. State legislatures generally are becoming increasingly responsive to these forces and are designing their programs in accordance with their demands.

We disagree with those who assert that unemployment compensation can be dealt with effectively only through high-level national standards and a nationally coordinated program. Individual states generally, and Massachusetts in particular, have evolved and are developing their programs tailored to meet their needs and adapted to conditions prevailing within the state with only minimal federal requirements. They should be allowed to continue to do so.

Thank you Mr. Chairman and Members of the Committee.

SUMMARY OF STATEMENT OF THE ASSOCIATED INDUSTRIES OF MASSACHUSETTS, WILLIAM J. MCCARTHY, ASSOCIATE COUNCIL

In general the testimony of the Associated Industries of Massachusetts will be in support of H.R. 15119, without amendment. We also urge rejection of S. 1991. H.R. 15119 reflects necessary, significant and timely improvements in the federal-state system of unemployment compensation. This bill is the product of the broadest and most intense review of unemployment compensation by the House Ways and Means Committee since the enactment of the program in 1935 as part of the Social Security Act.

EXTENSION OF COVERAGE

H.R. 15119 significantly extends coverage of the unemployment compensation system by adding three million new workers to the existing 49.7 million workers who are now protected by unemployment insurance.

FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION PROGRAM

H.R. 15119 provides for the establishment of a permanent federal-state system of extended benefits to be "triggered in" during periods of defined high unemployment either on a national or state basis and payable to workers who have exhausted their basic benefit entitlement under state programs. Enactment of this permanent extended benefits program is entirely within the existing federal-state concept and would obviate the future need of ad hoc Congressional action whenever economic conditions warrant such action. Under the bill, a permanent program for extended benefits would be established whereby benefits would be payable as the need arises and end as the need passes.

JUDICIAL REVIEW

H.R. 15119 provides for a needed system of judicial review of the findings of the Secretary of Labor in matters of unemployment compensation. This court review procedure is a logical extension of and in keeping with a multitude of other federal statutes providing for judicial review of administrative matters.

H.R. 15119 HAS NO FEDERAL BENEFIT STANDARD

We agree with the deliberative judgement of the House Ways and Means Committee that a federal benefit standard, for a variety of reasons, is not feasible and ought not to be imposed. Unemployment compensation needs, like other economic needs, vary from state to state and region to region. It would be unwise to impose a high level benefit standard for all states and regions in the manner contemplated by S. 1991, thereby forcing all states to conform to this standard without an unmistakable demonstration of the need in all the states. Individual states, generally, and particularly the industrial states of which Massachusetts is one, are meeting their own unemployment compensation needs in designing their own programs without a federal benefit standard requirement. They should be allowed to continue to do so.

The CHAIRMAN. Our next witness is Mr. Otto Christenson, Minnesota Employers Association.

STATEMENT OF OTTO CHRISTENSON, EXECUTIVE VICE PRESIDENT, MINNESOTA EMPLOYERS ASSOCIATION, ST. PAUL, MINN.

Mr. CHRISTENSON. Mr. Chairman, gentlemen of the committee, my name is Otto F. Christenson. I am the executive vice president of the Minnesota Employers Association with headquarters in St. Paul, Minn.

This is a statewide association consisting of over 1,820 member companies, about three-fourths of them being firms engaged in manufacturing operations. Most of the principal industries in the State are members of the organization. The association membership is from all areas of the State and it includes over 1,000 employing firms which would be classified as small employers.

At the outset let me make it clear that our association, although we have reservations on certain points, supports the enactment of H.R. 15119 without any changes. This bill is a compromise of widely divergent views presented to the House Ways and Means Committee and, as you gentlemen know, it was developed only after the longest public hearings and executive session consideration of unemployment insurance since the original act established the Federal-State system in 1935. Proponents of the sweeping changes in the system put forward in H.R. 8282 and S. 1991 decry the effectiveness of H.R. 15119 and some have called it a watered down little bill. Gentlemen, any objective appraisal of H.R. 15119 will indicate that this bill entails more fundamental change in the Federal-State unemployment insurance system than has been previously enacted in all the bills passed by Congress since the birth of the program in 1935. I do not intend to take your time with a recital of the basic changes with which you are certainly familiar. I do wish to stress two fundamental changes:

(1) The Federal tax rate and tax base are substantially increased—the rate by 50 percent; the base by 40 percent. By 1972, employers will find their present Federal unemployment tax more than doubled.

(2) The protection of workers under the program is vastly improved by extending coverage, by lengthening the duration of benefits in times of recession, and by strengthening the financial resources of both the State and Federal laws.

The proponents of H.R. 8282 and S. 1991 continue to urge you to incorporate in H.R. 15119 some of the most objectionable features of these bills which the House rejected. They continue to reiterate the slogan that the States have "failed to keep pace with the times." Gentlemen, I simply do not believe that such a charge can be substantiated and as to my own State of Minnesota, I know from over 20 years of firsthand experience that the assertion is without merit. In our 1965 legislative sessions the maximum weekly benefit amount was increased from $38 to $47.

If I may interpolate in my prepared statement, this is more than a 20-percent jump in 1 legislative year. In 1939, it was $15—so the present level represents an increase of over three times. Our tax base was increased from $3,000 to $4,800, one of the largest in the United States, and our maximum tax rate from 3 percent to 4.5 percent, also one of the largest in the United States—all designed to strengthen the financial resources of the Minnesota fund. By the end of 1966 our State officials, including Mr. Brown who was your first witness this morning, estimate that the Minnesota reserve fund will be $46 million—more than double the reserve at the end of 1964. Gentlemen, this is but one evidence of State initiative in taking drastic steps to meet its responsibilities to its citizens without any Federal coercion or standards. And, I am sure such instances could be multiplied many times over.

Our legislature made many other changes in the Minnesota program in 1965 as they have consistently done over the years. I will not take your time to detail all of these improvements, but their net effect was to greatly broaden the protection afforded the legitimately unemployed claimants and at the same time provide the funds from increased employer taxes to meet these increased liabilities.

I would like to take my remaining few minutes to discuss just one of the most objectionable features of H.R. 8282 and S. 1991 which was considered and rejected by the House. I refer to the proposal to include in the Federal law for the first time a requirement which would impose upon all States minimum standards as to State weekly benefit amounts. The administration proposal would have required each State to pay eligible claimants at least 50 percent of their average weekly wage up to a maximum—initially 50 percent of statewide average weekly wages and eventually 66⅔ percent of such wages. Although this is only one of several new proposed Federal standards, it is almost certainly the big issue. We strongly urge your committee to reject the inclusion of this standard in H.R. 15119 because it is both unnecessary and undesirable.

The basic argument of the Federal standard proponents is that it is necessary to insure the adequacy of benefits under the State systems. Adequacy is then measured by comparing benefits with the average wage of all covered workers, a figure which is nothing more than an interesting statistic. It is not the average wage of the unemployed who claim benefits—tests in many States clearly show that the average wage of claimants is substantially lower than the average of all covered workers. Even as to covered workers, it represents the gross wage—not the "take home" pay on which the workers' standard of living depends.

The proponents of this Federal weekly benefit amount standard have no answer to the clearly provable fact that the average weekly benefit today buys at least 50 percent more goods and services than the average benefit paid in 1939. Since that year the cost of living has gone up 128 percent—the average benefit has increased 240 percent. And when we look at the total amount of benefits a worker can receive today as compared with 1939, the States' case is even stronger. Minnesota's 1939 total maximum benefits of $240—16 weeks at $14 a week—was typical of the majority of States. Today we pay 26 weeks at $47 a week—a total maximum benefit of $1,222. Compared with any index you can use, this increase of five times is certainly "keeping pace." If you wish to look at the overall record, you will find that today 42 States have total maximum benefits in excess of $1,000 and 25 of them, like Minnesota, are over $1,200. In 1939, the most liberal State paid $300 and most, like Minnesota, paid a maximum of $240.

There are many other reasons—both as to the principle and as to substance—why Federal benefit standards are undesirable. A single uniform standard cannot produce equitable results among the States. It cannot be designed to take into account all the variations which State legislatures have seen fit to include in their laws. The proposed standard would actually outlaw the present benefit formulas of some States and seriously impair the ability of others to continue paying higher benefits to family men than to single persons. But, these are all

issues which I know will be more effectively presented to your committee by other witnesses from States where such problems are more acute.

Thank you very much for the opportunity to appear before this committee today to make this statement and for your courteous attention during my presentation. And may I, if it is proper to do so, thank Senator McCarthy for coming while I made my presentation. The Senator and I have been personal friends for some 30 or 40 years. And I asked him if he would come and listen to what I had to say about his own State.

The CHAIRMAN. At this last session of the Louisiana Legislature, we went from a maximum of $40 to $45 and your State went up from——

Mr. CHRISTENSON. $37 to $47.

The CHAIRMAN. Your State went up from $38 to $47?

Mr. CHRISTENSON. Yes.

The CHAIRMAN. So you were $2 behind us, now you are $2 in front of us on your maximum benefits, I note. I think your wage rates are a little higher up there on the average so perhaps as a percentage of wage it might not be as high as ours.

Mr. CHRISTENSON. I don't know. I talked to Ford Lacey on a number of occasions and we always felt that Louisiana and Minnesota had a great deal in common as to their wage base and annual wages, et cetera.

The CHAIRMAN. We have a lot in common. You're on the high end of the Mississippi River and we are on its low end. Everything you dump in that river comes out on our end.

Mr. CHRISTENSON. But, you know, we are in the land of the sky-blue waters and the lakes of Minnesota are nice and blue but when they get down below the Ohio River we worry about this.

Senator MORTON. Don't get the Ohio River in that.

The CHAIRMAN. I wouldn't advise you to go bathing in Baton Rouge by the time it gets down to us.

What is your reaction to this argument that is made to some of us at the State level if we raise these benefits it is going to make us less competitive with other States in attracting new industries.

Mr. CHRISTENSON. As an individual I don't think there is anything to it and I don't think there has ever been anything to it and I think it is just conversation. We have never had a minimum in Minnesota of less than three-tenth of 1 percent and as you have pointed out, and some of the other people, some go to zero. We tend to follow the philosophy that everybody ought to pay something, if it is to be an insurance program, and so we have gone to a minimum of three-tenths, we have gone to a minimum of five-tenths, and a minimum of six-tenths—depending upon the time and the economic conditions, somewhat dependent upon the makeup of the legislatures and the committees, but we have never gone below three-tenths of 1 percent.

The CHAIRMAN. I know that your minimum unemployment top rate is six-tenths. I think our minimum in Louisiana is nine-tenths. It would seem to me that it would be unfortunate if States got to competing with one another to make their minimums such that they would attract industry——

Mr. CHRISTENSON. I agree thoroughly.

The CHAIRMAN (continuing). Away from some other State by getting down to zero minimum. It would seem——

Mr. CHRISTENSON. You know, Senator, if I may just visit a little, we have talked this over with Wilber Mills, we have talked it over with Johnny Byrnes, we have talked it over with many men on the House Ways and Means Committee and whatever you agree on, it has got to be a compromise.

Now, there are things in this bill that is before you that a great many members, particularly the larger members, do not like, but we would rather take the bill as it is, as a compromise, recognizing the months and months of work which the House Ways and Means Committee put into this and the expertise which went into it and the many people that testified and the hours of executive sessions that they had, and so forth. Even if you were to offer us an amendment which we would want, which would theoretically help some of the largest companies, we would rather you would take the compromise that the House has given you than to even get one amendment that would help us, because always it is going to be this. As long as you and I live, there are always going to be differences of opinion and they have got to be resolved by compromise.

The CHAIRMAN. Well, some of us are very proud over here on this committee that we think we have consistently improved on bills that the House sent us. Now, once in a while we will vote a bill through. I think the debt limit bill that we passed just recently was just word for word what the House sent us without dotting an "i" or changing a "t." It is precisely the same thing. But we are paid to legislate and we are paid to think and generally speaking when we have a chance to do something that appears to be good to us, most members of this committee are inclined to feel, here is our chance to do it. If you think it is a good thing to do let's do it. And you made a fine argument, may I say, and so have other witnesses, that the States should be permitted to do this job.

State administers and employers are content with this increase in the tax base the House put on, and the increase in the tax rate. Those are not minor items. Those are big items. There are a lot of good things in this bill, but it does occur to me that some of us on this committee like to feel we are capable of thinking, too, and are capable af having a good idea.

Mr. CHRISTENSON. You bet. And I did not mean to imply that your committee should not consider each angle or provision of this bill but what I do mean to imply is that the House Ways and Means Committee, for whom I have a tremendous respect and have had it for many years, have given this the most thorough, the longest hearings that the unemployment compensation has had.

I am an old man. I am 63 now and I lived in Wisconsin when we passed our first act back in 1932–33, and I have been living with it ever since. This is the more thorough hearing and they have heard from the most people and they have spent the most hours. I recognize that you have to make some compromises in almost every field, certainly in this technical one, and I think they have done a statesmanlike job.

The CHAIRMAN. Here is one thing that does bother me and I do question this. When Congress put on the unemployment tax, 3.1 tax, 0.4 percent collected by the Federal Government, and the other 2.7 for the

States, we said that if the States wanted to get in this field, we would give them a 90 percent credit. We also authorized them to use an experience rating. Now, when the States use that experience rating to put that tax down to zero, there is some question in my mind as to whether they have frustrated the intent of Congress when we put that tax on and gave the credit.

We provide tax credits in a number of respects in the law but in each case the person must do something to get the credit, and the thought occurs to me that one would argue, well, if you have all the money you need in the fund, you don't need to collect the tax, you don't need the insurance. I can understand that on that basis you might forgive the tax completely for a while. But it does not see quite appropriate to me that you would say, well, some fellow can pay zero tax while other employers in the State continue to pay, say 2.7 percent.

Mr. CHRISTENSON. Senator, you and I happen to agree on one thing. But we are only individuals. Now, if I may just discuss this a moment. If in one of your parishes you were running a small business with 30 or 40 employees and you had paid enough into your reserve fund in Louisiana to take care of any unemployment that would be foreseeable by the experts for 5 years—you already had it in the bank; it is in the reserve fund, and your reserve fund in your State is adequate to take care of all the employees in the State that the experts can see for several years—why should they then continue to tax you?

We get this argument from many people, and there seems to be a lot of justice to it; that when we have paid enough into the reserve fund, when our reserve fund is adequate, why should we pay any more.

Now, on the other hand, we in Minnesota think that everybody should pay at least three-tenths and right now it is six- or seven-tenths. Well, this is one of those compromises that you have to arrive at on which State legislatures, we think, can do a better job in their own State than any governmental bureau in Washington.

The CHAIRMAN. Well, if the State had its fund in such shape that none of the employers need pay any more into the fund for a while to keep it up, I could understand a 100-percent forgiveness of that tax. I find it difficult to understand why they should be a 100-percent forgiveness of that tax as long as there are other people in the State who are still paying for the insurance, and your State and most of them apparently take the philosophy that they ought to put up something that—they should not reduce it down to zero.

Senator Anderson?

Senator ANDERSON. Well, do you believe it is right for an insurance company to have a different rate on fire as to an ice factory as against a cotton gin?

Mr. CHRISTENSON. I don't know.

Senator ANDERSON. Well, I do.

Mr. CHRISTENSON. Well, you see, I am not an expert in that field. I have never— —

Senator ANDERSON. You don't have to be. You know the risk is what measures the rate.

Mr. CHRISTENSON. Right.

Senator ANDERSON. And the risk in a cotton gin is a thousand times more dangerous than on a plant making ice. If you can recognize it there, why can't you recognize it in unemployment compensation?

Mr. CHRISTENSON. If it is a thousand times more risky to have a cotton gin, then he ought to pay more money.

Senator ANDERSON. He does.

Mr. CHRISTENSON. That is obvious.

Senator ANDERSON. Every operator of a cotton gin does.

Mr. CHRISTENSON. I would not know one if I saw one. I can tell you all about plows and things like that but I can't tell you anything about cotton gins.

Senator ANDERSON. Getting back to your unemployed personnel——

Mr. CHRISTENSON. Yes.

Senator ANDERSON. Are they not pretty much the small company with 30 or 40 employees who had a very low rate of turnover? You don't believe the rate should be lower?

Mr. CHRISTENSON. Yes; I do.

Senator ANDERSON. What are we arguing about then?

Senator MCCARTHY. It is about the question of whether there should be no tax. You would not say——

Mr. CHRISTENSON. The Senator's argument is that there always should be some tax no matter how good your experience is.

Senator ANDERSON. I think that is true because we teach our children to drop pennies in the collection box. It does not help the church much but it helps them. That is all right. I don't mind. But I think there should be a merit rating in unemployment compensation. I was identified with a small business at one time and——

Mr. CHRISTENSON. I don't believe Senator Long disagrees with us on that. I think his point is that there also should be some minimum contribution paid by all employers and it should not go down to a zero rating. Now, I think that——

Senator ANDERSON. I agree with that.

Mr. CHRISTENSON (continuing). Many employers agree with him and some say after you have paid enough, why pay any more if you don't need it. I don't think any of us are going to get these two people to agree, so I think eventually each State legislature must arrive at a compromise on what they think is best for their State, considering the economic conditions, political situation, and a great many other things, and arrive at some kind of a compromise.

Senator ANDERSON. Therefore, you do believe in leaving it in the State legislature.

Mr. CHRISTENSON. Yes, very definitely. I am a "States righter."

Senator MORTON. I think you and Senator Anderson are in full agreement on this thing.

I have no questions.

Senator ANDERSON. I know there was always—I would like to leave this off the record.

(Discussion off the record.)

The CHAIRMAN. The witness agrees with both of us. He agrees with me they ought to pay something, pay a tax under all circumstances, and as far as his State is concerned that is how they do it. He also supports the position it ought to be left to the States.

Senator McCarthy?

Senator MCCARTHY. Mr. Chairman, Mr. Christenson, the $47 maximum in Minnesota is a dollar figure. It is not a percentage of——

Mr. CHRISTENSON. I did not hear you, Senator.

Senator McCarthy. The increase that was approved by the legislature which raises the maximum weekly payment to $47 is a dollar figure, is it not?

Mr. Christenson. Yes.

Senator McCarthy. Rather than a percentage?

Mr. Christenson. $47 a week for 26 weeks.

Senator McCarthy. Is there any provision for raising that or would it require separate action?

Mr. Christenson. It would require separate action, and you know our State well enough to know that more than most States, the employers get along with the labor unions pretty good and we have got a pretty good labor record; one of the best in the country. If it appears that we get the inflation we anticipate, we will be back in the next session recommending from the employers' side as well as the labor side—we won't agree on the amount—but we will recommend an increase. This always happens.

Senator McCarthy. You anticipate that if the fund is increased as a result of raising the tax base and rate in Federal law, that it would be much easier for you to persuade the legislature they ought to increase the benefits?

Mr. Christenson. Yes. Except that our fund has been and is so low that I think we all agree it has got to be built up, at least double what we anticipate it will be at the end of this year, before that will make much difference in our thinking. Basically you have to do what is right and then find the money, instead of finding the money and then doing what it right. We anticipate—you see, we used to have $122 million in the reserve fund and it went down like the dickens as we raised benefits and not income. It went down to $22,800,000 at the end of 1964. That is why we have gone up to the 4½-percent rate and the $4,800 tax base from our previous rather low amount. This is a tremendous amount of money when you start to analyze what is is going to do to IBM or Pillsbury or General Mills or United States Steel or Peckands Mather, millions of dollars per company.

We did not like it but it is like the doctor says, the medicine is not very good but the directions say take it.

So we raised our rate and we raised our wage base and we now anticipate that by the end of this year we will have $46 million. In another year or two we will have $75 million or $80 million. Then it might make a difference to us.

But at the present time it does not. At the present time, you have got to figure what should you pay your claimants and then, by golly, go find the money whether you like it or not.

Senator McCarthy. Do you have any opinion with regard to the recommended changes concerning disqualification? I expect there is some disagreement among employers.

Mr. Christenson. When Bob Brown comes in and says you should not disqualify on voluntary separation for over 6 weeks, that is conversation to get you fellows on the committee to think about it. Generally we think that our law—that the volunteer separations are one thing, misconduct cases are another. There is a misconduct case of the guy who steals a pencil and a guy who embezzles $90,000 from the Sister Kenny Fund, and you don't treat them both alike. You have got to have, in our State at least, and in our opinion, variations

as to the type of voluntary separation and the type of misconduct and the length of disqualification and there is always a great argument. As to whether there should be a dropoff of a certain number of weeks if a man is disqualified or if you just postpone and then you arrive at compromises, because you never get everybody to agree on anything in this complex field.

Senator McCARTHY. Well, in general you support the provisions regarding disqualifications in the bill as reported by the Ways and Means Committee and passed by the House.

Mr. CHRISTENSON. Yes.

Senator McCARTHY. Thank you very much. Thank you for coming down.

The CHAIRMAN. Mr. L. W. Gray of the Texas Manufacturers Association.

STATEMENT OF L. W. GRAY, DIRECTOR OF INSURANCE FOR THE TEXAS MANUFACTURING ASSOCIATION, HOUSTON, TEX.

Mr. GRAY. My name is L. W. Gray, director of insurance for the Texas Manufacturers Association, Houston, Tex.

The CHAIRMAN. You have a rather formidable statement and I am happy to read it.

Senator McCARTHY. Texas statements always have to be a little longer than the others.

The CHAIRMAN. Yours is a big State but as you know, we are under the 10 minute limitation. So I will ask you to limit it.

Mr. GRAY. I am actually appearing for Mr. Ed C. Burris who was scheduled to be the witness, the executive vice president of our association. He was unable to appear because of a conflict in the scheduling of his appearance this morning.

This appearance is on behalf of the Texas Manufacturers Association and since we requested time we have been asked by 18 other Texas employers associations to be permitted to join with us in this statement, and with the permission of the Chairman I will not read those names into the record but I do have a list of them which I will give to the reporter if that is permissible.

The CHAIRMAN. We will put that in the record.

The names referred to follow:)

Robert O. Smith, executive director, Wholesale Beer Distributors of Texas, Inc.
Charles E. Simons, executive vice president, Texas Mid-Continent Oil & Gas Association.
Kennedy England Texas Industrial Conference.
Texas Lathing and Plastering Contractors Association.
Ralph C. Poling, executive secretary, Texas Retail Federation, Houston, Tex.
The Lone Star Water Well Association, The Texas Association of Beauty Culture Schools, Woody H. Fox.
Calvin S. McIntosh, executive vice president, Texas Oil Jobbers Association.
Preston A. Weatherred Council, Southwestern Ice Association.
Texas Nursing Home Association, John Crawford, executive director.
H. C. Pittman, executive vice president, Texas Automobile Dealers Association.
Texas Certified Seed Producers Inc. and Texas Seedmans Association, Othel M. Neely.
R. J. Lewallen, Texas Wholesale Grocers' Association.
Tom Blundell, general manager, Texas Independent Auto Dealers Association.

The CHAIRMAN. In fact, I will instruct the reporter we will print your entire statement and just add your summary at the conclusion of it.

Mr. GRAY. Fine. My remarks this morning are directed to H.R. 15119 and to S. 1991, bills pending before this committee.

Since this is a consolidated statement on behalf of these 18 trade associations, in the interest of brevity I am going to comment only on the fundamental issues involved and not go into the technical details of the legislation.

First as to H.R. 15119, employers for whom this appearance is made endorse this legislation as a better vehicle for improving the Federal-State unemployment compensation program in S. 1991. We would like to comment on several provisions of the legislation pending before this committee to give you the benefit of our views.

We heartily endorse judicial review and urge that it be enacted into law. We also favor the extension of coverage to employers with one or more employees as set out in H.R. 15119.

This legislation provides certain additional requirements for approval of State laws. It provides, for example, for the elimination of the double dip, prohibition against cancellation or reduction of benefit rights, prohibition against denial of benefits to claimants undergoing training, and prohibits reducing benefits on interstate claims. While the requirement prohibiting the double dip if enacted will actually benefit Texas employers while certain of the other requirements would have little effect in our State, we do object to these principles as being issues which should be left to the discretion of the States. Both bills provide for an extended unemployment compensation program. We favor the provisions of this program as set out in H.R. 15119.

Coming down to the financing, both bills provide for an increase in both the Federal tax rate and the Federal wage rates. This has caused some concern among the employers that I represent here this morning. They realize, of course, that additional revenues must be obtained to finance this measure. The only question is how they should be obtained.

It is the view of the employers that I speak for that they would prefer revenue be obtained through an increase in the tax rate rather than in both the rate and the tax base.

Turning now to S. 1991, when its companion was pending over in the House, H.R. 8282, some 66 Texas trade associations representing 58,000 employers presented a joint statement to the committee on posing this legislation. Our witness, Mr. John Post, is scheduled to appear before your committee on July 26, and I assume at that time he is going to go into the reasons that we oppose this legislation. But these 66 employer associations want to again express their opposition to S. 1991 at this time and we have attached a copy of the statement of Mr. Post to our testimony this morning for the use of the committee.

And if I may, Mr. Chairman, before I close, I think perhaps I can give you a partial answer to the question that you have raised about the effect of rates on interstate compensation. On page 14 of the statement you have before you is the results of a study made by the Bureau of Business Research at the University of Texas analyzing why plants chose Texas as the site of their location, if you are inter-

ested in seeing why they were attracted to our State. Not once in these replies was the cost of unemployment insurance mentioned as being a reason for coming into Texas. And yet I think we have an excellent competitive rate which could have been used as an argument. But you will note from the statement that by far the majority listed either available resources and raw materials, the expanding markets in this area, central location of the markets, adequate labor supply and transportation savings. And we found out in following up and talking to some of these employers who have come into our state that their chief concern was not the rate but the administration of the law in Texas and their relationship with the State agency in administering this program.

So that perhaps in part answers the question which you were raising based on this study, and I might add, too, that Texas I think ranks second only to New York in attracting new industry during this period.

The CHAIRMAN. Well, now, if you are talking about the comparative taxes between Louisiana and Texas you are talking about a subject that I know something about. The first time I ran for office we had just gotten through raising the money for a program to pay a $50 welfare payment to aged people and to increase it to double the number of people that were getting it, to provide school lunches for the children who were trying to see if we could not fund it on a completely free basis, to give a bonus to the veterans, and to provide better hospital care for the sick, no matter what age they may be, if they needed it, and to build more and better highways, and we raised quite a few taxes.

We increased the sales tax from 1 percent to 2 percent. We increased the gasoline tax by about 2 cents a gallon. We increased the cigarette tax, put an extra tax on beer, which was not at all popular with our beer drinking friends in New Orleans and the south Louisiana area.

When I was a candidate for office a couple months thereafter there were stickers all over the State on the rear of automobiles saying "Leaving Taxes for Texas. It won't be long now."

Well, I managed to squeeze through by about 10,000 votes on that occasion. After people saw what they were getting, they felt much better and I got a better vote the following time, but I know that in Texas and unemployment rate goes down as low as 0.1.

Mr. GRAY. Yes.

The CHAIRMAN. Now, our minimum is 0.8 and there is no use kidding about this. I know we have lost some industries to Texas because they pay lower taxes in Texas on not just this but on quite a few other things than we do in Louisiana. The one that we do not lose is the oil producers. They have just got to come to Louisiana to get our oil and we have more oil operators than you have and that is one tax where we can pretty well do as we please with it because it still is sufficiently profitable to produce oil and pay a big severance tax.

I think Louisiana has a higher—in fact I know it has a higher severance tax, Mississippi comes second, but that is a good revenue raiser for us and I personally have felt that in competing with you folks over there in Texas we ought to find ways to equalize our taxes with you and any customer we are trying to get.

If I do say, you Texans are tough fellows to compete with in trying to get industries. We are trying to get a particular industry——

Mr. GRAY. We try, sir.

The CHAIRMAN (continuing). In one Louisiana city and some of you Texas boys were trying to get it in various cities over in Texas and some of the boys over in Dallas offered those people a beautiful piece of property, 80 acres right in the heart of the town. Here is 80 acres. You just take it. This is worth at least $20,000 an acre, and those folks said but we don't need but 10. That is all right. You just come here and sell off the other 70. It is all right with us. You can do whatever you want to with the 80 acres if you put the plant here.

We found it is tough to compete with Texans on those things. As one on the other side of the fence, I do think the taxes—this tax and all others are an important item when you are competing for business.

Recently I think we have been keeping up with you Texas boys a little better.

Thank you for your statement.

Senator Morton?

Senator MORTON. No questions.

(The prepared statements of Mr. Burris and Mr. Gray follow:)

My name is L. W. Gray, Director of Insurance for the Texas Manufacturers Association, with offices at 1212 Main Street, Houston, Texas. I am appearing as a substitute for Mr. Ed C. Burris, Executive Vice President of our Association, who is unable to appear at this time due to a schedule conflict.

This appearance is on behalf of the Texas Manufacturers Association and 18 other Texas employer associations representing some 14,000 Texas employers, who requested that they be permitted to join with us in this statement. The other associations are as follows:

Texas Mid-Continent Oil & Gas Association	3,800
Texas Industrial Conference	205
Texas Lathing & Plastering Contractors Association	45
Texas Retail Federation	1,000
The Lone Star Water Well Association	256
The Texas Association of Beauty Culture Schools	27
Texas Independent Auto Dealers Association	545
Texas Oil Jobbers Association	450
Southwestern Ice Association	525
Printing Industry Association of Houston	70
Texas Nursing Home Association	224
Texas Wholesale Grocers Association	151
Texas Automobile Dealers Association	1,470
Southwest Warehouse & Transfer Association	280
Texas Certified Seed Producers, Inc., and Texas Seedmans Association	500
Texas Wholesale Beer Distributors	450

My remarks will be directed to both H.R. 15119 and to S. 1991 (Senate companion to H.R. 8282), bills which are pending before this Committee proposing amendments to the federal-state unemployment compensation program.

Since this is a consolidated appearance and in the interest of brevity, our comments will be directed to the fundamental issues involved, and will not delve into the technicalities of this legislation.

H.R. 15119

The employers for whom this appearance is made endorse H.R. 15119 as a better vehicle for improving the federal-state unemployment compensation program than S. 1991.

We would like to comment on some of the provisions of H.R. 15119 to give you the benefit of our views.

I. *Extension of Coverage.*—We have no objection to the extension of coverage to employers of one or more, as proposed in H.R. 15119, since it requires employment of one or more in twenty (20) weeks during the calendar year, or a payroll

of $1,500 in a calendar quarter. We oppose the language in S. 1991 which extends coverage to employers of one or more "at any time."

II. *Judicial Review.*—Judicial Review contained in H.R. 15119 is particularly endorsed by Texas employers, and we urge the enactment of this provision.

III. *Additional Requirements.*—H.R. 15119 provides additional requirements for approval of state laws—

(a.) Elimination of the "double-dip";

(b.) Prohibition against cancellation or reduction of benefit rights;

(c.) Prohibition against denial of benefits to claimants undergoing training with approval of state agency;

(d.) Provisions pertaining to interstate claims. While the requirement prohibiting the "double-dip" will benefit Texas employers, and while certain of the other requirements will have little effect in our State, these requirements are objected to as dealing with issues which should be left to the discretion of the states.

IV. *Federal-State Extended Unemployment Compensation Program.*—The provisions of H.R. 15119 are favored over those in S. 1991. The program contained in H.R. 15119 closely parallels the recommendations of the Interstate Conference—

—restricting benefits to *recession* periods

—federal-state sharing of costs

—thirteen (13) weeks duration

—permitting states to require such claimants to show up to twenty-six (26) weeks of base period work as a prerequisite for benefits.

V. *Financing.*—H.R. 15119 increases the Federal Unemployment Tax Act from 3.1% of taxable wages to 3.3% in 1967 (net Federal tax 0.6%) and increases the taxable wage base from $3,000 to $3,900 in 1969, and $4,200 in 1972.

Texas will have to raise its wage base to meet this requirement. Employers represented here would prefer that only the tax rate be increased, and that the amount of the taxable wage base be left to the discretion of the states.

S. 1991

The Texas Manufacturers Association, working in cooperation with sixty-five (65) other Texas employer associations representing over 58,000 employers, prepared a consolidated statement in opposition to H.R. 8282 (House companion to S. 1991). This testimony was presented to the Ways and Means Committee by our witness, Mr. John Post, who is scheduled to appear before your Committee on July 26.

These sixty-six (66) employer associations want to again express their opposition to S. 1991 at this time, and a copy of the Statement made by Mr. Post before the Ways and Means Committee is attached to our Statement this morning.

Since Mr. Post will appear before you on next Tuesday and presumably will cover much of this material, we will not read this Statement.

In summary, let me reiterate that the employer associations for which I speak today favor H.R. 15119 over S. 1991 as a vehicle for improving and updating the federal-state unemployment compensation program.

STATEMENT ON BEHALF OF THE TEXAS MANUFACTURERS ASSOCIATION BY ED C. BURRIS, EXECUTIVE VICE PRESIDENT, TEXAS MANUFACTURERS ASSOCIATION

My name is Ed C. Burris. I serve as Executive Vice President of the Texas Manufacturers Association with offices at 1212 Main Street, Houston, Texas. My appearance before this committee is on behalf of the approximately 4,000 members of our association, most of whom are covered employers under the Texas Unemployment Compensation Act.

My remarks are directed to H.R. 15119 and to S. 1991 (Senate companion to H.R. 8282), bills pending before this committee proposing amendments to the federal-state unemployment compensation program.

H.R. 15119

H.R. 15119, now before your committee after passage by the House by a substantial majority of 374 to 10, is the legislation drafted by the Ways and Means Committee as a substitute for H.R. 8282 allegedly for the purpose of improving the federal-state unemployment compensation program.

The employers of the association I represent find this legislation (H.R. 15119) preferable to S. 1991, but not wholly satisfactory. The principle of Judicial

Review which is included in this bill, permitting court review when the Secretary of Labor holds a state program out of conformity with federal requirements, is most worthwhile and therefore particularly endorsed.

H.R. 15119 contains two proposals which we believe should be eliminated, or at least drastically amended. These are: (1) The proposal to increase the federal unemployment tax rate by 0.2 percent; and (2) The proposal to increase the taxable wage base to $3,900 after 1968, and to $4,200 after 1971. These amendments are not needed unless additional revenue is required. If additional revenues are needed, employers would favor an increase in the tax rate only, and for the sole purpose of providing the needed revenues for the federal phase of the operation. We do not look with favor upon increasing the taxable wage base through federal legislation. This is a matter, in our judgment, that should be left to the state legislatures, and we therefore recommend that this proposal be deleted.

We know of no state that could not through prudent practices operate an equitable program within the limitations of the current federally required taxable wage base. If a state chooses to be inequitable or nonprovident in its practices, under existing law, it possesses ample authority to increase its wage base and levy taxes in an amount sufficient to pay for its own follies.

All other features, other than the two here objected to, are worthy of enactment, and we recommend their favorable consideration.

S. 1991 (H.R. 8282)

The Texas Manufacturers Association, working in cooperation with 65 other Texas employer associations representing over 58,000 employers, prepared a consolidated statement in opposition to H.R. 8282 (House companion to S. 1991). This testimony was presented to the Ways and Means Committee by our witness, Mr. John Post, Special Assistant to the Chairman of the Board of Directors, Continental Oil Company, Houston, Texas.

A copy of this statement reformed only to refer specifically to S. 1991, but not changed otherwise, it attached and made a part hereof for the purpose of calling to the attention of the committee the opposition of these 58,000 Texas employers to S. 1991, and the reasons therefor.

STATEMENT ON BEHALF OF 58,000 TEXAS EMPLOYERS

ORGANIZATIONS ON WHOSE BEHALF THIS STATEMENT IS MADE

Associated Employers, Inc.
Associated General Contractors, Fort Worth Chapter.
Associated General Contractors, Texas Heavy Utilities and Municipal Branch.
Texas Associated General Contractors, Texas Highway Heavy Branch.
Association of Oil Well Servicing Contractors.
Automotive Wholesalers of Texas.
Dallas Association of Insurance Agents.
East Texas Chamber of Commerce.
Greater Houston Cleaners and Launderier.
Home Builders Association of Abilene.
Hot Mix Association.
Houston Automotive Wholesalers, Inc.
Houston Home Builders Association.
Lone Star Water Well Association.
Lower Rio Grande Valley Chamber of Commerce.
Lumbermen's Association of Texas.
Mechanical Contractors Association of Texas.
Municipal Advisory Council of Texas.
Printing Industries Association of Fort Worth.
Printing Industry Association of Houston, Inc.
Printing Industry Association of Dallas.
Retail Furniture Association of Texas.
Retail Merchants Association of Texas.
Retail Merchants Association of Tyler.
San Antonio Manufacturers Association.
South Texas Chamber of Commerce.
Southwest Canners Association.
Southwest Paper Merchants Association.

Southwest Warehouse and Transfer Association.
Southwestern Ice Association.
Texas Academy of General Practice.
Texas Association of Beauty Culture Schools.
Texas Association of Home Builders.
Texas Association of Mutual Insurance Agents.
Texas Association of Nurserymen.
Texas Association of Tobacco Distributors.
Texas Automobile Dealers Association.
Texas Butane Dealers Association.
Texas Certified Seed Producers, Inc. and Texas Seedmen's Association.
Texas Electronics Association, Inc.
Texas Funeral Directors Association.
Texas Hardware and Implement Association.
Texas Hospital Association.
Texas Independent Automobile Dealers Association.
Texas Industrial Conference.
Texas Lathing & Plastering Contractors Association.
Texas Laundry and Dry Cleaners Association.
Texas Manufacturers Association.
Texas Merchandise Vending Association, Inc.
Texas Mid-Continent Oil & Gas Association.
Texas Motor Transportation Association.
Texas Nursing Home Association.
Texas Oil Jobbers Association.
Texas Poultry Federation.
Texas Restaurant Association.
Texas Retail Federation.
Texas Retail Grocers Association.
Texas State Chamber of Commerce.
Texas State Florist Association.
West Texas Chamber of Commerce.
Wholesale Beer Distributors.
Texas Chemical Council.

SUMMARY OF POSITION

The massive increases in unemployment insurance taxes for Texas employers proposed by S. 1991—$50 million a year by 1967, $80 million a year by 1970, and $100 million a year by 1975—are not justified by a showing of need and are based on an entirely unwarranted interference with the responsibilities vested in the state by the unemployment insurance program.

More specifically, the theoretical basis of S. 1991 for minimum federal benefit standards is not supported by facts. Contrary to the assertions of the proponents of S. 1991, benefits are adequate, and the states have done a commendable job in keeping benefit levels in line with changing conditions.

Interstate tax competition in unemployment insurance tax rates, heavily relied on by proponents of this legislation, is simply a mythical factor and should be rejected by the committees as a basis for the proposed revolutionary changes in the unemployment insurance program.

The proposals of minimum federal standards as to coverage, duration of benefits, and disqualifications are unsound and demonstrate the basic validity of the existing system whereby these matters are vested in the states.

The proposed new federal program for extended benefits should be considered as separate and apart from unemployment insurance. The matching grants' proposal is an unwise and unnecessary extension of federal activity. The existing machinery—such as the Reed Act—provides sufficient aid to states which need emergency aid. A permanent matching grant program will encourage states to finance themselves on a minimum basis rather than build adequate reserves.

As to the proposed increase in tax base to $6,600, the Labor Department's effort to link the unemployment insurance tax base with the social security tax base has no basis in logic or fact. The taxing arrangements for unemployment insurance should be geared to the amount of money needed to finance the unemployment insurance system rather than to the tax base under an entirely different social welfare program.

I. Introduction

My name is John Post. I appear before this committee on behalf of the above-listed Texas trade associations which represent 58,000 Texas employers, most of whom are covered under the Texas Unemployment Compensation Act.

Our approach to S. 1991 before this committee will be as businessmen rather than as technical experts in the field of unemployment insurance. We will undertake to deal only with what we consider the fundamental issues presented by S. 1991 rather than its technicalities.

We recognize, however, that many important decisions will turn on certain highly technical aspects of the bill, and from time to time we will suggest that the committee probe carefully into those points.

II. The basic issue—who shall decide

We are deeply concerned over the basic impact of S. 1991 on the entire unemployment insurance program. To explain our concern, we will highlight at the outset certain financial aspects, put those highlights into perspective with other financial matters in Texas. That will lead us directly into our discussion of the basic issue of the proper level of government—federal or state—to make certain decisions in the unemployment insurance field.

The Texas Employment Commission has developed a series of estimates of the payroll cost increases for Texas employers entailed in S. 1991.

[Dollars in millions]

	Under present law	Under S. 1991	Increase	Percent of increase
Year:				
1966	$84.5	$90.4	$5.9	7.0
1967	86.2	137.8	51.6	59.9
1970	91.7	170.6	78.9	86.0
1975	99.7	199.6	99.9	100.2

NOTE.—This assumes an unemployment rate of 2.3 percent. At an unemployment rate of 2.9 percent, the cost increase by 1975 will be $113,700,000; at an unemployment rate of 3.4 percent, the cost increase by 1975 will be $124,100,000.

To be confronted with tax increases of such magnitude—$50 million a year by 1967, $80 million a year by 1970, and $100 million a year by 1975—inevitably leads every employer to examine this proposal very carefully. In our opinion, it imposes on its proponents the burden of proving beyond a reasonable doubt that this measure is warranted by conditions on the federal and state levels.

Our concern about the proposed increase in costs may be better understood if we point out to the committee that between 1966 and 1967, the tax increase—$47.4 million—will be larger than the $36 million increase in *all other state taxes in Texas in that year.*

The Fifty-ninth Session of the Texas Legislature in the spring of 1965 approved higher spending in almost every area of governmental activity. These increases are to be financed by new taxes and by drawing down the State's surplus almost to the vanishing point.

We assume that the committee recognizes that Texas, as well as practically every other state, is constantly seeking new sources of tax revenues to meet its growing needs; and new sources are hard to come by because the federal government already preempts the lion's share of the sources of taxes.

Texas has many critical needs, all of which cannot be handled at the same time. In 1965, a consensus was reached in the State that the improvement of *education* must receive top priority. Accordingly, the Legislature increased appropriations for higher education by approximately $40 million a year over the next two years—less than the tax increase which S. 1991 will generate in Texas in those same years.

To improve elementary and secondary education, the Legislature financed an increase of approximately $80 million a year over the next two years to provide for enrollment growth and higher salaries for teachers. But, this step is overshadowed by the forced increase of $80 million a year in payroll taxes by 1970 under S. 1991.

As we stated above, the projected increases in State expenditures will be financed from some increased taxes and from the State's surplus. In the next session in 1967, therefore, the State Legislature will have to develop new sources of revenues to meet these continuing and necessary expenditures.

This poses the basic question of where shall the decision be made as to the priorities in the raising and spending of the State's revenues to support local needs.

Our objections go beyond the purely financial impact, important though that be, and go directly to its impact on the conduct of government and the federal system of government. For under S. 1991 Congress will take over more and more of the responsibility for deciding how the resources of a state shall be used to meet the needs of its citizens.

We recognize, of course, that under our federal system of government the national interest dictates that certain functions be controlled by the federal government. Another principle of our federal system is that the federal government should abstain from getting involved in certain purely local activities. And, there is a "gray area" where either the federal or state governments could act properly and where the boundary between them is not clear-cut.

This was the problem before Congress when it framed the unemployment insurance system. It could have nationalized the system, or it could have left the situation entirely in the hands of the states where it had been until then. As a practical solution, Congress vested in the federal government certain overall functions and left to the states the final decisions on financing and benefits. That arrangement has worked well.

Benefits have increased regularly, both in the weekly amount and duration. The "anti-recession" purposes of the system have also been well served by transferring to the unemployed during recessions vast sums of money from reserves carefully built up during prosperous times.

State autonomy has permitted relatively rapid adjustment to local conditions (given the normal routines in the legislative process); some states, to permit even more rapid adjustment than the normal legislative processes permit, have adopted provisions for automatic adjustments to certain conditions. State autonomy has led to healthy experimentation and even some mistakes which, since they occurred on the state level, have had only limited effect.

> Thus, a few years ago, Texas completely eliminated the one-week waiting period. This was a mistake and was remedied by a subsequent Legislature. Another example, discussed more fully below, was the adoption by some states of uniform duration of benefits; this too was changed when experience demonstrated its detrimental effects.

Probably the most important effect of state autonomy has been the active participation by those directly affected—employers and employees—in the development of state programs, generating a sense of responsibility for local affairs. Thus, every session of the Texas Legislature considers many proposals to amend the state law, and all parties affected pay close attention to the proposal. The administration of the Texas law is conducted in a goldfish bowl. This interest in legislation administration assures that local affairs are conducted in accordance with local needs, and that local citizens take full responsibility for local affairs.

Since the inception of the program, the original separation of functions between the federal government and the states has been under attack by those who want to see the system nationalized. For years, these advocates of nationalization have harassed state administrators by unfair criticism and by proposals which would undermine the role of the states.

This "guerilla warfare" against the states has tended to undermine the spirit of cooperation between federal and state administrators which is vital to the smooth and healthy operation of the system, and this guerilla warfare even distracts efforts at the state level to carry out the responsibilities vested in the states. For frequently decisions by interest groups at the state level will be made on the basis of whether the decisions will help or hinder the drive for nationalization in which the pressures for "federal standards" is the principal weapon.

We sincerely hope that in these hearings the committee will make so thorough an investigation of the facts and the philosophies of the various positions that for some time to come this issue can be considered settled. For after almost 30 years, we should be able to decide whether the orginal decision of the framers of the unemployment insurance system was right or wrong.

We now turn to discuss some of the features of S. 1991. We will confine our comments to the major aspects of this legislation, and to the fundamental issues presented by them. We do not intend to deal with the highly technical aspects of the bill for we assume that the committee will hear testimony on those aspects from others who are more versed in them than we are. Of necessity, our illustrations will be drawn entirely from our experience in Texas. No doubt the committee will receive from other sources information about experience in other states.

S. 1991 is divided roughtly into two parts. One part establishes two new federal programs, and the other requires various changes in state laws. Both parts are important. For convenience, we will start with the provision dealing with state laws, and then turn to the proposed new federal programs.

III. Federal benefit standards

In brief, S. 1991 would establish minimum federal standards which each state must meet as to when an unemployed person is eligible to receive state benefits, and how much those benefits shall be.

Thus, the bill proposes that no state can require more than 20 weeks of employment, or its equivalent, in a one-year period for an unemployed person to be eligible for state benefits. A person who has 20 weeks of work, or its equivalent, shall receive benefits for at least 26 weeks. And the amount of the benefits shall be at least 50 percent of his weekly wages up to a maximum which must be at least 50 percent of the statewide average wage as of July 1, 1967; by July 1, 1969, the maximum must be increased to at least 60 percent of the statewide average; and by July 1, 1971, the maximum must be at least 66⅔ percent of the statewide average wage.

S. 1991 goes further to provide that a state law may not disqualify a person from receiving these benefits except under certain every exceptional circumstances, and even then the disqualification must be limited to delay rather than total disqualification.

The underlying thesis of the proponents of S. 1991 is threefold: First, that existing benefits are not "adequate" to carry out the purposes of the program; second, that the states in their handling of benefits have not kept up with the times; and third, that the failure of the states to maintain a modern system of benefits is, and will continue to be, due to the fear of interstate competition.

Thus, "* * * Some states are * * * held back from providing adequate benefits because of the * * * fear (of interstate competition)."

Page 4 of a memorandum dated July 6, 1965, issued by the U.S. Department of Labor Manpower Administration, Bureau of Employment Security, and entitled "Background Information—Employment Security Amendments of 1965 (H.R. 8282 and S. 1991)—Reasons for Principal Changes." (Hereinafter referred to as Labor Department Memorandum.)

A. THE FALLACY THAT BENEFITS ARE INADEQUATE

As the committee well knows, there is no universally accepted standard of what are adequate or inadequate unemployment insurance benefits. What may be adequate in a rural community may be inadequate in a metropolitan community in the same state. What may be adequate in Texas may be inadequate in California. What may be adequate for a single man in his early twenties may be inadequate for a middle-aged, married many with a young family to support. What may be adequate for a married woman who is a secondary wage earner may be inadequate for her husband.

From experience, we have arrived at a rule of thumb that benefits are "adequate" if they approximate 50 percent of the individual's weekly wage (up to certain maximums).

There is some question, however, of whether the "weekly wage" for these purposes should be gross wages or wages after taxes. When the 50 percent standard was developed, income taxes for wage earners were negligible. Today, they are substantial, and should be taken into consideration. We urge the committee to take into account in determining whether the states have provided adequate weekly benefits the difference between gross and net wages.

Using the more pertinent criterion of net wages, the committee will find that Texas has met its responsibilities. This is illustrated by the following example:

	Gross pay	Take-home pay	
		No dependents	3 dependents
Average weekly wage of claimants (1964)	$78.25	$64.72	$72.06
Maximum weekly benefits ($37) as percent	47.2	57.0	51.3

A sampling of claims in Texas filed during the period from July 1, 1964 to March 1, 1965, disclosed that 55 percent of the claimants received benefits of 50 percent or more of their take-home pay.

Also pertinent to the adequacy of benefits is their duration. Texas provides benefits for up to 26 weeks. The claimants in the above illustration were entitled to and might have drawn benefits for an average of 20.2 weeks; however, they actually drew benefits only for an average of 12.5 weeks again demonstrating the adequacy of our provisions for duration.

We recognize that what was adequate in 1948 would not be adequate in 1964, and what is adequate today may be inadequate in 1967 or thereafter. The Texas Legislature has periodically reviewed our benefit structure, and we are confident it will continue to make changes necessary to meet changing needs as it has in the past.

This brings us to the second fallacy in the thesis of the proponents, namely:

B. THE FALLACY THAT THE STATES HAVE NOT KEPT PACE

To prove their case, the proponents revert to 1939 when the program started At that time, the maximum weekly benefit was generally set at $15 a week. The proponents say that the $15 a week in 1939 established a criterion of adequacy because it was over 50 percent of "state average weekly wages" in all but two states, and ranged as high as 75 percent or better in 12 states. In 1964, they say the maximums were 50 percent or more of state average weekly wages in only 13 states. This, they charge, proves that the states have been derelict in fulfilling their responsibility.

1. THE USE OF "STATE WEEKLY AVERAGE WAGES"

We question the use of the "state average weekly wage" as a measure of the level of benefits. As the committee well knows, the state average weekly wage includes many employees, including executives, who will never draw unemployment insurance benefits. The proper measure is the average weekly wage of all *claimants* rather than all covered employees.

To go back to the example above on page 10 where the average weekly wage of claimants was $78.25, the state average weekly wage of all employees was $96. The proponents would have us use $96 as the base. We submit that insurance principles dictate that $78.25 is the proper figure.

2. THE USE OF 1939 AS THE BASE YEAR

Another basic defect in the proponents' thesis is the use of 1939 as the base date. It is hard to conceive how, even in 1939, the maximum could have been set any lower than $15 a week. In 1939, the minimum benefit was generally set at $5 a week, and any reasonable spread between this minimum and the maximum would require at least $15 a week as the maximum.

The committee will recognize that conditions in 1939 have no reasonable relationship with conditions today. With the advent of World War II and its aftermath, profound changes took place in our entire economy. Wages and prices went through drastic changes. The year 1939, therefore, is ancient history insofar as unemployment insurance is concerned, and should be rejected by the committee as no longer useful for our present purposes.

We suggest that the committee use a *post-war year* in determining whether the states have kept pace with changing conditions. To test our position, we obtained from the Texas Employment Commission pertinent information for the years 1948 and 1949. Comparison of those years with 1964 discloses that Texas has kept pace:

Year	State average weekly wage [1]	Maximum weekly benefit	Percent benefit to wage
1948	$51.80	$18	34.7
1949	53.62	20	37.3
1964	96.29	37	38.5

[1] Note that for the purpose of illustration we use the "State average weekly wage" only because the average wage of claimants is not available for the earlier years. In any event, the upward trend is probably the same.

To measure the increase in benefits in Texas, the weekly benefit maximum tells only part of the stoury. Another important part is the maximum *duration of benefits*. Thus, in 1939, if that year be used, a claimant could get a maximum of $15 a week for no more than 16 weeks for a *total entitlement of $240*. But in 1965 in Texas, a claimant can receive a maximum of $37 a week for up to 26 weeks for a total entitlement of $962, or *four* times his entitlement in 1939. In 1948 and 1949, the maximum duration was 20 and 24 weeks respectively making the total entitlement $360 and $480 respectively.

By any measure—whether it be the cost of living, the wages of claimants, gross or net, or even the state weekly average wage—the total entitlement benefits under Texas law have more than kept pace. And, in the future, we have no doubt that the Texas Legislature will be responsible to changes in conditions and to the needs of the unemployed in Texas.

C. THE FALLACY OF INTERSTATE TAX COMPETITION

A myth which has poisoned the unemployment insurance system since its inception is "interstate tax completion." Proponents of nationalization allege—without adequate proof—that interstate tax competition in unemployment insurance rates plays an important role in business decisions as to where to locate new enterprises, and also affects the ebb and flow of interstate commerce. Unfortunately, all too frequently opponents of increased benefits have used the same argument, also without adequate proof, to oppose needed changes at the state level.

We think the time has come to put into proper perspective the role of unemployment insurance taxes in the interstate commerce picture. We believe that its role has been so grossly exaggerated as to harm the entire system.

We urge the committee to make a thorough investigation into the extent, if any, that unemployment insurance tax rates actually influence business decisions to locate or expand a business in one state rather than another. Of whether they have enough impact on overall costs compared with many other factors to make an employer competitive or not competitive in interstate commerce.

Actually, the decision to locate a business in a particular location turns on such major factors as access to markets, access to raw materials, the availability of productive labor force, a state's overall tax structure, and, most important, that intangible we call the "business climate." Against these basic factors, the difference of one or two percent of covered payroll for unemployment insurance is inconsequential.

Thus, in a study by the Bureau of Business Research entitled "Texas Plant Location Survey: 1955–1963," 205 companies were asked the reasons for locating their plants in Texas during those years. The main replies were as follows:

Available resources and raw materials	84
Expanding southwestern market	71
Central location to market	67

After these three main reasons, the reasons drop as follows:

Adequate labor supply	34
Transportation savings	23

Also mentioned, were a host of other reasons.

As to labor in particular, the report says:

"A far greater number of the firms were interested in the availability of an adequate, skilled labor force than in the lower labor costs. Thirty-four of the firms were influenced in their selection of a Texas site by the prospect of being able to employ a satisfactory labor force. A chemical company mentioned that the realistic attitude of labor toward the types of work performance required for an economic chemical process operation. A food manufacturer was influenced by the quality and efficiency and cooperative spirit of the workers! A manufacturer of fabricated metal products recognized 'manpower . . . well adapted to training for . . . production facilities.' An electrical machinery manufacturer was influenced by the availability of personnel in the Dallas area 'who are skilled in the assembly of electronic equipment.'"

Nowhere did unemployment insurance taxes come into play.

Insofar as the impact of unemployment insurance on interstate competition is concerned, it is our opinion as businessmen that the really important element is the quality of administration of the unemployment insurance laws rather than the tax rate.

If the administration is inefficient and condones misuse of unemployment insurance, then a businessman may well question the productivity and commitment of the labor force. If the administration is proficient and dedicated to paying benefits only to those unemployed who deserve them and to getting the unemployed back to work, then the whole community will impress him as conducive to an atmosphere of labor productivity. (This is why we strongly oppose the proposals regarding disqualifications as discussed below.)

Contrary to the fallacies in the proponents' position, therefore, the present federal-state system of handling unemployment insurance has worked well, will work well in the future, and should not be changed in a revolutionary manner by imposing federal benefit standards.

Now we will discuss briefly certain other federal standards proposed by S. 1991 which we consider of fundamental importance.

D. EXTENSION OF COVERAGE TO EMPLOYERS WITH ONE OR MORE EMPLOYEES

S. 1991 proposes to require states to extend the coverage of the Act to every employer who at any time during the year, hires a single employee for a single day.

Thus, a self-employed house painter who hires a helper for one day becomes covered by the Act, has to file reports, pay taxes, and the Texas Employment Commission has to establish and maintain records on him.

The Texas Act now covers 80,000 employers. This proposal would add 100,000 additional employers to such coverage. But only 175,000 more employees would be added to the 2,000,000 employees now covered.

This is an extreme proposal to cover casual labor usually hired in very small activities, some of which hardly could be called businesses. It makes one wonder whether the proponents of S. 1991 really appreciate the implications throughout the nation of their proposals. It emphasizes the importance of leaving to local option the decision on localized matters. Certainly, when it gets down to taking care of those who work casually in a state, the citizens of that state are in the best position to decide whether such cases will be rendered through unemployment insurance or some other means.

E. DISQUALIFICATION

The proposed standard provides that no person shall be disqualified for more than seven weeks for any disqualifying act, with certain few exceptions under which disqualifications may be for a longer period (such as 36 months in case of fraud under the state law, unemployment due to a labor dispute, and 52 weeks beginning with the conviction of a crime in connection with his work).

The practical effect of this proposal is to prevent the state from disqualifying any person for voluntarily quitting work without just cause or for discharge for misconduct.

Under Texas law, the Texas Employment Commission had discretion to assess a disqualification of from 1 to 26 weeks. (Currently the commission is assessing average disqualifications of approximately four weeks in each case.) Moreover, when the commission assesses a disqualification for a certain number of weeks, the claimant may lose his benefits for those weeks; whereas, under the S. 1991 provision, "disqualification" merely would mean postponement of benefits.

This proposed weakening of the disqualification provision constitutes one of the most serious threats to the sound administration of the law. It is the kind of provision under which an employee could quit his job to take an extended vacation secure in the knowledge that on his return his benefits would be waiting for him. He could actually leave his job to work for himself, and then claim benefits.

Perhaps the doleful intent and effect of this proposal is best summed up in the Labor Department's Memorandum (page 9) where it says, "Benefits could not be reduced, or benefit rights cancelled, as a penalty for a disqualifying act, such as a refusal of work."

F. DURATION OF BENEFITS

Another pernicious feature of S. 1991 is the requirement that any person who works at least 20 weeks (or its equivalent) is automatically entitled to 26 weeks of benefits. This would open the door to all kinds of abuse which could milk the unemployment insurance fund. Thus, an individual who works only 20 weeks and (pursuant to the disqualification standard discussed above) quits "to go fishing" would qualify for the same duration of benefits as an individual who

works a full year and then loses his job for reasons beyond his control. An employer could put his relatives on the payroll for 20 weeks, and then they would draw benefits for 26 weeks.

This is a good illustration of why such matters should be left to the states. We understand that six states which adopted uniform duration of benefits had such adverse experience that they were impelled to return to the variable duration which is in effect in most states.

Other examples of possible abuse can be obtained by the committee from the state administrators who will testify, and who are in a better position than we are to cite more examples of abuses which this provision will generate.

G. DENIAL OF BENEFITS TO TRAINEES

This standard proposes that benefits cannot be denied to a claimant because he is taking an approved training course. We approve of the idea that persons whose jobs have evaporated be encouraged to undergo retraining to qualify themselves for other types of work. However, to latch retraining on to the unemployment insurance program tends to warp the program unnecessarily. This kind of situation should be handled outside the program through training allowances geared to the training program. The unemployment insurance program should be restricted to those who are available for work.

IV. New Federal Programs

We now turn to those portions of S. 1991 which would establish a new federal program for extended benefits, and provide for matching grants to certain states, to be financed by substantial increases in payroll taxes.

A. FEDERAL UNEMPLOYMENT ADJUSTMENT BENEFITS

S. 1991 would provide for Federal Unemployment Adjustment Benefits for unemployment after June 30, 1966. In substance, an additional 26 weeks of benefits would be available to qualifying individuals after the exhaustion of state benefits.

We agree that some program is desirable to help the long-term unemployed readjust themselves so that they can become self-supporting. But, such a readjustment program should be handled *outside* of the existing unemployment insurance program.

The unemployment insurance program is designed to handle relatively short-term unemployment of individuals attached to the labor force.

We recognize that twice Congress has enacted programs to provide extended unemployment insurance benefits. But, those were emergency programs generated by recession conditions.

If, however, the committee feels that some permanent legislation should be enacted to deal with the problem of long-term unemployment, and that the unemployment insurance program is the most expedient instrument for that purpose, we urge the committee to consider the proposals of a special committee of the Interstate Conference of Employment Security Agencies, embodied in H.R. 7476 and H.R. 7477 as we believe the approach taken in those bills is preferable to the approach taken in S. 1991.

B. MATCHING GRANTS

S. 1991 provides that a matching grant will be made by the federal government to a state of two-thirds of the amount by which unemployment insurance benefits paid by that state exceed two percent of wages in covered employment in a calendar year.

The Labor Department memorandum states as the reason for this proposal:

This grant is a recognition of the fact that the uneven incidence of unemployment between states is in part the result of national policies and national forces. It also operates to minimize interstate tax competition as a factor in shaping unemployment insurance provisions. (page 6)

It is difficult to discuss the pratical effect of this proposal in the absence of figures and examples of how it might operate. We can, however, point out the basic issue presented by this proposal.

The precise issue posed by this proposal was present in more serious form when the unemployment insurance system was established. All the "national

policies and national forces," the proponents say, cause unemployment today were active at that time.

But Congress declined to go as far as S. 1991 would have Congress go today. The framers of the system recognized the advantages of placing on each state the responsibility for maintaining the solvency of its own system.

The point which the proponents disregard is that "national policies and national forces" also tend to create and maintain employment in prosperous times. The unemployment insurance system calls on the states to build their reserves in prosperous times to take care of the drain during the downswings of the business cycle.

That responsibility the states have carried out to an exemplary degree. But, this proposal would encourage a state to maintain minimum reserves, and, then, when national policies and national forces come into play, rely on a "matching grant" to bail it out.

We recognize that a few states have encountered periods of recession when their reserves ran dangerously low. This has happened so seldom as to be the exception to prove the rule. In practically all cases, each state has worked its way back to solvency.

Congress has devised a system to help such states by creating a loan fund under the Reed Act. That approach maintains in the states, where it belongs, the basic responsibility for protecting its own solvency. It also provides a safety valve to tide over a state in emergencies.

We urge the committee to choose the Reed Act approach which accomplishes the end result sought by the matching grants without subverting the basic philosophy of the system.

As to the argument that the matching grant proposal is warranted by interstate tax competition, we have already dealt with it above in our discussion of the basic fallacies of the proponents of the bill.

C. INCREASING THE TAX BASE

To finance the new federal programs for extended benefits and matching grants, the bill proposes to increase the federal tax rate from .4 percent to .55 percent of covered payroll, and, at the same time, increase the tax base from $3,000 a year to $5,600 a year in 1967, and to $6,600 a year in 1971.

We have already set forth our objections to the two programs which the proposed tax increase is designed to finance. On the assumption that the committee would nevertheless be interested in our ideas on how to finance these changes, we will set them forth here.

Again, in the absence of figures as to the amount that will be raised by this tax increase, and the relationship of that amount to the prospective expenditures under the two new programs, we can only comment on this proposal in general terms.

The reason presented by the bill's proponents is that:

There is now an urgent need to increase the unemployment insurance wage base to a level reasonably related to current wage rates. Since the OASDI base is selected on that basis, it would seem appropriate to bring the two into agreement again. (page 7)

We simply do not understand the "logic" of raising the tax base under unemployment insurance to the level of the tax base under social security just because they had the same tax in 1939.

Presumably, social security taxes—a combination of tax base and tax rate—are geared to the benefits to be financed. Surely, if social security benefits had not been increased, social security taxes would not have been increased either, regardless of the level of wage rates.

Whether unemployment insurance taxes need to be increased, and by how much, depends entirely on the benefits to be financed. After that is determined, and only then, is it timely to consider whether to raise the tax base or the tax rate, or some combination of both. Because of the serious impact on *all* states of the proposed drastic increase in the tax base, we urge the committee to examine other possible methods of financing the proposed new federal program.

The CHAIRMAN. We will stand in adjournment until 9 o'clock Monday morning.

(Whereupon, at 10:35 a.m., the committee recessed, to reconvene on Monday, July 25, 1966, at 9 a.m.)

UNEMPLOYMENT INSURANCE AMENDMENTS OF 1966

MONDAY, JULY 25, 1966

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

The committee met, pursuant to recess, at 9:05 a.m., in room 2221, New Senate Office Building, Senator Herman E. Talmadge presiding.

Present: Senators Long (chairman), Douglas, Talmadge, Williams, Bennett and Morton.

Also present: Tom Vail, chief counsel.

Senator TALMADGE. The committee will come to order.

Today we are beginning the final phase of these hearings on the unemployment compensation bill. The hearings will be concluded tomorrow and the committee will begin executive consideration of the bill on Wednesday.

Our first witness this morning is Mr. Matthew I. Cotabish, director, labor and community relations, Clevite Corp., representing the National Association of Manufacturers.

Mr. Cotabish, will you come forward and take a seat and proceed with your statement.

STATEMENT OF MATTHEW I. COTABISH, CHAIRMAN, EMPLOYMENT SECURITY SUBCOMMITTEE, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. COTABISH. Mr. Chairman and members of the Senate Finance Committee, my name is Matthew I. Cotabish. I am labor and community relations director of the Clevite Corp., Cleveland, Ohio. I also serve as chairman of the Employment Security Subcommittee of the National Association of Manufacturers and I appreciate the opportunity to appear before this committee on behalf of the association.

The dynamic nature of our industrial economy may bring with it, from time to time, some temporary and involuntary unemployment. State administered programs have been enacted to provide benefits to those so unemployed and to encourage steady employment. These programs should be fair to all, should operate in the best interests of the public, and not in behalf of any special groups.

Our unemployment compensation system is based on the concept that the worker who loses his job through no fault of his own may need financial assistance to tide him over temporarily until he finds another job. This concept has been responsible for helping millions of our men and women to cope with unexpected hardship.

By providing an employee with benefits which represent a substantial portion of the take-home pay that has been his livelihood and by

providing his employer with a substantial incentive to hold layoffs to minimum, we have evolved a pattern which has, generally, worked well.

Although there is much that could be said here today, we resist the temptation to engage in extended discourse and confine our observations to five points which we believe require particular attention. To some extent these were incorporated in NAM's statement on H.R. 8282 (p. 1338 of pt. 3 of the 1965 hearings of the House Ways and Means Committee on H.R. 8282).

Briefly, we have these comments:

1. We support the principle of State standards with respect to the amount and duration of benefits. Much of the success of the program can be attributed to the State legislators and administrators who have shown no lack of zeal in their concern for the unemployed.

The periodic improvements in benefit levels which the States have made to meet the test of adequacy have moved the program in the right direction, and we can reasonably believe that this situation rests in good hands. As the State officials pointed out to your committee on July 15, the benefits paid in the States have increased at a rate faster than either the cost of living or take-home pay. We believe that decisions on benefit policy should be left with the State legislatures, who have proved conscientious in raising the maximums where this was advisable.

Under S. 1991 every State would be required to pay unemployment compensation benefits to the unemployed worker who quits his job without good cause, is discharged for willful misconduct on the job, or who refuses another job while drawing unemployment compensation benefits, with a postponement in benefits for a period of 6 weeks being the employee's only penalty for causing his unemployed status.

While Secretary of Labor Wirtz, in his testimony before this committee, has suggested that the postponement period be increased to 13 weeks, the principle of paying unemployment compensation benefits to persons who for one reason or another are willfully unemployed remains exactly the same.

For reasons which are outlined later, we also object to the Secretary's further recommendations that these benefits not be charged.

Under S. 1991, present State requirements relating to the amount and duration of benefits would be superceded by Federal provisions. These provisions would require every State to pay 26 weeks of benefits to claimants with a minimum of 20 weeks of prior employment "or their equivalent." Most States base benefits on quarterly—not weekly—wages. In these States, the so-called "equivalent" is defined as 5 times the average weekly wage of the State and either 40 times the benefit rate or 1½ times the amount earned in the highest quarter.

So, except in the few States using weekly wage records, the important factor is not 20 weeks of employment, but earnings amounting to five times the average wage. The average wage ranges from $76 in Arkansas to $168 in Alaska. The national average is $108. This standard would require payment of benefits for a half a year to people with very little previous employment.

S. 1991 keys maximum benefits to a percentage of statewide average weekly wages based upon wages paid all workers including the various levels of management, and this is obviously not the relevant criterion.

We believe that this is a matter which is best left to the individual States.

2. We believe that the Congress can do a much better job of designing an extended benefit plan in a time like the present than could be done if the Nation were faced with a serious emergency.

Two extended benefit programs were offered in the Congress last year. One was that which is now contained in S. 1991. The other was a proposal developed by a committee of State officials.

H.R. 15119 includes a compromise between these two plans, providing for both State and national triggers. Frankly, many in industry feel that the proposed triggers, particularly the 3 percent State trigger, is too low. And there are many who seriously question whether the Federal Government should compel a State to take action when there is no national emergency.

But as a practical matter, the statistics support the provisions of H.R. 15119. Twice in the past, in 1958 and and 1961, the Congress has enacted special recession programs of extended benefits. And the statistics indicate that, under the House bill, extended benefits would have been triggered automatically in both of these years and in very few States at any other times.

Also—both in 1958 and 1961—this program would have been triggered in and out a bit earlier than was the case of the emergency legislation. To the extent that extended benefits may be effective as an antideflationary device in support of the economy, the earlier dates probably would have been more effective.

Therefore, on the whole, we believe that the House has reached a reasonable compromise.

In addition, we feel that eligibility for extended benefits should be limited to people who have had substantial employment, but we believe this should be handled by the States rather than by Federal legislation.

3. We believe that efforts to impose Federal standards—even those which might seem to be of a minor nature—could effectively weaken the Federal-State partnership which has generally worked.

Even the House compromise bill—H.R. 15119—in our opinion goes too far in telling the States what they must do about disqualifications, the so-called "double dip" handling of interstate claims and the like. But while we feel these amendments are wrong in principle because they infringe on State responsibility, they are minor in character and, therefore, we are not proposing any amendments to these provisions of the House bill.

4. We favor judicial review of the Secretary of Labor's findings with respect to a State's unemployment compensation program.

H.R. 15119 wisely furnishes the States with a procedure for appealing to the Federal courts an adverse decision of the Secretary of Labor as to whether a State law or its administration conforms to the requirements of the Federal law. Under existing law, such decisions of the Secretary of Labor have been final, with no recourse for judicial review even though the penalties for nonconformity are extremely heavy.

These penalties consist of the withdrawal of Federal funds and a concurrent increase of 2.7 percent in employers' taxes within the State. This means that for a year employers would pay double taxes

while the unemployed could receive no benefits. These penalties are so severe that it is unthinkable that they could be imposed on a whole State without judicial review.

H.R. 15119 includes provisions for judicial review and an accompanying stay of the penalty. We strongly endorse this position.

5. Before concluding, I would like to comment briefly on certain aspects of financing.

Both Federal and State Government representatives have indicated that revenues for administration needs should be increased. We are, frankly, not convinced that all of these expenses are properly chargeable to employer payroll taxes, and we feel that the Congress should make a careful investigation of the administrative costs of the program. In the meantime, we can only accept the official estimates. Funds are needed for the Federal share of the extend benefit program.

These funds can be provided either by increasing the tax rate or by increasing the tax base. People in industry believe—I think almost universally—that when revenues need to be increased, they should be secured by adjusting the tax rate rather than the tax base. The NAM has adopted a specific policy that "where additional revenue is required to keep such funds solvent, first consideration should be given to increasing the maximum tax rate rather than increasing the maximum taxable wage base."

The Secretary of Labor has recommended an ultimate increase of the base to $6,600 with a small increase in the rate. We believe this would be most unwise. It should be clearly understood that in unemployment compensation (unlike social security) there is no relationship whatever between the taxable wages and the benefits paid.

Actually, the result of an increase in the wage base is to favor the unstable employer, large or small. We are talking here about annual wages and it is axiomatic that, at any given wage rate, people employed the year around will earn more wages in a year than people employed only intermitten ly. A doubling of the wage base throws more of the burden on stable employment than on employment in which wages do not exceed $3,000 a year.

I have mentioned these views to make our position clear. While not urging amendment of the House bill, we are strongly opposed to any increase in the wage base beyond the levels provided in that bill.

Experience rating has promoted stability in employment and effective personnel practices, as well as minimized unemployment compensation costs. The consequences of eliminating or diluting experience rating would be far-reaching. In effect, employers who make efforts to stabilize their employment would be forced to subsidize employers who make no such effort. Experience rating should be preserved and strengthened not only as a stimulus to stabilization, but as a method of allocating costs of goods and services.

In connection with experience rating, I wish to comment further on the most recent proposal of the Labor Department with respect to disqualification. This question of disqualification presents some very knotty problems which have been approached in many ways by State legislatures. We believe that responsibility in this area should be left with the States.

The Labor Department (in addition to its proposed limitation to 13 weeks postponement) has proposed that benefits in disqualification cases not be charged to employers' accounts.

The purpose of disqualification is to channel benefits where they belong and to protect the integrity of the system—not to reward employers. It is the responsibility of employers to advise the administrators of the causes of separation. Without employer cooperation it is almost impossible to administer this program. Experience in the States where the noncharging idea has been tried indicates that this practice has a tendency to minimize employer cooperation. Without such cooperation, the whole program could well fall into disrepute.

Furthermore, experience rating operates only through the charging of benefits against employers' accounts. If these benefits are not charged to the accounts of the individual employers, then they become a cost to industry at large and this amounts, in effect, to asking one employer to pay the benefits for an employee who has been discharged for some reason by another employer.

In summary, our manufacturers continue to have confidence in the State governments, which should have the primary responsibility for unemployment compensation.

The States have made steady progress toward building sound long-range programs, and many of us have worked for years in the States toward this end. We expect the States to make further improvements in the future, and manufacturers will continue to work to that end.

We believe many of the provisions of S. 1991 are unsound and unnecessary and that the overall effect of this bill would be to undermine the State systems.

While we would have preferred a somewhat different approach to some of these problems, we are not advocating any amendments to the House bill at this time. As a total package, we view H.R. 15119 as an acceptable compromise which we support.

The CHAIRMAN (presiding). Thank you for your statement, Mr. Cotabish.

As I understand the House bill which I take it you are prepared to support—

Mr. COTABISH. Yes, sir.

The CHAIRMAN (continuing). As I understand it, the two principal things the House bill does is to raise the tax rate, and to raise the base.

I would assume that is going to bring a lot of additional money into the fund, part of it for administration at the Federal level and part of it for State administration.

Do you anticipate that the States will receive additional money and that they will use that to expand and increase benefits under their existing States programs?

Mr. COTABISH. As I understand it, Senator, there will be moneys available for State improvement of their employment programs. I imagine there are other bills—I am familiar with the employment service bill which, I believe, contemplates some of the use of these administrative funds. I expect that this would be passed along to the States through the Federal channels.

The CHAIRMAN. Here in our blue sheet which was prepared for the committee by our staff with the assistance of the Labor Department—

we will show it to you—on page 40 is chart 22, which indicates that present maximum weekly benefits are relatively much lower than earlier levels. A comparison of the years 1939 and 1966 shows that the ratio of maximum weekly benefit amounts to State average weekly covered wage has declined due, I would assume, to the depreciation in the value of our currency more than to any other single factor.

Now, if we were merely trying to put this ratio closer to where it was when the program started, would you say that the House bill does that by making additional revenue available to the States with which they could do this?

Mr. COTABISH. Well, the House bill makes no change in the benefit levels, is my understanding, sir. But the States themselves have been making changes in benefit levels and these, of course, come up every time the State legislatures are in session, and we anticipate the same activity in our own State legislature in Ohio.

The CHAIRMAN. Does not the House bill make available to the States more money with which they can increase benefit levels if they are so disposed?

Mr. COTABISH. I believe the House bill has the financing divided between the provisions for building up an extended benefits fund, which would be your recession benefits, and then increases in the administrative expenses.

The CHAIRMAN. Well, now the State taxable base goes up from $3,000 to $4,200. Applied against that greater tax rate, would not that make available larger amounts of money to the States to increase levels of benefits or to provide additional benefits beyond what they are presently providing if the States were so disposed?

Mr. COTABISH. I do not believe it follows that the State has to increase its own revenues.

Now, they can, if they take this measure as far as the State funds are concerned.

The CHAIRMAN. You say the State does not have to, but unless the State moved to find ways to keep this tax from applying, as it would under their existing law, wouldn't the increase of the base to which the tax is applicable cause the States to have a very substantial amount of additional money available with which they could increase benefits if they wanted to?

Mr. COTABISH. That would apply, sir. We had the experience in Ohio, prior to the 1963 session of the legislature, where our fund was down from over $600 million to down to $67 million, which was nearly a bankrupt condition in the Ohio employment fund, and without changing the taxable wage base we revised the rate schedule in Ohio, going from a maximum of 3 percent to a maximum of 4.2 percent, and this has built the Ohio fund up in less than 3 years to nearly $400 million where a minor—well, I won't say minor—but any revision that produces that much additional revenue is certainly a contributing factor in there. So that it can be accomplished in either direction by increasing the taxable wage base or by increasing the tax rate.

The CHAIRMAN. You see, when Congress started this program Congress did not set the standards for the States. The Congress passed a tax. We gave the States a 90-percent credit against that tax if the States wanted to get into the field and to do a job here. The States, in general, were not made to do it, but because of lack of prior

experience the States felt they would like to see some sort of a model statute, and most of them patterned their laws after a model statute that was sent out from Washington.

It has been modified in many respects since that time.

In some respects this House bill does follow and in some respects we might consider simply following the precedent that has existed for some time. We could say to the States this is what we think is desirable. We will be making more money available to you, and we would hope that you would use that to provide more adequate benefits. At the same time, we would not try to set your standards for you, do it the way you want to do it. I just wonder if that approach is not already in the House bill and yet, that might not be the approach that this committee should adopt if it wanted to go a step beyond what the House did, and I was just seeking your reaction to that.

Mr. COTABISH. I see.

I believe that our feeling is that the actual funding of State programs can be accomplished by either means or by a combination of both of them, and really the revenue-producing factor in the State programs has not been a deterrent to the increasing of benefits. It has been essentially a judgment of the legislature as to what the proper benefit level should be, sir.

The CHAIRMAN. What I am getting at is: Doesn't this House bill that was passed mean that more funds will be made available to the States with the expectation that the States are going to provide greater benefits than they have at the present time? In the main, in general, States will increase benefits.

Mr. COTABISH. My understanding, Senator, is that the revenue produced by the House bill would provide for the creation of a recession fund which would be held by the Federal Treasury, and for an increase in Federal taxes which would be then available for improvements in the administration of the program and for certain training of the employment service people.

The CHAIRMAN. Well, when the States come into conformity on their tax base, doesn't that give them more funds with which they can provide additional benefits in the event they are disposed to do so, without raising taxes?

In other words, when they tax wages up to $4,200 as contrasted to the present $3,000, they are taxing $1,200 more of the wage base than they were before. Unless they are going to act to reduce their tax rate, doesn't that provide them with additional funds with which they could provide benefits?

Mr. COTABISH. Yes, sir.

The CHAIRMAN. Thank you very much.

Senator WILLIAMS. Isn't it also important, though, that the States use some of this additional funds to build up their reserve against the possibility that we will have a recession, where there would be heavier withdrawals such as you had in Ohio a few years ago?

Mr. COTABISH. It would be important that all of them are adequately funded for their primary obligation which is, of course, the payment of benefits for the first 26 weeks or some of the States, I believe, have gone beyond 26 weeks now.

Senator WILLIAMS. And in establishing those rates they have to take into consideration the possibility that the unemployment rate can be substantially higher than it is today?

Mr. COTABISH. Yes, that would be true.
Senator WILLIAMS. No further questions.
The CHAIRMAN. Senator Talmadge.
Senator TALMADGE. No questions.
The CHAIRMAN. Senator Bennett.
Senator BENNETT. No questions.
The CHAIRMAN. Thank you very much for that very fine statement, Mr. Cotabish.
The next witness is Mr. Marion Williamson of the Georgia Employment Security Agency.
Senator TALMADGE. Mr. Chairman, it is a pleasure indeed to welcome to our committee a constituent and friend for more than 30 years. We are happy to have you here.
Mr. WILLIAMSON. Thank you, sir.
The CHAIRMAN. May I say, Mr. Williamson, that is a very fine recommendation.
Mr. WILLIAMSON. He used to be my boss down there.
The CHAIRMAN. What is that?
Mr. WILLIAMSON. He used to be my boss.
The CHAIRMAN. He is a mighty good boss.

STATEMENT OF MARION WILLIAMSON, DIRECTOR, EMPLOYMENT SECURITY AGENCY, GEORGIA DEPARTMENT OF LABOR

Mr. WILLIAMSON. Mr. Chairman and honorable members of the committee, for the record I am Marion Williamson, since 1944 director of Georgia's Employment Security Agency. I have served the Interstate Conference of Employment Security Agencies as president and in other capacities, but am honored to accept your invitation to appear before you as one who is impelled by an intense and increasing concern for the preservation and continuing deveopment of an effective, constantly improving, and soundly financed unemployment insurance system based on insurance principles and attuned to local conditions.
I approach you today in support of H.R. 15119, the "Unemployment Insurance Amendments of 1966," which the House of Representatives approved by the overwhelming majority of 374 to 10 after having wisely rejected the drastic proposals in H.R. 8282.
I might say that some of them thought it went too far in this bill.
H.R. 15119 is the product of diligent, thorough study and vigorous debate, and in my judgment is a measure that is reasonable and sound in its objectives.
It commendably amends fundamental statutes to provide for broader coverage of workers, an extension of payments for limited periods to those who have exhausted regular payments during periods of high unemployment, a moderate increase in the wage base and tax rate, and a statutory process for State use in obtaining judicial review of findings by the Secretary of Labor. In my opinion, gentlemen, the architects of H.R. 15119 have constructed a bill that is progressive, fair, workable, and in keeping with those principles which are necessary to preserve the present State-Federal partnership with its sound and proven concepts.
H.R. 15119 properly rejects the concept of those who would impose ever increasing Federal controls and standards on the theory that all

things good and constructive must be directed from Washington. This philosophy of central Federal control, if applied to the job insurance program as proposed in S. 1991, which is identical to H.R. 8282, would undermine its very foundation and make the program a continuing national political issue. This would surely destroy it as an insurance program.

Gentlemen, the application of increased Federal standards and controls must be denied if the program is to survive and continue to serve the best interests of our country. H.R. 15119, by retaining the autonomy of systems under State laws, does not diminish the State role in the State-Federal system and will permit the States to continue to provide a sound job insurance program for the involuntarily unemployed within the broad framework of the Social Security and Federal Unemployment Tax Acts. A federalized system as proposed by S. 1991 would permit abuse and actually encourage those without work to remain idle for prolonged periods rather than to accept suitable employment or enter training programs. Tremendous tax costs would be added at a time when various other measures have already increased the mounting tax on payrolls.

S. 1991 also ignores the studied advice of the job insurance system's original designs and the successful experience of 31 years by providing for a federalized program that would impose Federal standards as to duration, weekly insurance amounts, and disqualifications, virtually destroy experience rating, and drastically corrupt the system through provisions for a confused mixture of insurance and welfare.

H.R. 15119 wisely rejects the notion that job insurance should be stretched or perverted into just another welfare program. Rejected also is the idea that the heavy Federal hand should clamp down on State programs which have succeeded so well throughout the years of peace and war, recession, and prosperity, normal times and depression.

Similarly discarded is the thesis that Federal bureaucrats should oust the discretion of State governments and State administrators and pull the reins from Washington as to weekly insurance amounts, eligibility and disqualification requirements, and the duration of regular payments. H.R. 15119 thus preserves basic principles that have worked well for many years.

In enacting the social security law, the Congress gave heed to the Economic Security Committee's sage advise that the States be vested with broad discretion to provide the type of unemployment insurance program appropriate to economic and social conditions prevailing at the grassroots level. The fixing of job insurance amounts, duration, eligibility, disqualification, and similar matters of intensely local significance was left to the States.

Congressional wisdom in enacting a State-Federal system has wrought rich rewards throughout the years. The cooperative partnership has resulted in extensive improvements in the insurance payments to job seekers who, for temporary periods, were involuntarily unemployed. The record of these improvements is impressive. The States have substantially increased the average weekly insurance amounts, greatly elevated maximum insurance payable, significantly liberalized duration requirements, and reduced waiting periods.

A worker who qualifies for job insurance today receives more payments sooner for a longer period and can buy more real goods with

what he receives than at any other time in the program's history. This does not sanctify the present level of payments or of eligibility, but it does mean that real improvements have been made on a continuing basis within the framework of the State-Federal system that has served our people so well. This system works because it has the flexibility to permit each State to tailor its system to the needs of its workers and employers.

Framers of the original act were careful to include elements essential to job insurance and to exclude "assistance" concepts more appropriate to a system of welfare. Thus, our unemployment payments are truly "insurance" because the employer's tax rate is based upon his experience with employment, just as workmen's compensation or any other form of insurance—life, health, accident, casualty, or fire—is based upon the experience rating or risk involved. The same insurance concept further requires that a worker, like any other insured person, take reasonable steps to minimize his loss. If suitable work is available, he must take it.

Because a laid-off worker's job insurance payments are reflected in his employer's taxes, experience rating provides the employer a strong incentive to retain workers during slack seasons rather than to lay them off.

Gentlemen, the employment experience and insurance element are essential to any sound job insurance program and I am happy to find them preserved in the bill which the House through its bipartisan action has so overwhelmingly approved.

A significant step forward is the bill's provision for judicial review of findings which may now deprive a State of funds to administer its programs and nullify the tax offset credit to its employers. Neither the Social Security Act nor the Federal Unemployment Tax Act now specifies a process a State may use in obtaining court review of an administrative determination in which a Secretary of Labor has concluded that a State is not complying with required provisions of law or that the State law itself does not meet Federal requirements.

In this situation, the use or usurpation of unbridled power by a single federally appointed administrative official could harm virtually all the people of a State. A State's right to judicial review of a Secretary's adverse decisions in conformity and compliance cases should be spelled out in the basic Federal statutes. Otherwise, our States can look for no better treatment than was recently afforded to New Hampshire and South Dakota and, in earlier years, to California, Washington, and an impressive number of other States.

Fundamental legislation governing the unemployment insurance system clearly created a State-Federal partnership. Had it been intended to establish a Federal program, such as old age, survivors, and disability insurance, the Congress would have done so.

Under these circumstances, the right to appeal from severe penalties exacted under capricious or uncontrolled action of a public administrator is desirable, reasonable, democratic, and of grave concern to the States. Regrettably, the review provided under the bill would not include a de novo hearing and the court would be bound by the Secretary's findings of fact "unless contrary to the weight of the evidence," but even this limited review would help to remove the Sword of Damocles which hangs at all times over the heads of the States.

The coverage provision of H.R. 15119 can go far toward helping some 3½ million people whose occupations are similar to those in covered employment but who are now outside of job insurance protection. Persons to whom coverage is extended are, in general, workers who can be considered regularly employed and for whom reasonable "availability for work" requirements can be applied.

The bill preserves the concept that job insurance is essentially for the regular worker. All States should, and do, extend the program in varying degrees to cover in-and-out workers, but if we ever lose sight of the men and women who usually work by failing to distinguish their characteristics from those of retirees, high school students, vacation workers, expectant mothers, the casual handyman, the partially self-employed, and the many categories of fringe or part-time workers, we will badly damage the system and will be unable to make necessary periodic improvements for the regular breadwinner.

Gentlemen, for a sound job insurance program—and not just a handout—there must be a basis for determining that the worker is unemployed as distinguished from the fact that he merely happens not to be working, that he is actually ready and available for work, and that his attachment to the work force is not casual, vague, seasonal, or intermittent as to make impossible or impracticable a determination of whether he meets the law's requirements.

Contrary to S. 1991, which proposes a program of extended payments for 26 weeks regardless of economic conditions, H.R. 15119 again rejects the welfare concept in favor of the insurance approach by providing for 13 weeks of extended payments during periods of high unemployment. Obviously, considered thought was given to the question of what job insurance purpose would be served by protracted extension of payments in periods of low unemployment if, at the period's end, the worker is still unemployed, particularly when his problem is the lack of a marketable skill.

The bill wisely provides for training personnel and for research, and commendably extends the availability of funds under the Reed Act for another 5 years. Commendable also is the moderation with which it adjusts the taxable wage base in two steps to a maximum of $4,200, which provides a realistic relationship between taxable wages and total wages. S. 1991, by contrast, proposes a drastic change to a maximum base of $6,600.

Enactment of H.R. 15119 should, in general, strengthen and improve the State-Federal unemployment insurance system in areas in which changes are indicated.

In my opinion this committee's rejection of the unsound principles contained in S. 1991 and approval of H.R. 15119 would constitute a marked improvement in the present State-Federal system and still retain the time-tested concepts.

Gentlemen, in discussing S. 1991 I will again affirm some of the things I stated before the House Committee on Ways and Means when H.R. 8282 was under consideration and will add some further observations.

Enactment of S. 1991 would place the stamp of approval upon a patent design to federalize State programs through the enforcement of Federal standards governing duration, disqualifications, and weekly insurance amounts, to alter the State-Federal partnership beyond rec-

ognition to the detriment of the people as taxpayers, consumers, workers, and employers, to convert unemployment insurance into a colossal and unmitigated dole, and to take a giant step toward a guaranteed income for everyone who has any attachment to the labor force, casual or otherwise.

Under S. 1991 a worker who quits his job without good cause or was fired for anything short of a crime, or refused suitable work when offered him, would receive a maximum postponement of only 6 weeks. This proposal, coupled with the virtual elimination of experience rating for employers having favorable employment records, would substantially reduce the incentive for employers to stabilize their employment. The worker would actually be encouraged to quit or refuse employment which he found to be unacceptable for any reason, knowing that he could receive job insurance after a brief postponement.

These proposals would encourage the drifter. Instead of conserving available funds to provide a better program for persons who usually work, S. 1991 would use trust funds to pay those who are not really reconciled to earning their own livelihood. Gone would be the principle that it is better to assure jobs for our people than to provide for them when they are not working.

If one is out of work because his community's major industry has closed down or moved away or because automation has eliminated his job, little is likely to be gained by paying him for 52 empty weeks and then transferring him to some other program for retraining or relocation. By that time his desire and capacity for work can deteriorate through months of subsidized idleness. The employment problem of long-term idle workers will only be solved by more prompt recognition of their problem followed by training and relocation to fit them to new jobs. This is essential to the Nation's well-being but it is not a function of job insurance.

Proponents of all-inclusive Federal standards have often founded their argument on three unsustainable premises:

First, that the States have made little improvement in duration and amounts of insurance since the State-Federal system began. That glittering generality is preposterous, fantastic, and wholly without foundation. Improvements by the States have been timely and in keeping with increases in living standards and living costs. I submit that the State job insurance payments have kept pace with increased living costs and have paralleled the splendid increase our people have experienced in living standards.

Second, those proponents have argued that State job insurance trust funds were endangered. Again I submit that these advocates have resorted to a sweeping charge that the evidence does not sustain and that unemployment trust funds are ample.

A third premise has been that the 50 State systems created evil competition among States seeking to lure industry by depressing tax rates and job insurance payments. To me, gentlemen, the answer to that argument is plainly visible to those who look. States which over many years have brought their programs up to high payment levels are teeming with industry.

These charges, however hollow, are of value in revealing their makers' sinister designs upon the principle of State-Federal partner-

ship. Those designs, some clearly apparent in the language of S. 1991 and others lurking between the lines, would transmute Federal bureaucrats into supreme overlords of all local details for the enforcement of rewritten job insurance provisions whose rigid requirements give the States no relief even in the courtss.

Those requirements are designed to deprive all States of decision-making powers relating to coverage, tax rates, insurance amounts, duration of payments, disqualifications, and eligibility, and are intended in still other respects to limit State administration.

It is difficult for me to comprehend, as I know it must be for other State administrators, why anyone would propose legislation to escalate tax rates, decrease employer interest, and prevent the proper application of the work test to job insurance claimants. Employment security's first interest to many employers lies in the job insurance payments debited to their accounts and in the taxes they pay to support the program. This interest often serves to open the door to job placements. Enactment of S. 1991 and the attendant destruction of that interest would no doubt be the first long step toward complete disaster for the program.

The Federal-State employment security system has served this Nation well in good times and bad, and has prevented and cured more physical and mental illness than the whole college of physicians. It has never done a better, more penetrating, or more vital job than it is doing now. This fact is reflected in the present state of the economy, the dire predictions of the so-called experts on automation notwithstanding, and there is an utter absence of demonstrated need for all decisions to be made in Washington as to how much and how long unemployed workers in various States should be paid.

We would remind proponents of S. 1991 that all the brains are not on the banks of the Potomac. There is still some excellent mentality on the banks of the Ohio, Missouri, Wabash, Colorado—and even the Chattahoochee.

The mere fact that a condition, or some set of conditions, is a national phenomenon does not demonstrate that it can best be treated through federalized processes. If that were so, then all traffic rules, all divorce laws, all property rights, would need nationalization. On the contrary, a State job insurance system, like many other aspects of State administration, can more effectively meet local needs and local conditions.

A recent publication contained an article theorizing that the need for reform is made plain by the fact that workers are paid different weekly amounts in the various States. That, Mr. Chairman, is not a weakness. It is one of the strengths of the system under which States pay varying amounts geared to local wage levels and other economic conditions in the respective localities, just as salaries vary along with rents, medical fees, and other items that make up the cost of living.

For many years almost every Congress has been bombarded by attempts to saddle the States and the Nation with unworkable, impractical, rigid requirements and sternly inflexible "standards" which would subvert the integrity of the employment security program and destroy the quality of the State-Federal relationship. In the face of those repeated efforts, the Congress has been consistently unwilling to

sanction a vast extension of Federal power wholly beyond anything within the compass of the cooperative State-Federal job insurance system or to impair the integrity of the State programs. The Congress has consistently recognized that the system's principal binding force is the economic and social climate within the State.

Relevant factors for determining job insurance eligibility can be found only in the locality in which the unemployment exists. Formulas for making such determinations should include consideration not only of wage loss but such similarly important factors as retention of the incentive to work, ability of the employer and the public to pay the cost, and public understanding and support.

Experience has demonstrated that state job insurance laws can and will deal effectively with payment provisions based on insurance principles. A job insurance system cannot serve that purpose if its objective is diluted by Federal controls that convert it into a national economic pump-priming device. The system's record of high achievement does not seem to deter those who would "improve" it by removing it from the economy it serves. Its flexibility, one of the elements of its success, is seen as a weakness by those who would have us believe that the unemployment problems of Georgia, Maine, and Alaska require not only the same solution but also a solution that is to be found only in Washington.

The debate was already old in 1944 when Senator Vandenberg said:

> * * * when we are asked to start this process by scrapping the standards of a successful, time-tried State system of unemployment insurance, substituting Washington as the centralized core of the new system, and imposing Washington's judgments upon the judgments of the States, I cannot escape the conclusion that we move diametrically away from prudence and wisdom and experience and simplicity, and that we create more problems than we solve.

Gentlemen, in my State, a poll of the taxpayers who pick up the tab for this program's cost showed about 98 percent desired State operation. To keep the system close to the economy, and the better to secure and retain freedom in state administration and control of job insurance laws, including freedom to enact provisions assuring the retention of work incentives, my State, along with Missouri, Minnesota, Wisconsin, Florida, and others have enacted laws opposing further federalization.

Despite the fact that employment security laws are under constant review by State agencies, State advisory councils, and State legislative bodies, all seeking improvements, some persons seem obsessed with the thought that the job insurance program cannot be kept dynamic and effective without enactment of new Federal laws. Those holding that view choose to ignore the hundreds of constructive and progressive changes that the various States have made over the years. Even a casual review will show a steady flow of changes through which the States are constantly updating their laws. These changes have harmonized with wise provisions of the basic Federal act which enabled States to adapt their laws to local needs without further changes in Federal legislation.

You are asked, through S. 1991, to amend Federal law so as to shorten disqualifications, forbid cancellation of any potential insurance, require less work to qualify, and pay for longer periods while not working. Is such action consistent with the objectives of an employment security program? The proposal flies in the face of action

which the States, through actual local experience, have found necessary.

That proposal would virtually destroy the disqualification provisions of State laws designed to encourage employment stability and to deter capricious and unreasonable employment behavior. A maximum postponement of only 6 weeks will neither deter malingering to secure funds nor prevent the day-to-day abuses that create public alarm. In recent years there has been, due to public demands, a countrywide trend, both through State legislative action and grassroots referendums, toward tightening disqualification provisions and closing loopholes which have permitted payment of job insurance to persons who are dismissed for misconduct, quit work without cause, refuse work, voluntarily retire, withdraw from the labor market, fail to seek work, place unreasonable restrictions on work they will accept, or are otherwise responsible for their own unemployment. Maryland, in a recent general election, overwhelmingly voted, by statewide referendum, to tighten disqualification provisions in its job insurance law.

We are not helping the men and women who are bona fide unemployed through no fault of thir own when we undermine the desire to work by encouraging shiftless idleness and depletion of trust funds through long and full payments without even partial cancellation of insurance to persons who have no attachment to the labor force, to those who have voluntarily quit their employment and are determined not to work, and to those who by their own misconduct bring on their unemployment. If we deliberately remove the deterrents to idleness we will compound what is already a serious situation throughout the United States. S. 1991 permits payment for 2 full years out of 3, which approaches a "guaranteed annual wage." Surely there is a way to provide better insurance coverage for conscientious workers without opening the floodgates of flagrant abuses.

If job insurance amount and duration should become almost as attractive as regular wages, we will have killed, for many workers, the incentive to earn a livelihood and will experience not only the disaster of distributing funds to countless thousands whose unemployment is not without fault of their own, but also the destruction of the public approval which we have carefully nurtured throughout the years.

Without reflection on the majority of workers who unhesitatingly would choose work in preference to idleness, regardless of job insurance amount, let me say that proposals in S. 1991 would imperil work incentives, subsidize shiftlessness, and, contrary to the law's intent, would provide a steady income to those who, through their own deliberate choice, work less than full time.

Let me cite an example: If an Atlanta housewife living near one of our suburban shopping centers should desire some part-time employment, she could work 1½ days each week at $1.75 an hour and earn $21 a week. After 22 weeks she would have $462 of qualifying earnings, which would entitle her to a weekly amount of $11 for 26 weeks. After repeating this process for 3 consecutive years, she could qualify for an additional 26 weeks of extended Federal payments at the same weekly rate. Thus, the first year she could earn $462 and draw $286; the second year she could earn $462 and draw $286; the third year she could earn $462 and draw $572. The total income of this

part-time worker for the 3-year period would be $2,530—about half and half from earnings and job insurance payments. Gentlemen, for each $1 in gross wages she would be paid 83 cents in job insurance. This aspect of S. 1991 could very well be dubbed "Housewives' Bonanza."

Employer concern for the creeping erosion of work incentive is shared by broad segments outside the business community and is alarming some of the Nation's deepest thinkers. Dr. Roy McClain, pastor of Atlanta's First Baptist Church and columnist for the Atlanta Constitution, says our generation is witnessing a spreading sickness; a diseased attitude toward honest work. He asks: "Who believes that sweating is a wholesome therapy any more?" He cites a glaring evidence of this slothful attitude the extended, empty hand—the hand that reaches out for a dole from friend, relative, or government. He states that "Let's live on Uncle Sam" is the functional decision of millions in our day. In commenting on the number subsisting on government checks, he says: "It isn't that these 'poor, unfortunate' people cannot find work; it is the fact that they don't want to work!" Dr. McClain left this concluding thought: "The Bible says, 'this we commanded you, that if any would not work, neither should he eat. For we hear that there are those who walk around you disorderly, working not at all, but are busybodies.'" Could it be that the Apostle Paul had 1966 in mind when he wrote these words to the Thessalonians? Gentlemen, if the Congress should enact a law that would encourage idleness, I would be compelled to answer "yes."

Gentlemen, the insurance principle is one of the most important factors to be preserved if the program is to continue to receive public respect and support.

The amount of insurance a man collects when his house burns or his automobile is wrecked might be less than desirable, but no one suggests that the insurance company supply his needs regardless of the premiums paid or that the Federal Government underwrite fire and automobile policies considered inadequate. Surely the man who deliberately sets fire to his house or purposely wrecks his automobile does not expect full payment of his policies. How shocked he would be to find in his contract a provision that after 6 weeks he was no longer responsible for his lack of a house or automobile! Yet, S. 1991 would introduce equally unworkable and unbusinesslike clauses into our job insurance laws. Some people misinterpret as lack of sympathy for the unemployed our attempts to safeguard the future of the employment security program by adhering to sound insurance principles and keeping the system solvent so that it may endure.

During recent years the employment security program has withstood withering attacks in national magazines and from other sources, usually centered around the payment of job insurance to workers not truly in the labor market.

If claimants were not exposed to job opportunities and if those refusing to work were not placed on the "mourners' bench" for a few weeks, trust funds would be dissipated, their solvency quickly endangered, and incentive to work would go down the drain. Gentlemen, if you want to see an unhappy employer, you should call on one who has just learned that we are using tax funds to pay job insurance to a former worker who recently voluntarily quit his job,

leaving a vacancy which he has been unable to fill. Do you think he is likely to ask the State employment offices to refer another worker?

Valid aims and objectives of job insurance were well stated by a past national commander of the American Legion some time ago before a congressional committee when he testified: "The American Legion has long favored the continuation and improvement of experience rating under State laws and State control of the administration of unemployment compensation."

He also stated at that time:

> Here, I believe is what you want:
> (1) An unemployment compensation system with benefits sufficiently large to help the unemployed worker through a period of temporary unemployment yet small enough to encourage him to find and hold a job.
> (2) A system that will encourage the employer to increase or stabilize his employment yet not impose unbearable penalties when conditions beyond his control cause prolonged unemployment.
> (3) A system geared to the needs of the individual State whether that State be a largely agricultural State, a State with diversified industry, or a State dependent largely upon one industry.
> I can think of no better means by which to attain these objectives than to encourage the States to develop individual systems designed to best meet their own needs.

Experience rating, whose demise would be heralded by the enactment of S. 1991, enables an employer, by good personnel management and sound employment practices, to enjoy a reduced tax rate. Employers now notify State agencies when a worker commits a disqualifying act or refuses a suitable job. Georgia employers file over 250,000 notices each year reporting persons who voluntarily quit, are discharged for cause, or refuse work. These are most helpful and have contributed to the vitality and integrity of the program, but the Federal department which has supported S. 1991 has never lent sympathy to this participation by employers in furnishing information needed for proper administration of our disqualification provisions and, through its failure to allocate funds for this activity, has consistently sought to circumscribe the State law by purse-string control. Loss of employer cooperation would be a blow to effective administration of State laws.

A glaring departure from job insurance principles and from concepts inherent in our system is the proposal to provide payments for an extended period of 26 weeks. In fact, gentlemen, I can think of no better way of fostering an ever-growing body of persons seeking to live on a government dole rather than to engage in an active search for regular work. The job insurance system, to escape conversion into a handout program, must relate to short-term unemployment. If a worker in a booming economy cannot be placed by the employment service in 6 months or less, he most likely has a specific job limitation which never could be solved by job insurance alone, whatever the period of extended benefits. He is unlikely to be placed until he is motivated to move, learn a new skill, correct a physical defect, or remove some other cause of his unemployment. In Georgia, and many other States, under the 1961 temporary extended compensation law, about three-fourths of the long-term unemployed exhausted their extended duration job insurance and were faced with the same problem of no job when the program ended. If this program were still available today many of these folks would still be drawing and not working.

I am confident that Members of the Congress, as representatives of their respective States and of the people in the States who elected them, would not knowingly favor provisions that would subject them and their State administrators to arbitrary action by a single Federal official. But one who unwittingly accepts the catalog of noble reasons listed for the proposals might inadvertently be lulled into such a position. While outwardly proposing to work through the States, Federal bureaucrats actually seek through these legislative proposals and purse-string control to reduce States to the role of puppets and to usurp the control and discretion of State administrators by advocating and sponsoring so-called Federal standards to preempt State laws. The word "standards" sounds harmless enough, but the proliferation of standards in these proposals is, in fact, a Trojan horse artfully constructed to blind the Congress and the public to ever-growing Federal power with all vital decisions made at the top, in Washington. Gentlemen, S. 1991 would permit absolute Federal sway over a State's laws, programs, and administration.

Similar efforts toward Federal dominance in the State-Federal partnership were being exerted in 1946 when the Congress was considering the question of returning the employment service to the States. Truths spoken in those debates still have the same vibrant ring that resounded the day they were spoken. May I quote from the statement Mr. Dirksen then made before the House (pp. 467–543, Congressional Record, Jan. 28–29, 1946):

> . . . There are two ways of federalizing a function. The first is to simply lift it up bodily and transfer it to the Federal Government.
>
> The other is to make it appear that a cooperative State-Federal system is being proposed, but to delegate such broad powers to a Federal bureau that it becomes in truth and in fact a complete federalization of the system so that for all practical purposes the States are controlled at every level of activity if in the Secretary of Labor's wisdom, this discretion, and his naked opinion he has a different idea . . .

In further House debate on the same bill, Mr. Dirksen perceptively observed as recorded on page 8661 of the Congressional Record for July 11, 1946:

> By way of epilog one might say that when a public function or an agency falls into the hands of the Federal Government and becomes centralized it is about as difficult to get it back into State hands by means of a legislative transfer as it is to push a spirited bull calf through barn door.

Proposals now being advanced, like those presented and urged in many past years, would furnish the Secretary of Labor authority to run minute details of State job insurance programs, to nullify many things the States are obligated to do, to bypass and circumvent the provisions of State employment security laws, and to arrogate to himself all the attributes of complete preemption of the field.

Gentlemen, a partnership is a two-way street. There cannot be a well-coordinated and harmoniously administered program so long as a State administrator is never sure what surprise the morning mail will bring from Washington announcing new projects or changes about which he had no previous knowledge and which should have been a subject of discussion and closely coordinated in the planning stage. Federal administrative edicts and interpretations should not be used to accomplish all those things that are nothing more than the attributes

of complete dominion, or to contravene and supersede statutory requirements. Neither should they be used to hamstring or harass State administrators who are conscientiously administering their respective laws.

An eminent jurist has written:

> The tendency to sacrifice established principles of constitutional government in order to secure centralized control and high efficiency in administration may easily be carried so far as to endanger the very foundations upon which our system of government rests.

Thomas Jefferson, whose views have in the past been accorded great veneration, expressed the conviction that "the least governed are the best governed." We would do well to remind ourselves that employment security laws originated in the States and are still State systems.

I, like other State administrators, favor real progress and improvements, whenever and wherever they are indicated. Just this spring my State legislature enacted a series of the most sweeping employment security law changes in many years. The legislative proposal followed a long and comprehensive study by the State advisory council composed of members representing labor, management, and the public.

Unemployment insurance has assisted millions of men and women to overcome the hardships of involuntary unemployment, and the program has furnished the national economy with stability to help moderate, and even avert, economic recessions. It is still most desirable and in fact necessary for the involuntarily unemployed worker who has good prospects of going back to work quite soon; but one long out of work, or one who has never been able to get or hold a job, or is underemployed, or whose lack of skills or other condition consign him to low wages, that worker needs something more than job insurance. That something may consists of counseling, reorientation, and training, or retraining.

S. 1991 is also seriously defective in its failure to fill the longtime need for specific statutory language prescribing a State's entitlement to judicial review of the Labor Secretary's decisions on matters of conformity and compliance. Under the present law, the State may present its case as best it can, but the Secretary is still, in effect, the accuser, jury, judge, and court of last resort in Federal-State matters affecting vital rights of States and their institutions. From his decision he asserts there is no appeal, judicial or administrative. Under those circumstances, a State ruled out of conformity or compliance can suffer incalculably severe consequences through the arbitrary withholding of funds.

In conclusion, gentlemen of the committee, enactment of S. 1991 or of any proposals cut from the same pattern would be another great leap toward a Federal "welfare state." Implicit throughout the proposals is a devastating trend toward a degree of centralized Federal control which could court disaster through incurring loss of the program's public support in the grassroots localities, the abdication of employer interest, the payment of job insurance to persons not truly in the labor market, the complete disruption of State programs and the laws under which they operate, the vesting of dictatorial powers in the hands of the Secretary of Labor, and the demise of the State-

Federal partnership in the form which time and experience have proved so satisfactory.

Gentlemen, the death knell of S. 1991 would be a victory for responsibility and commonsense and an infusion of new life into concepts of fiscal sanity and a stable economy. These concepts the States are now fulfilling and the results are no doubt reflected in our opulent economy and in the unemployment rate which has ebbed almost to the point of full employment.

H.R. 15119, now before you, does not pander to housewives who might consider taking part-time work if conditions exactly suited them; or to students who might work a few hours a week if they liked the location, hours, and pay; or retirees and pensioners who do not want to jeopardize their retirement pay, or others not involuntarily idle and seeking regular work at prevailing wages. H.R. 15119 retains essential elements of a sound State-Federal job insurance program for unemployed persons genuinely in the labor market.

May I urge upon the Committee on Finance its careful consideration of the principles which through experience of many years we have found essential to the continued vitality and usefulness of the employment security programs.

The CHAIRMAN. Thank you so much, Mr. Williamson.

What is your reaction to the original unemployment insurance program when it was initiated in 1939?

Mr. WILLIAMSON. Well, I have given my life to it, and I am sold on it as long as it does not dampen the incentive to work and provide people with a livelihood. I think it has done more to cure and prevent mental and physical illness than the whole College of Physicians, Mr. Chairman.

The CHAIRMAN. My reaction to it, of course, when that was passed—I was a student politician on the Louisiana State University campus and did not have anything to do with this program—but my reaction to it was that Congress could have passed a Federal program if it wanted to, particularly insofar as it applied to interstate commerce. Instead the Congress chose to levy a tax and then turned the program over to the States and gave the States a tax credit of 90 percent of the Federal tax if they wanted to get into it and provide a program.

Now, it is clear that as of that time the Federal Government achieved what it was hoping to do in having a partnership, as you have described it, where the States set the standards but in most instances the Federal Government had some idea of what it would hope to see achieved in the States. In most instances the States did pattern their laws pretty much after the Wisconsin experience. The Wisconsin administrator helped to draft that State's law.

It occurs to me that when we provide a credit against a Federal tax, we do it because we want somebody to do something.

For example, we provided one recently so that if you build a new plant you get a tax credit. We have done that in some other cases, too, where we wanted somebody to do something.

If we found, however, that this tax credit was not being used the way it was supposed to be used, that the purpose of our law was being frustrated by means of a tax credit rather than implemented, it would seem to this Senator that we would have a right to take another look at the extent to which we wanted to let this tax credit apply.

The reason I raise that question is that I notice in one State of the Union this tax credit of 2.7, which is a State portion, is so used that it works out to a zero tax on 40 percent of all employment in that State, of all covered employment.

Now, in Georgia you do not have a zero tax.

Mr. WILLIAMSON. No, sir.

The CHAIRMAN. It goes down to 0.25.

Mr. WILLIAMSON. One-fourth of 1 percent, and we think that is about low enough.

We have a good fund, but we do not believe in a zero tax personally because we want to retain the employer's interest. If he gets lulled into a sense of false security and does not have to pay and does not have to notify us of the quits or the discharges for cause and refusals to work, I think the program would break its own back, and I think it is necessary to have a tax on all employers covered in order to retain their interest. When you tickle his pocketbook, you have got his interest.

The CHAIRMAN. My thought is that the experience rating is a good thing. I think it is a very good thing because it tends to keep employers on their toes, to make them report that a man was not fired, that he quit, or that he was fired for cause and that he should have been fired, and I think there ought to be a difference.

It seems to me as though to eliminate completely the incentive of the employer to try to keep that tax low, you are going to do a great damage to this program.

Mr. WILLIAMSON. If you take the disqualifications away as provided in S. 1991, you would lose interest, too.

The CHAIRMAN. My thought is that a State could be justified in going to a zero tax, but only when the fund is built up to the extent that you can afford to go to a zero tax for everybody. It seems to me as though it could be regarded as being parallel to a situation where you take insurance, and if over a period of time you incur no damages, and if the insurance company makes the money, you can have a refund or reduction in rate, but you would still pay something for the insurance protection that you are getting.

Frankly, the thought has occurred to me with reference to the competition among States it might be well that we have some basis for some minimal amount that would not be forgiven.

Now, I would have no quarrel with your figure of 0.25. But it does seem to this Senator there ought to be some point at which they do not forgive it at all and unless they are going to forgive it for all employers, and I just wanted to get your reaction to it.

Mr. WILLIAMSON. The feeling of the legal people on our council, and they are on our council, is that we should retain a tax on all employers. That is their consensus.

The CHAIRMAN. It worked out well for Louisiana, and I would not want to change it unless there was a good reason why it should be changed, but on bidding on a $50-million shipbuilding contract, we won the contract by $100,000. That is one-fifth of 1 percent, and as between two contractors, both of whom have the best possible experience rating, it would seem to me that somewhere along the line there should be some limit to the extent to which one State would be discriminated against in favor of another even by State law because a person should pay something for his insurance, I should think.

Now, when this program went into effect we had a level of benefits that worked out to 65 percent of the average weekly wage. As of now, the benefits are 45 percent of the average weekly wage.

Do you have any idea as to how we could get the level of benefits up without infringing the States' rights to fix those benefits, to say what they would be and how they would be arrived at?

Mr. WILLIAMSON. There are only a few States where probably the money they get now won't pay as much as it did back there. You will remember the income tax, the withholding tax, has increased a great bit since then, and the people have moved to the country and a lot of expenses—the take-home money is just as high now, say, in every State as it was back there then, Senator.

The CHAIRMAN. Well, I would concede that it might very well be when you look at what you can buy with the money that the fellow could buy just as much food and as much red beans and rice to hold hide and hair together until he found some other job as he could before. But with everybody living better in the country, and the average wage being greater, and we hope, if we should decide, we would hope, the benefits would be related to the fact that people are living better and doing better nowadays rather than what they could buy 30 years ago. I wonder if you could offer us any suggestion or if you would have any objection if we could work out something that would nudge the States forward on the general level of benefits without in any way infringing upon their right to say what those benefits were going to be.

Mr. WILLIAMSON. If you get your benefits too close to the total wage you are going to do away with the incentive to work and you are going to have a lot of bums and loafers sucking at the public tit, and you remember the disrepute that the program was in back there when you paid them nearly as much to carry home money as they would carry if they were working, and through experience we found that you have to have an incentive margin in there.

Now, we pay about two-thirds of our workers in Georgia about 52 percent. Every body that does not get the maximum gets about 52 percent of their wages in job insurance. We think that is high enough. We are paying $43 now and it goes up to $45 next year, and I did not have a squawk out of the legislature nor the advisory council when they advised me to do it.

The CHAIRMAN. Senator Talmadge.

Senator TALMADGE. Mr. Williamson, what is the total amount of money in the composite trust fund at the present time?

Mr. WILLIAMSON. Senator, it is approximately $8.5 billion, and then in addition to that I believe we have about $270 million in the Georgia loan fund, and there is a little due back from those States that borrowed for the TEC. So between $8½ billion and $9 billion, I would say offhand.

Senator TALMADGE. And Georgia's share is how much?

Mr. WILLIAMSON. Right now it is $211 million and at the end of this month it will go up close to $220 million.

Senator TALMADGE. Under the present labor market conditions are Georgia workers having any difficulty in getting jobs?

Mr. WILLIAMSON. Most of them are not. We have the least unemployment we have had since World War II, and we are paying out

less benefits, but we are having trouble filling job orders. Several contractors have called me and told me they had to go out of business because they could not get workers.

I called the labor and domestic office there in Atlanta and asked them about it and they said, "Mr. Williamson, I am sorry, we will load up the truck and it will get off at the first red light." But we are having trouble filling orders.

A lot of people who are unemployed now are not willing to take the job at the prevailing wage for the skills they have, and we have trained approximately 5,000; we have a good many more in training, and about 70 percent of those will get jobs.

Senator TALMADGE. That is the unskilled that you are training?

Mr. WILLIAMSON. Sir?

Senator TALMADGE. The shortage is for skilled workers, I take it?

Mr. WILLIAMSON. Semiskilled, automobile mechanics, carpenters, and body and fender, business machine operators, and things like that.

Senator TALMADGE. On completion of the training program are your unskilled workers having any success in finding jobs?

Mr. WILLIAMSON. We find, I guess, about 70 percent of them find jobs after the vocational education department of the State educates them, finishes the course.

Senator TALMADGE. In the computation of weekly insurance amounts, would it be realistic to use a formula which would set a State maximum as a percentage of the statewide average weekly wage?

Mr. WILLIAMSON. No, sir; I do not think so, because you figure a whole lot of big executives who make $175,000 a year, and when you average Mr. Ford and Mr. Rockefeller, their salaries, with mine, I do not think it makes much sense.

We made a study of that in Georgia recently and the average of the insured wages was $20 less per week than the average statewide wage, Senator.

Senator TALMADGE. From your experience with the administration of temporary extended benefit provisions, do you believe a considerable number of workers will decline employment after exhausting payments under a permanent 26 weeks extended program?

Mr. WILLIAMSON. We entered into the 1961 TEC, and over 50 percent of the workers exhausted that, and still we had the problem of no jobs. I do not subscribe to a long duration because a person hesitates to go into training or to get some physical defect or some handicap corrected until the end of that period, and then in the meantime he is getting in the habit of not working, and I doubt the wisdom of extending benefits too far.

Senator TALMADGE. Are most job insurance payments equal to about half the individual's average weekly wage?

Mr. WILLIAMSON. In Georgia everybody gets 52 percent and a fraction of their wages except the ones who get the maximum, $43. There are about two-thirds of our workers in our State who get over 50 percent. But I would not say that you ought to impose it on other States just because we have it

When you change one of these factors, Governor, you have to change them all. They are just interrelated, and it is hard to realize and I have to be sold by my chief of research every once in a while when I will reach in and want to do something, and he will tell me how it is

tied into duration, is qualification and these other things, so that when you change one standard or one thing in the law you have to look at them all or you get yourself all tangled up in something.

Senator TALMADGE. Are you satisfied with the provisions for judicial review in H.R. 15119?

Mr. WILLIAMSON. I think it is better than nothing. But I always like to play my cards above the table. I would rather have a de novo review, and not one of these automatic affirmances of the rulings of the Secretary of Labor. I would rather have political review than an automatic acceptance of the findings of the Secretary of Labor.

I have been engaged in a lot of these conformity hearings. I helped represent New Hampshire and South Dakota. New Hampshire did the heinous crime of sending a check to a lawyer, a benefit check to a lawyer, who had carried a case, a benefit case, to the Supreme Court and won it. They said that was not paying benefits to the claimant when due.

Since then the Congress has changed the law and requires the Federal Government to recognize an attorney as an attorney and deal with him.

Senator TALMADGE. Thank you, Mr. Williamson.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. WILLIAMSON. I enjoyed being with you, Mr. Chairman.

The CHAIRMAN. The next witness is Mr. Colin L. Smith, Employers' Unemployment Compensation Council of Michigan.

Mr. Smith has notified us that he is hospitalized today and will not be able to be here, and he has submitted his statement which we will have printed in the record in support of his position.

(The statement referred to follows:)

STATEMENT OF COLIN L. SMITH, EXECUTIVE DIRECTOR, EMPLOYERS' UNEMPLOYMENT COMPENSATION COUNCIL OF MICHIGAN, IN SUPPORT OF H.R. 15119 AND IN OPPOSITION TO S. 1991

SUMMARY

I. Representation

This statement is made on behalf of Michigan organizations representing approximately 91,500 employers in the State.

II. Position on S. 1991

We are strongly opposed to Senate Bill 1991, the companion bill to H.R. 8282, for reasons stated in our testimony to the House Ways and Means Committee which is attached to this statement.

III. Position on H.R. 15119

H.R. 15119 represents a reasonable compromise worked out by the Ways and Means Committee between the conflicting view points of interested parties. As such, we support it and urge its approval by the Senate without change.

Since H.R. 15119 is a compromise, we are supporting it notwithstanding that it infringes to a minor degree on certain principles to which we subscribe.

We intend to continue to support those principles in evaluating any future proposed legislation modifying the federal unemployment compensation provisions. Those principles are covered in the following statement.

STATEMENT OF COLIN L. SMITH, EXECUTIVE DIRECTOR, EMPLOYERS' UNEMPLOYMENT COMPENSATION COUNCIL OF MICHIGAN, IN SUPPORT OF H.R. 15119 AND IN OPPOSITION TO S. 1991

I. REPRESENTATION

My name is Colin L. Smith. I am Executive Director of the Employers' Unemployment Compensation Council, a non-profit Michigan corporation, whose pur-

pose is, through processes of research and education, to promote sound features in the state and federal unemployment compensation laws and their fair and efficient administration.

Our Council is supported by membership dues paid directly by some 750 employers and indirectly (through affiliated organizations) by an additional 700 employers. Although our members employ about 650,000 people in Michigan, 65 per cent of our members employ less than 200 employees.

Our Council is generally recognized by employers and others concerned with the subject of unemployment insurance in Michigan as being a specialist in the field. In line with this, and to conserve time at these hearings, I come here with an endorsement of this statement from thirty-one statewide and local employer organizations in Michigan. The names of these organizations, each of which has reviewed and subscribed the positions taken in this statement, are listed in the Appendix to this statement. In total, they represent 91,500 employers in the State of Michigan.

I am an attorney. I have served in both Houses of the Michigan Legislature; and I have been specializing in unemployment compensation legislation since 1952. I am a management member and Secretary of the statutory labor-management Employment Security Advisory Council. In 1965 this Council unanimously recommended the compromise, package bill which made the most sweeping and fundamental changes in the employment security act in eighteen years.

II. POSITION ON S. 1991

Companion Bill to H.R. 8282.—Senate Bill 1991 has been referred to this Committee. It is the companion bill to H.R. 8282 which was considered by the Ways and Means Committee for nearly a year before it recommended the bill which passed the House by an overwhelming majority, namely, H.R. 15119.

We are opposed to S. 1991 for the same reasons we opposed H.R. 8282 at the hearings before the Ways and Means Committee almost a year ago. For your convenient reference, a copy of our August 26, 1965, statement to the Ways and Means Committee on H.R. 8282 is attached to this statement; and we ask that it be included in the record of these hearings. We are opposed to adding any amendments to H.R. 15119 which would incorporate therein any provisions of H.R. 8282 which were rejected by the House.

Benefit Rate Standards.—One of the proposed controls over state legislation which was thus rejected by the House concerned the level of weekly benefits to be paid under state laws. We want to emphasize here the position on this issue that was developed in detail in the appended statement on H.R. 8282.

As indicated in our attached 1965 testimony, Michigan and her sister states of Illinois and Indiana, have pioneered in developing a benefit formula which makes it possible to "meet the needs of the unemployed worker and his family" (as the objective of the state laws is usually stated in their public policy declarations) without providing a disproportionately favorable—and prohibitively costly—standard of living for that large proportion of benefit claimants who have no persons dependent on them or who themselves are secondary earners.

As an example, Michigan's present benefit rate formula provides each claimant a benefit equal to 55% of his individual average weekly wage up to a maximum which the legislature deems adequate to provide for the necessities of life for the unemployed claimant *and his family*, if any. This "variable maximum" approach can be summarized as follows:

A claimant who—	Gets a benefit of 55 percent of his weekly wage up to a wage of—	If his weekly wage is above that amount, his benefit is the maximum for his class, of—
Has no dependent	$76.37	$43
Has 1 adult dependent	83.64	47
Has 1 dependent child	92.73	52
Has 1 adult and 1 child dependent	105.46	59
Has 1 adult and 2 children dependents	118.19	66
Has 1 adult and 3 or more children dependents	129.10	72

The federal "benefit standard" proposed in H.R. 8282 and S. 1991 would make it impossible for these pioneering states to continue to observe this constructive approach. A literal interpretation of the language of these bills would outlaw the idea of having more than one maximum, because the bills say that all claimants must be paid at least 50% of their individual average weekly wages, up to *the* maximum weekly benefit available under the law. As applied to Michigan, this would mean that the present highest maximum of $72 could only be retained by making it available to all claimants regardless of family obligations. The only other course would be to cut the maximums for claimants with large families down to ½ of the state-wide average weekly wage of covered workers and raise the maximums for the others, who have few or no dependents, to the same level.

Even if this specific barrier were removed from the language of the bill, these states with variable maximums would, as a practical matter, have to abandon them in order to avoid prohibitive cost penalties relative to other states. In Michigan, Illinois and Indiana, any variation in maximums related to dependencies would have to be in addition to benefits which conform to the federal requirement and could only be retained at prohibitive competitive cost penalties.

A similar problem exists for the eight other states that have decided to augment their wage-related benefits with dependents' allowances for claimants with families.

Federal control over state legislation is especially unsound and objectionable when, as proposed in H.R. 8282 and S. 1991, it needlessly forces states into a mould of uniformity at the expense of highly constructive local innovations.

III. Position on H.R. 15119

As you know, the Ways and Means Committee spent several weeks conducting the hearings on H.R. 8282. The printed record of the hearings takes up almost 2,200 pages.

The Ways and Means Committee also spent seven weeks in executive sessions in analyzing and resolving the conflicting view points about that bill. As the Committee stated in its report, "The bill (H.R. 15119) is the product of the broadest and most intensive review your committee has given to the unemployment compensation program since it was enacted in 1935. . . ."

A. Compromise Supported

As we view it, H.R. 15119 represents essentially a compromise worked out by the Ways and Means Committee between the divergent views of Organized Labor, the U.S. Department of Labor, the State Employment Security Agencies and Management Representatives. H.R. 15119 is not a compromise in the sense that it embodies an agreement between these various interests; but it is a compromise in the sense that the Ways and Means Committee has made significant deletions from the original bill and has moderated other proposals made by the advocates of the original bill. Thus the advocates of the original bill are making gains, but at a less precipitate rate than they had hoped; and the opponents of H.R. 8282 and S. 1991 will be subjected to changes to which they are opposed, but not nearly so radical as in the original bills.

We wish to declare ourselves in support of this moderate measure as a reasonable compromise. Since it *is* a compromise, we ask that every effort be made to protect it against any change. Any substantial change would destroy the equity from which broad-based support or acceptance must derive.

B. Federal-State recession program to pay extended benefits supported

We enthusiastically prefer the moderate approach to extended-duration unemployment benefits contained in H.R. 15119 to the wasteful and much more expensive program contained in H.R. 8282 and S. 1991.

Past experience supports the conclusion that a 50% extension of the basic duration is sufficient to meet the problem of most industrial workers who are unemployed in times of business recession, and that the normal duration, typically ranging up to 26 weeks, under state laws is sufficient for normal and good times.

We are in accord with the 50% federal financing of an extended benefits program to operate in times of business recession. The decision to leave the states free to select an appropriate revenue source for financing the states' share of the cost of the extended benefits was a wise one. Unemployment which lasts more than 6 months is much more attributable to general economic conditions

than it is to the fact that the employee was laid off originally. There is a good case for financing at least a part of the cost of extended benefits from general revenue; and we are happy that the House properly left the states free to make this choice.

We are not convinced that it was necessary or desirable to make it compulsory for states to pay extended benefits when their local unemployment reaches nationally-prescribed levels, even though there is no national recession problem. Also, it might have been better to give the states more latitude to work out and test qualifying requirements, eligibility rules and disqualifications which would be appropriate for individuals who have been unemployed a long time. Perhaps improvements along these lines will be considered in the future.

C. Increase in tax base and rate supported

H.R. 15119 raises both the rate of tax and the ceiling on the amount of wages per employee per employer per year that is subject to tax. The rate is increased from 3.1% to 3.3%, with all of the increase allocated to federal functions such as administrative grants, extended benefits grants and advances to states whose funds are inadequate. The taxable wage base is increased, from $3,000 at present, to $3,900 in 1969–1971 and $4,200 starting in 1972.

Taken in combination, the tax increases called for in H.R. 15119, although substantial, are much more moderate than would have been required by H.R. 8282 or S. 1991. Recognizing this fact, together with the projected need for increased federal revenue to meet the mounting cost of state and federal administration together with the cost of extended benefits to be provided under the bill, the tax changes contained in H.R. 15119 are acceptable to us.

However, for the record we note that these tax changes leave untouched a major problem area in the federal law which is also in need of modernization. We refer to the gross federal tax rate and the maximum allowable offset against the federal tax. The latter has stagnated at 2.7% since the beginning. If it were increased, that would remove a federal obstacle to broadening the range of available tax rates which may be assigned to employers in accordance with their experience under the law. While potential benefits per employee per year have increased by several multiples, this key aspect of the tax formula has stayed fixed or has been increased only to a relatively minor degree. The result has been that experience rating has ceased to operate as broadly or as effectively as at the outset, and the program is losing the benefit of the many constructive things that employers can and will do to conserve the fund when experience rating provides the financial justification for such activities.

D. Judicial review of Labor Department "conformity" decisions supported

H.R. 15119 contains a provision, not proposed in H.R. 8282 or in S. 1991, which will be a significant improvement in the operation of the federal-state employment security program. We refer to the proposed provisions granting appropriate state officials access to the federal courts for review of U.S. Labor Department decisions holding that a state law, or its administration, is not in conformity with the federal law.

There can be no question that the sovereign states should have the same access to the courts in matters affecting many thousands of their citizens as the citizens themselves would have if they were adversely affected by a quasi-judicial determination of a federal administrative agency.

Access to court review will also increase the flexibility of the states' programs by giving the states courage to experiment with provisions or practices which they believe are permissible under federal law and not be discouraged by questions of conformity raised by federal officials with reference to such proposals.

E. Issues of principle

The comprise embodied in H.R. 15119 not only included some of the substance of H.R. 8282 but also infringes on some of the principles which we regard as basic to a sound and constructive program.

We feel it is essential to make our position clear in reference to these principles—not because we hope or even desire to bring about any modification in the provisions of the compromise embodied in H.R. 15119, but to make it clear on the record that we do not abandon these principles for the future in supporting this compromise bill. The points which involve such issues of principle are as follows:

(1) Making Coverage a Condition of Tax Offset for All Employers in the State.—H.R. 15119 creates a new avenue of control over state unemployment

compensation legislation. It makes a "conformity issue" of providing state benefits to certain classes of employees. Hitherto, a state's failure to cover an employer's employees whose wages were subject to the federal unemployment tax resulted in loss of tax offset only to the employer involved and only in proportion to the wages he paid to the non-covered employees. Now, in certain categories, the failure of the state to provide benefit protection to a handful of employees can result in prohibitive tax penalties on all the employers subject to the state law.

(2) *Federal Control of Details of State Benefit Formulas.*—H.R. 15119 imposes a new federal control over the method of determining benefit entitlement under state laws. The objective is praiseworthy—namely, to prevent chance windfalls of extra benefits for certain claimants due to poorly conceived state benefit formulas which permit lucky claimants to draw nearly double the normal benefit entitlement following a single separation from employment. But we are not in accord with the principle of federal control over the details of state benefit formulas.

(3) *Federal Control of Effectiveness of State Disqualifications.*—H.R. 15119 prohibits the policy of a number of state unemployment compensation laws, under which an employer is not required to pay for benefits for an employee who causes his own unemployment by quitting that employer or refusing an offer of suitable work from that employer. (Such "cancellation" would be permitted, however, in cases of fraud or discharge for misconduct).

Until 1965, we had in our Michigan law provisions for "cancellation" of benefit credits in cases where it would be prohibited under H.R. 15119. They had been enacted in 1947 in an effort to put a stop to waste and abuse of the unemployment fund under the law. In 1965, these provisions were deleted from the law in accordance with agreement of labor and management representatives on our statutory advisory council as a part of a compromise, omnibus bill of amendments to the law.

While this new control over state disqualifications would not affect the Michigan law, based on our experience in 1947 we know that it may be necessary for a state to adopt such measures as this to correct a bad situation; and we believe that the federal government will eventually find it advisable to restore this recourse to the states.

(4) *Federal Control of Benefits to be Paid to Out-of-State Claimants.*—H.R. 15119 will prohibit the states from reducing weekly benefits payable to a claimant when he moves from a high-wage state (where he built up his benefit entitlement) to a low-wage state and continues his benefit claim in the low-wage state.

We believe in and support the Interstate Benefit Payment Plan under which an individual may move from the state where he earned his benefit credits and file claims in another state for such benefits. We do not believe crossing a state line should become an obstacle to drawing unemployment benefits which are properly due. In Michigan we pay the same benefits to a laid-off industrial worker who goes to another state to seek work as we do to the laid-off industrial worker who does not move.

This new federal control would not affect our policies or coverage for employees. Nevertheless, we can conceive of situations—in fact, we believe such a situation exists in the State of Alaska and was described in the House hearings, where it would be destructive of the incentive to accept work to continue payment of benefits at the high Alaska rates when claimants move to low-wage states.

This problem could also exist within the borders of a single state; but it would not be possible to control the intra-state problem if the federal law required that benefits be paid at normal rates in all interstate situations.

IV. CONCLUSION

In conclusion, we support H.R. 15119 as reasonable, compromise legislation. As such, understandably it contains some provisions we do not like and omits other provisions which we think should have been included. We support the bill because, through long and earnest effort, the Ways and Means Committee has embodied in it a compromise formula which recognized to the maximum practical degree the differing views of all the parties in interest in the legislation.

We therefore urge that this Committee and the Senate approve this bill in the form in which it passed the House, and speed its enactment.

PARTICIPATING EMPLOYER ORGANIZATIONS

Michigan Farm Bureau, Dan E. Reed, Legislative Counsel.
Greater Detroit Board of Commerce, Dwight Havens, President.
Michigan Retailers Association, Richard O. Cook, Executive Vice President.
Michigan State Chamber of Commerce, Harry R. Hall, Executive Vice President.
Michigan Manufacturers' Association, John C. McCurry, General Manager.
Employers' Unemployment Compensation Council, Colin L. Smith, Executive Director.
Michigan Shoe Association, Tom Willoughby, President.
Michigan Clothiers Association, Robert Storrer, Jr., President.
Greater Saginaw Chamber of Commerce, Robert H. Albert, General Manager.
Professional Photographers of Michigan, Earl D. Austin, President.
Michigan Retail Lumber Dealers Association, Donald J. Moe, Secretary-Manager.
Michigan Petroleum Association, Joseph D. Hadley, Executive Secretary.
Michigan Press Association, Elmer E. White, Executive Secretary.
Employers' Association of Detroit, Wayne Stettbacher, General Manager.
Michigan Jewelers Association, Arnold Layher, President.
Midland Chamber of Commerce, Robert Parker, Secretary-Manager.
Michigan Oil and Gas Association.
Associated Petroleum Industries of Michigan, William Palmer, Executive Secretary.
Michigan Apparel Association, Carl Holmgren, President.
Michigan Hotel and Motor Hotel Association, Mrs. Belle L. Thomas, Executive Secretary.
Employers' Association of Grand Rapids, Stanley Benford, Executive Manager.
Michigan Furniture Association, John Aldrich, President.
Muskegon Manufacturers' Association, Robert Sumners, Secretary-Manager.
Detroit Electrical Contractors' Association, Perry T. Shilts, Secretary-Manager.
Michigan Dry Goods and Variety Association, William McDaniel, President.
Michigan Stationers Association, Thor Marsh, President.
Michigan Floor Covering Association, Clifford I. Clawson, President.
Michigan Association of Opticians & Optometrists, Jack Wallace, President.
Michigan Record and Music Dealers Association, Ken Helber, President.
Michigan Sporting Goods and Marine Dealers, C. H. Johnson, Chairman.
Michigan Mining Association, James Trosvig, Chairman.

The CHAIRMAN. The next witness is Mr. Frederick H. Waterhouse, Manufacturers Association of Connecticut.

STATEMENT OF FREDERICK H. WATERHOUSE, EXECUTIVE VICE PRESIDENT, THE MANUFACTURERS ASSOCIATION OF CONNECTICUT

Mr. WATERHOUSE. Mr. Chairman and members of the committee, I have filed a rather lengthy statement, but as we have only 10 minutes, I have tried to abbreviate it for your purposes. I have covered many of the important points and in the full statement you will find some further arguments or explanations or points that are not in this abbreviated statement.

The CHAIRMAN. Yes, sir. We will undertake to read your whole statement, and we will allow you 10 minutes to summarize it.

Mr. WATERHOUSE. Yes.

Mr. Chairman and members of the committee, my name is Frederick H. Waterhouse. I live in West Hartford, Conn. I am executive vice president of the Manufacturers Association of Connecticut, which has as its members approximately 2,100 manufacturing employers. These companies employ more than 400,000 employees—over 90 percent of the total manufacturing employment in Connecticut and almost 50 percent of the total number of employees covered by the unemployment compensation law of Connecticut.

Your committee is being urged by some to report out a bill which would reinstate all or some of the provisions of H.R. 8282 as found in S. 1991, which the House committee and the House in its wisdom have rejected. Because I feel that this attack on H.R. 15119 advocates the most dangerous course which could be pursued, I will, with the committee's indulgence, address most of my remarks to those features of S. 1991 which you are thus being urged to reinstate.

The Connecticut unemployment compensation law is not a static law; it is quite impossible for any law designed to do the job that this law is called upon to do ever to be static. This law is a growing, changing system, which has been hammered out session after session before our general assembly by people who have spent years in qualifying as experts in this area. To accomplish its purpose it must remain flexible.

As I see it, the basic premise of S. 1991 is that the system in Connecticut has not satisfactorily achieved the object for which it was designed and, therefore, it is necessary now, after 36 years, for the Federal Government to step in and lay down certain minimum conditions which the State of Connecticut must henceforth meet. Once the principle that the Federal Government shall henceforth continually tamper with the rules of the game is adopted, which is exactly what is involved in this bill, then the basic authority of the States over their own system is at an end, and the systems will have become federalized.

Under these circumstances, the proponents of such a radical shift of power in our Federal-State system of Government should have to meet the heavy burden of showing the necessity for the shift. This can only be met by showing that the present system is working badly. There is no valid evidence to this effect. Indeed, the evidence is all in the opposite direction.

Under these conditions, you are asked by S. 1991 to inaugurate a system in which the bulk of the taxes will continue to be imposed by the States but the liberality by which they are to be dispensed shall be dictated by the Congress.

The very substantial wage base and tax increases proposed by S. 1991, in addition to tripling our employers' Federal tax, would require a complete overhaul of our State tax tables if we were not to more than double our State taxes also.

Tax increases of this magnitude, timed to become effective so shortly after the recently enacted huge increase in the employers' share of FICA taxes, are truly astonishing. As the Federal Government elbows its way further into the State programs, it will need a greater share of the total tax to finance its adventures.

The time tested Connecticut unemployment compensation system is purposely designed to maintain in Connecticut as high a rate of employment and as low a rate of unemployment as possible.

That this system is working well is shown by the fact that at the present time the percentage of covered unemployed in Connecticut is 1.2 percent of the covered work force—a percentage which is just about the irreducible minimum.

In 1939, Connecticut adopted the model bill prepared by the U.S. Department of Labor with a maximum benefit entitlement of $195. The maximum benefit entitlement in Connecticut today is $1,950—an increase of exactly 1,000 percent.

Even if the 1939 amount is raised to its equivalent in 1965 dollars, this would amount only to $451. The 1965 benefit amount is still more than four times this figure.

The proponents of S. 1991 talk about and propose weekly benefit amounts of 50 percent of average wage, 60 percent of average wage and even 60⅔ percent of average wage as a maximum. Let's look at what that would mean in Connecticut.

At present our maximum for a single person is $50 per week. At the present average wage of $120 per week, such a single person will receive 51.6 percent of his take-home pay. With our $5 per week per dependent child allowance this percent increases until a claimant with five children receives 67.2 percent of his take-home pay.

If we use the 50 percent of average wages the maximum would be $60 per week for the single person. He would then be receiving 61.9 percent of his take-home pay and the same progression pertains so that the claimant with five children would get 76.2 percent of his take-home pay.

If we use the 66⅔ percent of the average wage we have a maximum of $80 per week. Since the employee with $120 earnings is limited to 50 percent of his gross pay he still receives the $50 per week mentioned above. However, the single person getting as much as $160 per week, which is what he must get to be eligible for the $80 maximum, will get 63.1 percent of his take-home pay with a progression to those with dependent children until the man with five children receives 73.1 percent of his take-home pay.

As pointed out in the complete statement I submitted, among other things, results as above would seriously endanger our dependency allowance provision.

In addition to putting Connecticut's system of dependency allowances in grave jeopardy, S. 1991 would also imperil our State's merit rating system. In Connecticut as well as elsewhere merit rating has been under constant attack by leaders of organized labor and others who feel that the system gives employers an incentive to contest unemployment claims which would otherwise be accepted without dispute. This is true, but I sincerely urge that this is a reason why merit rating should be retained rather than otherwise. Unless there is an adversary interest to be protected against unjustified unemployment benefit claims, the system runs the grave risk of degenerating into a dole for the unscrupulous, instead of fulfilling its rightful function of providing assistance to those temporarily unemployed because no work is available.

The Connecticut unemployment compensation law would also be seriously weakened by the provisions of S. 1991 which would require a State to provide 26 weeks of benefits to any worker who had worked for 20 weeks. The Connecticut law is based on the concept that the extent of unemployment compensation should bear some reasonable relationship to the firmness of a worker's atachment to the labor force. This concept is reflected in provisions in our law which have the effect of limiting the duration of benefits to a claimant with limited earnings in his base period so that one bears some logical relationship to the other. We believe this principle is sound and that it should not be jeopardized.

Over the years we have hammered out many provisions to eliminate abuses but protect the legitimate claimant. They have called for amendments as unforeseen and inequitable results developed. We have been quick to adopt such changes. With the limitation on disqualifications proposed by S. 1991 our safeguards would be abolished and the raid on our fund by those not within the basis intent of the law would seriously endanger our whole program.

Some of the items covered in my statement are the development of equitable treatment for those women who leave the labor market to raise a family.

The proper treatment of severance pay and pensions.

The proper treatment of those receiving workmen's compensation or arbitration awards granting back pay for weeks for which they have received unemployment benefits.

The disqualification of students while they are attending full time at schools or colleges.

The proper treatment of those who, while on layoffs, accept other work which they leave to return to their original jobs and are then laid off again within a period which would otherwise disqualify them for having left the interim job voluntarily.

These are a few examples of the need for flexibility in the State programs. I am sure other States have individaul or local problems calling for the same type of local treatment. S. 1991 would definitely destroy this flexibility.

Regarding H.R. 15119, we believe the proposed tax increases to be unjustified. The sums allegedly to be used for administration can only be justified by assuming that Federal intervention and control will be greatly expanded.

The sums to be deposited in the "extended unemployment compensation account" are to be used for an "extended duration" we believe is better left to the States.

In Connecticut we trigger an extra 50 percent of benefit-weeks when unemployment reaches 6 percent for a period of 8 out of 10 weeks. We can and will finance this program ourselves.

Under H.R. 15119 it would appear extended benefits will be "on" when the unemployment rate reaches 3 percent in Connecticut. The adoption of the 5-percent rate on a national basis is slightly more realistic but those responsible for the individual State programs should retain the right to establish their own extended benefits program. Certainly an unemployment of 3 percent does not indicate the kind of mass or lengthy unemployment calling for the payment of additional benefits. Indeed the U.S. Bureau of Employment Security classifies labor supply areas with 1.5 to 2.9 percent as low unemployment and from 3 to 5 percent as moderate unemployment. We do not believe it realistic to trigger in extended benefits when a State barely moves from low unemployment to moderate unemployment.

Other points are made in the full statement I have submitted, together with supporting facts and arguments I trust your committee will consider.

Thank you for the opportunity to express our thoughts.

(The prepared statement of Mr. Waterhouse follows:)

SUMMARY AND STATEMENT OF FREDERICK H. WATERHOUSE, EXECUTIVE VICE PRESIDENT, MANUFACTURERS ASSOCIATION OF CONNECTICUT, INC.

SUMMARY OF POINTS MADE BY FREDRICK H. WATERHOUSE, EXECUTIVE VICE PRESIDENT, THE MANUFACTURERS ASSOCIATION OF CONNECTICUT, INC.

1. H.R. 15119 is a great improvement on H.R. 8282, the original bill introduced in the House. Your committee is respectfully urged to refuse to adopt any amendments to H.R. 15119 which would seek to reinstate any of the provisions of S. 1991 as in H.R. 8282 which were stricken by the Ways and Means Committee from the final bill. This point is of prime importance to those who desire to maintain the integrity and independence of all state unemployment compensation systems. For this reason, this will be the chief subject of my testimony today, with your kind indulgence.

2. Even though H.R. 15119 is a distinct improvement on H.R. 8282, it would nevertheless more than double the federal unemployment taxes on employers without sufficient necessity. For this reason, we must register our objection to this part of the bill.

3. The Connecticut unemployment compensation law provides for the payment of benefits to unemployed workers for an additional period up to 13 weeks during periods of substantial unemployment. This legislation closely resembles the temporary extended programs enacted by the Congress in 1958 and again in 1961. These additional payments are financed by taxes levied upon Connecticut employers. We therefore believe that it is unnecessary for the federal government to duplicate this program, particularly since the portion of H.R. 15119 which would do so is the reason for most of the increase in federal unemployment taxes contemplated by the bill.

4. We wish to express our enthusiastic support for that portion of H.R. 15119 which provides for judicial review of a decision of the Secretary of Labor that a state law or state administration of its law does not meet the requirements of the federal law. The absence of such a provision from existing law has made the decision of the Secretary of Labor on this question final, a most unhealthy situation.

STATEMENT OF FREDRICK H. WATERHOUSE, EXECUTIVE VICE PRESIDENT, THE MANUFACTURERS ASSOCIATION OF CONNECTICUT, INC., BEFORE THE SENATE COMMITTEE ON FINANCE, ON H.R. 15119, THE EMPLOYMENT SECURITY AMENDMENTS OF 1966, JULY 25, 1966

My name is Fredrick H. Waterhouse. I live in West Hartford, Connecticut. I am executive vice president of The Manufacturers Association of Connecticut, which has as its members approximately 2,100 manufacturing employers. These companies employ more than 400,000 employees—90% of the total manufacturing employment in Connecticut and almost 50% of the total number of employees covered by the Unemployment Compensation law of Connecticut. I appear before you to speak in behalf of that Association and its member companies, all of which would be vitally affected by this legislation.

I think the House Ways and Means Committee and the House staff showed statesmanship of a very high order when they refused to accept the many questionable provisions of H.R. 8282 which would for the first time in the history of our Unemployment Compensation Laws have the Congress dictate federal "standards" to supplant the independent standards imposed by each state.

Your committee is being urged by some to report out a bill which would reinstate all or some of the provisions of H.R. 8282 as found in S. 1991 which the House Committee and the House in its wisdom have rejected. Because I feel that this attack on H.R. 15119 advocates the most dangerous course which would be pursued, I will, with the Committee's indulgence, address most of my remarks to those features of S. 1991, which you are thus being urged to reinstate.

I am opposed to S. 1991 and all that it represents because it is wrong in principle. The unemployment compensation system of the State of Connecticut is the product of many years of constant study by the legislature of our state of the state's problems in industry, employment and unemployment. These are problems which differ, I am sure, from those experienced in other states and which are naturally unfamiliar to your committee or to the Congress.

For twenty years it has been my lot to appear before the labor committees of our General Assembly at each session to discuss the scores of proposals to amend our Unemployment Compensation law in one aspect or another. Over the years since 1936 when the Connecticut Unemployment law was first enacted, there have been literally hundreds of changes in that law. Indeed, at almost every biennial session of our General Assembly since then, some changes have been made in our basic law. Some of these changes our Association, as spokesman for the manufacturing employers of the state, has approved; others, we have considered unwise and have so testified at the time of their enactment. Some have required further modification, in the light of experience. The Connecticut Unemployment Compensation law is not a static law; it is quite impossible for any law designed to do the job that this law is called upon to do to ever be static. This law is a growing, changing system, which has been hammered out session after session before our General Assembly by people who have spent years in qualifying as experts in this area. After listening to the counsels, often conflicting, of employer and employee spokesmen, equally familiar with the constantly changing patterns in the economic growth of our state, decisions are made.

I have worked in this environment for many years. Because of this experience, I know the complexities of many of the problems involved, problems which are essentially labor problems. Although taxes are involved, the main purpose is not the collection of money but, rather, the operation of a statewide system which will best attain and retain a state of constant high employment, by encouraging the employment and re-employment of workers, and by giving financial aid to those temporarily unemployed from a fund supported entirely by the employers of the state. Among other things, this means that the taxes imposed on employers must be based on some kind of incentive plan, such as the merit rating system.

PRESENT STATE SYSTEM EFFICIENT

As I see it, the basic premise of S. 1991 is that the system in Connecticut has not satisfactorily achieved the object for which it was designed and therefore it is necessary now, after 36 years, for the federal government to step in and lay down certain minimum conditions which the State of Connecticut must henceforth meet, under penalty of having its employers suffer a grievous tax disadvantage. Whether it so happens that Connecticut's law at the moment can meet these initial federal requirements is of no consequence; apparently, some states must be unable to meet them, else what is the purpose of the law? And certainly, once the principle that the federal government shall henceforth continually tamper with the rules of the game, which is exactly what is involved in this bill, then the basic authority of the states over their own systems is at an end, and the systems will have become federalized.

Under these circumstances, the proponents of such a radical shift of power in our federal-state system of government should have to meet the heavy burden of showing the necessity for the shift. This can only be met by showing that the present system is working badly. There is no valid evidence to this effect. Inded, the evidence is all in the opposite direction. The truth is that the unemployment compensation system of Connecticut—and I am sure this statement is true of other states as well—has been continuously improved over the years. The result is that in Connecticut today, the lot of the worker, both employed and unemployed, is better than it has ever been. It has constantly improved, under the informed review and revision of our unemployment system by our General Assembly, until Connecticut today stands at the very forefront of the states in the liberality of our benefits, both in amount and duration.

Under these conditions, you are asked by S. 1991 to inaugurate a system in which the bulk of the taxes will continue to be imposed by the states but the liberality by which they are to be dispensed shall be dictated by the Congress.

FEDERAL PRE-EMPTION

This is a ridiculous situation which can only lead to the federal government's early pre-emption of this entire area of state government.

It presupposes that Congress can do for 50 individualistic states that for which the citizens of the separate states find need for unceasing research, consideration, compromise and experimentation. You can petrify the unemployment com-

pensation system into a federal dole but you cannot retain its present function by federal usurpation of its basic virtue.

I am not unaware of the trend in recent years for the federal government to take over more and more of the areas of government traditionally—and may I be forgiven for adding, constitutionally—within the jurisdiction of the states. Let us not take the truly giant step in that direction which S. 1991 would mark.

Although we believe S. 1991 should be rejected in its entirety, without regard to its details, because it is bad in principle, it becomes necessary for me to discuss some of those details, insofar as they effect the Connecticut situation, to demonstrate how ill-advised are the proposals of S. 1991.

EXORBITANT AND UNWARRANTED TAX INCREASE

In Connecticut, with limited exceptions, an employer of three or more is subject to a state tax of up to 2.7% of the first $3,000 of each employee's annual wages. Employers with good employment records may qualify for a lower tax rate, depending upon the extent of their "lay-offs" relative to those of other employers in the state. These lower tax rates, sometimes called "experience rates" are also determined by the amount of money accumulated in the employer-financed unemployment compensation fund. Under present conditions, the rates of qualifying employers range over 13 brackets from a low of 1.5% to a high of 2.7%. The average rate now being paid by Connecticut employers is 2.1% of $3,000, or $63 per employee. In addition, our employers pay a federal tax (after the state tax credit) of .4% of $3,000, or $12 per employee. The average combined federal-state tax rate for Connecticut employers is thus $75 per employee.

S. 1991 would increase the federal tax by .15%, and also increase the taxable wage base to $5,600 for calendar years 1967 through 1970, and to $6,600 for later years. This would increase the federal tax to $30.80 per employee in the first stage, and to $36.30 by 1971. Moreover, S. 1991 would limit the credit for state taxes in states such as Connecticut which do not meet certain arbitrary requirements, to the state's four-year average benefit cost rate. In Connecticut, this is 2.1%. This would reduce the credit against the federal taxes for Connecticut taxes from 2.7% to 2.1%; the net result is a further increase in the federal tax on Connecticut employers of .6% of $5,600 (then $6,600) amounting to $33.60 (then $39.65) per employee.

The combined effect of these provisions would be to increase the federal tax on Connecticut employers from $12 per employee to $64.40 at first, and then to $75.90. For this, the Connecticut employers would get nothing, so it is obvious that the State of Connecticut, like all the other states, would be compelled to amend its law to meet the new federal requirements, in order to avoid visiting upon its employers a tax increase of this magnitude. This is, of course, exactly the result which S. 1991 is designed to produce.

If Connecticut does comply with federal standards under the tax proposals of S. 1991, the employers in our state would still have to pay an increased federal tax of up to 0.55% of $5,600, or $30.80 per employee in 1967 and a tax of up to 0.55% of $6,600, or $36.30 per employee in 1971 and thereafter. Besides this, Connecticut employers will be required to pay greater state taxes because of the increase of the taxable wage base to $5,600 and then to $6,600 to meet the new federal standards. The effect of the combined increase is to raise the total potential maximum tax on Connecticut employers under federal and state laws from the present $93 per employee (3.1%×$3,000) to $182 per employee (3.25%×$5,600) in 1967 and to $214.50 per employee (3.25%×$6,600) in 1971 and thereafter.

At the present time, the average state tax rate for Connecticut employers is 2.1% because of the effect of the operation of our merit rating system. Thus, the average Connecticut employer would be taxed at the combined rate of 2.65% (2.1% state tax and .55% federal tax) of the vastly expanded taxable wage bases. For the average employer the tax will increase from the present $75 (2.5%×$3,000) per employee to $148.40 (2.65%×$5,600) on January 1, 1967, and to $174.90 (2.65%×$6,600) per employee on January 1, 1971, assuming the current tax schedule remains in effect.

In an effort to approach the tax impact of S. 1991 on Connecticut employers in still another way, we asked the Connecticut Labor Department for estimates of the taxable payrolls for 1965 based, respectively, on the first $3,000, $5,600 and $6,600 of an employee's earnings. Here are their estimates.

Taxable wage base:	*Taxable payroll*
$3,000	$2,552,243,000
$5,600	3,880,614,000
$6,600	4,144,297,000

These estimates would indicate an estimated increase in Connecticut state taxes of 60% if the taxable wage base was increased to $5,600, and of 70.9% if increased to $6,600.

Tax increases of this magnitude, timed to become effective so shortly after the recently enacted huge increases in the employers' share of FICA taxes, are so astonishing as to make one wonder whether the proposal is seriously intended. It is certainly seriously intended as far as the tripling of the federal tax is concerned. As the federal government elbows its way further into the state programs, it will need a greater share of the total tax intake to finance its adventures.

As far as the state taxes are concerned, the suggestion is made that if a state does not need all of this extra tax money forced upon it right now to finance present benefits, it can cut down the taxes on some employers by scrapping its present merit rating schedules and adopting new ones—or it can increase benefits. This, then, is another of the many drastic changes in the Connecticut law which S. 1991 would force upon our General Assembly, and in this respect, at least, the required changes are perfectly pointless.

CONNECTICUT BENEFITS LIBERAL

The time-tested Connecticut unemployment compensation system is purposely designed to maintain in Connecticut as high a rate of employment and as low a rate of unemployment as possible.

That this system is working well is shown by the fact that at the present time the percentage of covered unemployed in Connecticut is 1.2% of the covered work force, a percentage which is just about the irreducible minimum. The system accomplishes this by offering certain inducements to employers to maintain constant employment levels and by giving workers temporarily unemployed, cash benefits related to their working salary in such a way as to tide them over during a period of unemployment. In Connecticut the present level of benefits is 50% of a worker's base earnings, limited to $50 per week, plus an additional allowance of $5 per week for each dependent, limited to 50% of the basic benefit amount. This adds up to a maximum potential benefit of $75 a week for those with five or more dependents. In order to be eligible for benefits, a worker must have earned at least $750 in his base period. The maximum duration of benefits is twenty-six weeks (aside from an additional 13 weeks provided for in times of substantial unemployment which will be discussed separately later) but it is based on earnings and may be less than twenty-six weeks.

These benefits are among the most liberal in the country. Moreover, in Connecticut these benefits have constantly improved over the years, not only in dollar amounts, but in the amount of goods and services they will buy. In 1939, under the Model Bill prepared by the U.S. Department of Labor, a $15 maximum benefit amount and a duration of sixteen weeks was provided. Connecticut was among the states which adopted this proposal, which involved a maximum benefit entitlement of $195. The maximum benefit entitlement in Connecticut today is $1,950—an increase of exactly 1,000%.

Even if the 1939 amount is raised to its equivalent in 1965 dollars, this would amount only to $451. The 1965 benefit amount is still more than four times this figure.

Nevertheless, this record is evidently not good enough to suit the sponsors of S. 1991. Whereas Connecticut's maximum benefit rate is $50 per week (not counting the dependency allowance), S. 1991 would require that the maximum benefit amount must not be less than 50% of the average wage of covered workers beginning July 1, 1967, 60% beginning July 1, 1969, and 66⅔% beginning July 1, 1971.

The stated object of this proposal is that it is necessary to assure that the "payments to the great majority of the beneficiaries may equal at least half of their regular earnings." With this in mind, we point out that the average weekly benefit payment, January through June of 1966 in Connecticut, was $43.20. With our maximum substantially higher than that amount, it must

be that "the great majority" of beneficiaries received at least 50% of gross pay and over 50% of take home home pay.

Furthermore, we should not entirely ignore the essential reason for the existence of a maximum benefit limit. Of course, it might appear ideal to let *all* unemployed receive half their regular earnings, not only the "great majority" of them. Why not remove the maximum limit entirely? The answer is, of course, that the cost of such a program would be prohibitive. It is essential that the costs be kept within reasonable limits. This is the reason why Connecticut has a maximum benefit limit of $50 a week in its law, in addition to a maximum dependency allowance of 50% of that amount; making a total of $75 per week.

At our request, the Connecticut Labor Department has estimated the amount of additional benefits which would have been payable in Connecticut in the 1965–66 fiscal year if the proposed maximum benefit rate formula contained in S. 1991 had been substituted for the Connecticut maximum benefit rate—then $50 a week. According to the Department's estimates, which were based on the average weekly wage of covered workers in 1965 of $116, the actual benefits of $29,500,000 paid in 1965 would have been raised to $31,400,000 in that year if the maximum rate was 50% of the average wage of covered employees; to $33,620,000 if the rate was 60%; and to $34,700,000 if the rate was 66⅔%.

CONFLICTS WITH CONNECTICUT LAW

(*a*) *Dependency allowances*

Now, if Congress forces Connecticut to increase these benefits, which must of course be paid for by taxing the employers of our state, and are over and above the benefits which our General Assembly has considered advisable, in the interest of a sound unemployment system, then it is only natural to expect that the Connecticut General Assembly will take a hard look at other benefits which they have granted but which are not required by Congress and which most of the other states do not grant. I refer, of course, to the Connecticut allowance of $5 per week for each dependent of an unemployed worker, up to a maximum family allowance of $25 per week.

The proponents of S. 1991 obviously take a very dim view of dependency allowances, since they are specifically excluded in the formula by which the weekly benefit amount of an unemployed worker would be determined. If S. 1991 were to be enacted, therefore, the doom of dependency allowances is a foregone conclusion because the bill gives the states no credit for such allowances. Theoretically, a state would have the right to retain them; practically, cost considerations would make their retention by any of the score or so of states which have them extremely unlikely.

Now, the question of whether an unemployment compensation system should take into consideration the number of dependents of an unemployed worker is a debatable one. Not all states do. But, Connecticut is one of the states which has long considered them appropriate to its particular system. S. 1991 would force Connecticut to abandon dependency allowances, just as surely as it would force our state to raise its total wage base to $5,600 and then to $6,600.

(*b*) *Imperils merit rating*

In addition to putting Connecticut's system of dependency allowances in grave jeopardy, S. 1991 would also imperil our state's merit rating system. In Connecticut as well as elsewhere merit rating has been under constant attack by leaders of organized labor and others who feel that the system gives employers an incentive to contest unemployment claims which would otherwise be accepted without dispute. This is true, but I sincerely urge that this is a reason why merit rating should be retained rather than otherwise. Unless there is an adversary interest to be protected against unjustified unemployment benefit claims, the system runs the grave risk of degenerating into a dole for the unscrupulous, instead of fulfilling its rightful function of providing assistance to those temporarily unemployed because no work is available.

S. 1991 would have the effect of making this system more vulnerable to these attacks by eliminating the present requirement in federal law that the full 2.7% tax credit may be taken for state tax rates lower than this level only where such reduced rates are based upon the particular employer's unemployment experience. S. 1991 would remove this condition, which is the bulwark of experience rating systems, and instead permit a state to give a "reduced rate"

on any basis it might select. This places in the hands of the foes of experience rating a powerful tool to aid them in their continued attacks on such systems as we have in Connecticut. Frankly, I think this is the intention of the framers of S. 1991, who have shown no great enthusiasm for the continuance of these state systems. I think that this attitude is a great mistake. I think that the merit rating system in the Connecticut law has proven itself, time and again, to be an effective incentive to employers to maintain steady employment levels, in addition to the incentive to police the law by contesting unjustified claims, and any steps which tend to weaken this system, such as those contemplated by S. 1991, should be carefully avoided.

(c) *Variable duration preferable*

The Connecticut unemployment compensation law would also be seriously weakened by the provisions of S. 1991 which would require a state to provide 26 weeks of benefits to any worker who had worked for 20 weeks. The Connecticut law is based on the concept that the extent of unemployment compensation should bear some reasonable relationship to the firmness of a worker's attachment to the labor force. This concept is reflected in provisions in our law which have the effect of limiting the duration of benefits to a claimant with limited earnings in his base period so that one bears some logical relationship to the other.

For example, take the case of a man who earns the present Connecticut average wage of $120 a week for only 20 weeks and then is laid off. Under a table in the Connecticut law which relates maximum benefits to the amount of prior earnings, claimants with earnings of between $2,400 and $2,460 are entitled to receive maximum benefits of $820 during their benefit year. Our hypothetical worker would fall in this group. In Connecticut, he would therefore be entitled to receive the maximum benefit amount of $50 a week, for a maximum of 16-and-a-fraction weeks before he exhausted his maximum yearly benefit amount of $820.

S. 1991 would force Connecticut to scrap this concept and to pay this man a 20-week work experience unemployment benefits at the rate of $60 a week for 26 weeks, the same amount and for the same length of time as a similar employee with a 20-*year* work experience would receive. Entirely aside from the fact that this would result in almost doubling the cost of benefits payable to workers like this with very brief work experience, the federal bill would force Connecticut and every other state with a gradual and sensible integration of benefits with earnings experience to abandon these time-tested systems in favor of the arbitrary 20-week work test contained in S. 1991.

In still another respect, S. 1991 would force Connecticut to discard one of the time-tested foundations of our unemployment compensation law. I refer to the provision in our law which requires a minimum amount of earnings in the base period ($750 spread over at least two quarters) in order to qualify for benefits. This would also be supplanted by the 20-week work test of S. 1991. For instance, a worker who makes $35 a week for 20 weeks would not qualify for any benefits under present Connecticut law, but would have to be paid $17.50 a week for 26 weeks, or $455, under S. 1991. On the other hand, a worker who works less than 20 weeks but earns as much as $750 spread over at least two calendar quarters is entitled to some benefits under present Connecticut law. This worker would be deprived of benefits under the rule of S. 1991, unless Connecticut were to retain the $750 earnings test exclusively for those who fail to meet the 20-week test, a most unlikely contingency. To give you an idea of the size of this problem, it has been estimated that in 1964, the latest figures available, approximately 15,000 Connecticut claimants received benefits on the basis of a work record of less than 20 weeks.

(d) *Pregnancy*

Another of the provisions of S. 1991 is entirely incompatible with the labor laws of the State of Connecticut. Our law forbids an owner, proprietor, manager or foreman, or other person in authority, of any factory, mercantile establishment, mill or workshop, to knowingly employ a woman or permit a woman to be employed therein within four weeks previous to confinement or within four weeks after she has given birth to a child, under penalty of imprisonment for 30 days or a fine of $25. The right of Connecticut to enact this kind of law in the interest of the public health, welfare and safety of its citizens is unchallengeable. Accordingly, our unemployment compensation law

provides in any event no woman shall be entitled to receive benefits within two months before childbirth and two months after childbirth. This provision would violate the proposed federal standards.

S. 1991 requires as a condition of receiving *any* tax credit after July 1, 1967, that the state of the employer must limit the period of disqualification to six weeks postponement for all causes except fraud, labor dispute or conviction of a crime arising in connection with work. As noted above, pregnancy is not one of these excepted causes. Over the years, we have been quite concerned with persons no longer actually attached to the labor markets. The housewife embarking on the laudable project of raising a family is one of these. Years ago the administrator of our unemployment compensation program concluded after careful study that young mothers who obviously were no longer interested in outside work were nevertheless drawing substantial sums in unemployment benefits. Even rigid administration was inadequate to end this abuse. Consequently, an amendment was prepared that would require such a lady to reenter the labor market and earn a token amount ($100) to reinstate her potential benefits. This sum seems to call for hardly more than a gesture but it has rather effectively corrected the abuse. To further illustrate the need for flexibility in the state programs—it was discovered in practice that there were times when no employment was available for such a woman who seriously did want to go back to work. We then again amended our law to provide that if she applied without restrictions for re-employment in the same job or a comparable job to her last employer and no such employment was available the disqualification should not attach. Obviously our efforts to eliminate a proven abuse would not longer be permitted under the federal standards.

(e) Severance pay and pensions

Another provision in Connecticut law disqualifies a person from receiving benefits "during any week with respect to which the individual has received or is about to receive remuneration in the form of (a) wages in lieu of notice or dismissal payments or any payment by way of compensation for loss of wages, or any other state or federal unemployment benefits, or (b) compensation for temporary disability under any workmen's compensation law, or (c) retirement pay or a pension paid directly by the employer or paid indirectly by the employer in the manner set forth in subdivision (5) of subsection (b) of section 31-222, provided, if the weekly amount of such retirement pay or pension is less than the individual's total unemployment benefit rate as indicated in the table set forth in section 31-231, such person shall be eligible for benefits at a reduced rate and his total unemployment benefit rate shall be reduced by the number of whole dollars in the weekly amount of such retirement pay or pension." This disqualification has been carefully considered in the light of changing conditions and is a subject of continued review not only by us but by the administrator. In fact, it has, like most others, been revised from time to time as experience seemed to dictate but the basic feature of denying benefits to one receiving other remuneration from the employer in any form has been retained.

There are many forms of severance pay, dismissal payments, pensions and disability payments. The proposed federal limitations of S. 1991 on disqualifications would reverse the House action and require our abandonment of these provisions. Severance or dismissal pay is given to do exactly what unemployment benefits are supposed to provide. Generally they are more generous. It can hardly be expected that they would be continued if unemployment benefits were also required.

(f) Back pay awards

Connecticut also provides that anyone drawing benefits who later receives retroactive pay under an arbitration or other award for the same week must repay the administrator the amount of the benefits, and if the U.C. benefits have been deducted from the award the employer must pay the amount so deducted to the administrator. If the employe does not make such repayment the amount may be offset against future benefits. This would appear to be contrary to the proposed federal requirements.

(g) Workmen's compensation awards

The same repayment requirement or future offset applies to simultaneous U.C. and temporary disability workmen's compensation payments. Again in conflict with federal proposals.

(h) Students

One more disqualification in Connecticut law would be prohibited. Many young people leave work to attend school. Under our law, they are disqualified during such attendance. This disqualification runs counter to the proposed six week omnibus provision. The elimination of this disqualification would require greater consideration by employers before hiring prospective students.

It is quite possible the authors of this bill had no idea that its blanket provisions would cover these and other situations developed in the various states to meet local problems. This is one of the chief faults of omnibus legislation of this nature. It wrests from the states their legitimate jurisdiction over an undeterminable number of subjects which may not even have been thought of by the authors of this truly revolutionary legislation. Or if they did consider all such features and are attempting to eliminate them, it is even more objectionable. It is nothing less than a shotgun attack on a complicated system. Witnesses like me can point out to you how shot from the blast will knock down this, that or the other feature of the system in our particular states, but none of us can be sure that we have accounted for all of the pellets; I shrewdly suspect that some of them will hit other parts of the system in my own state in ways I cannot now foresee.

CONNECTICUT EXTENDED BENEFITS

Another important feature of the Connecticut unemployment compensation law is that, in addition to a normal duration period of twenty-six weeks, the law provides that in times of substantial unemployment, up to an additional thirteen weeks of benefits will be paid. In other words, Connecticut law recognizes that in normal times the employers of the state should bear the burden of paying benefits to unemployed workers for a period of up to one-half of a year, and that in periods of substantial unemployment this period should be extended for another thirteen weeks. This legislation closely resembles the temporary extended benefit programs enacted by the Congress in 1958 and again in 1961.

S. 1991 would entirely supplant this emergency program by a permanent plan calling for the payment of federal benefits for an additional twenty-six weeks following the exhaustion of benefits under the state law. These additional weeks of benefits would be paid regardless of economic conditions, in good times as well as in bad. In effect, the bill stands for the proposition that the employers of the country should be financially responsible for supporting unemployed persons for periods up to a year.

I believe that this proposal radically changes the basic concept of unemployment compensation insurance—the concept that the employers of a state should be taxed for the purpose of paying benefits to unemployed workers sufficient to tide them over periods of temporary unemployment while they are "between jobs." Stretching this period to a year, particularly in times of high employment like the present, means that the program will be converted from its original purpose to the entirely different purposes of taking care of long term or permanently unemployed. These present a very serious social problem which must be attacked. However, it should be attacked forthrightly for what it is, and not at the expense of unemployment compensation systems which are designed to bolster and sustain our working force.

In concluding my remarks on S. 1991, may I again emphasize my conviction that that bill is wrong in principle because it would bring under federal control a subject which has always been and should remain the concern and responsibility of the states. I sincerely urge this Committee to reject this principle.

H.R. 15119—TAX INCREASES

Turning now to the provisions of H.R. 15119, we suggest that the case for increasing federal tax rates at the ranges contemplated by the bill is far from proven. The combined effect of increasing the net federal rate from 0.4% to 0.6% and the taxable wage base on which this is levied from $3,000 to $4,200 is that the maximum net federal tax per employee will be increased from the present $12.00 to $25.20, an increase of taxes equal to $13.20 per employee. Of this increase, one-half, or $6.60, would be deposited in a newly established "extended unemployment compensation account" to provide funds for financing the federal share of the extended benefit program. The remaining portion of the tax increase, together with the $12.00 per employee now being collected from employ-

ers by the federal government, would go toward financing the administrative costs of the employment security program, an arrangement which apparently presupposes that such costs will rise more than 50% above present levels by 1972.

EXTENDED DURATION

Since 1958, Connecticut's compensation system has provided up to an additional thirteen weeks of unemployment compensation during times when the rate of insured unemployment is 6% or more to claimants who have exhausted their regular benefits. This would be supplanted, entirely without justification in our opinion, by those provisions of H.R. 15119 which would set up a federal dual standard of extended benefits, one of which would be triggered in nationally when the national rate of insured unemployment reached 5% and the other, on a state-by-state basis, when the rate of insured unemployment in a particular state increased by 20% of the average unemployment rate for that state during the last two-year period, if such rate equalled or exceeded 3%. While we think that this whole matter of the type of extended program for periods of unusually high and protracted unemployment should be left for each state to decide, we particularly think that the state-by-state approach to this problem as contained in H.R. 15119 is particularly unwise.

For example, the present rate of insured unemployment in Connecticut is 1.2%. Our two-year average would be in the neighborhood of 1.7%. This would mean that the extended unemployment program would be triggered in for Connecticut (and the many other states in her general position) if the rate in our state reached 3%. On the other hand, another state which may have a long time average unemployment rate of 6% would not qualify for the extended benefit program, even though this rate is double that of Connecticut's. This would seem to produce an uneven result, exactly the opposite from the objective of this section of the bill, if we understand it correctly. Moreover, we strongly feel that an unemployment rate of 3% does not indicate that kind of depression period calling for the payment of additional benefits after the regular benefits have been exhausted. In fact, the bill itself recognizes that this is an unrealistic figure when it adopts a 5% unemployment rate as the trigger point for the operation of the extended system on a national basis.

JUDICIAL REVIEW

In conclusion, I am happy to express our wholehearted support for that portion of the bill which would for the first time give a state the right to appeal to a U.S. Court of Appeals an adverse decision by the Secretary of Labor that a state law or state administration of its law does not meet the requirements of the federal law. This lack of the power to seek judicial review of the decision of an administrative agency has placed in the hands of the Labor Department a whip which can and has been used to force a state which is in disagreement, no matter how *bona fide*, with the Department to bow to the Department's views, no matter how mistaken those views may be. This is a unique situation of uncontrolled administrative freedom of action which should be corrected, and we sincerely hope your committee shares the views of the House on the subject.

Thank you very much.

The CHAIRMAN. Thank you very much.

Senator Morton.

Senator MORTON. No questions.

The CHAIRMAN. Let me say you have made some points here that deserve some careful thought, and I hope that whatever we work out would take care of the problems you point to.

As I understand it, you feel it is possible for a person, with a substantial family by means of his——

Mr. WATERHOUSE. Dependency allowance.

The CHAIRMAN. By means of the dependency allowance for his children to actually have more money not working than he is obtaining working if you combine them?

Mr. WATERHOUSE. No, no, Mr. Chairman. He will get a certain percentage of his take-home pay which is not more than he would—it is not 100 percent of his take-home pay.

The CHAIRMAN. It approaches it, that is the point.

Mr. WATERHOUSE. Well, as it gets up to 70-odd percent of his take-home pay, that is correct.

The CHAIRMAN. That is not taxable either, is it?

Mr. WATERHOUSE. That is right; it is not.

The CHAIRMAN. Thank you very much. I will study this statement further.

Mr. WATERHOUSE. Thank you. In my full statement there are some clarifications or added facts in connection with the points I have made, which I would hope that the committee will consider.

The CHAIRMAN. I do not think there is anybody here who would want to require you to do something with your program that just does not make sense, and we will certainly study that.

Thank you very much.

Mr. WATERHOUSE. Thank you.

The CHAIRMAN. Mr. Oscar Alvord of the Indiana State Chamber of Commerce.

Senator Hartke wanted to be here to hear you, and he will be down here if he can make it in the meantime, Mr. Alvord.

STATEMENT OF OSCAR ALVORD, DIRECTOR, SOCIAL LEGISLATION DEPARTMENT, INDIANA STATE CHAMBER OF COMMERCE

Mr. ALVORD. Mr. Chairman and members of the committee, my name is Oscar Alvord and I am director of the social legislation department of the Indiana State Chamber of Commerce. The membership of the Indiana State chamber is composed of more than 5,500 member business firms and professional people, located in all parts of Indiana.

In the interest of time, I shall make my oral presentation brief, with the request that the full written statement which I have furnished the committee be incorporated in the record.

The Indiana State Chamber of Commerce believes that certain features of H.R. 15119 could be improved upon, or even deleted. Nevertheless, H.R. 15119 is a substantial improvement over the original proposal (H.R. 8282, S. 1991).

The Indiana State Chamber of Commerce is not persuaded that there has been a clearly demonstrated need, in Indiana, for a benefit duration in excess of the 26 weeks now permitted by Indiana law. However, the extended benefit program under H.R. 15119 is certainly superior to that contained in H.R. 8282 and S. 1991. Whereas in the original proposal the extension was for 26 additional weeks regardless of economic conditions, in H.R. 15119 the extension is limited to an additional 13 weeks and is geared to recession periods. Even under the present proposal, we would have preferred that the States be left free to determine the "trigger point" for State recessionary benefits with Congress confining itself to a national "trigger" for a national recessionary benefit program.

Title III of H.R. 15119 addresses itself to the financing of the unemployment compensation program. Although less onerous than H.R. 8282 and S. 1991, H.R. 15119 still relies on increasing the taxable wage base rather than tax rate increases for additional revenue. The need for increases in State taxable wage bases has not been demonstrated. Indiana's benefit fund (as of June 30, 1966) was $203.1 million, which

is more than 240 percent of the amount expended from the fund in the highest cost 12-month period of its existence.

My written statement includes two tables which show that Indiana employers will be subjected to a substantial unemployment compensation tax increase under the revised bill, and under S. 1991 the increase would be enormous.

It is noteworthy that the heaviest percentage of tax cost increase is borne by those employers who, by providing steady employment, have earned more favorable rates.

The House Ways and Means Committee, after exhaustive study, chose—we believe wisely—to delete from the measure before them the Federal benefit standards relating to State unemployment compensation eligibility, benefit duration and the amount of weekly benefits which are contained in section 209 of S. 1991.

The Indiana Employment Security Act declares that economic insecurity due to unemployment is a serious menace to the health, morale, and welfare of the people of the State. It further declares that protection against this hazard of our economic life can be provided in some measure through the payment of benefits to persons unemployed through no fault of their own.

It thus was not contemplated that unemployment benefits replace an individual's entire wage loss, or that persons unemployed through their own volition should be compensated under this program.

In the more than a quarter century since original enactment, the Indiana Legislature has made sweeping amendments to the Employment Security Act.

Proposed amendments to the Employment Security Act have always been aired in extensive public hearings, with representatives of labor, employer groups and the unemployment compensation agency being heard at length. The whole area of unemployment compensation was carefully studied for 2 years by a study committee created in 1961 by the Indiana Legislative Advisory Commission, and for another 2 years by a similar committee created in 1963. During the 1965 session of the Indiana Legislature, numerous discussions on unemployment compensation were held among legislative leaders, the Governor's office and interested groups. The unemployment compensation bill was recalled to committee three times. The final version was unanimously approved by both houses of the General Assembly and signed by the Governor. No legislation has ever had more thorough consideration.

The 150 members of the Indiana General Assembly, who enacted the current version of the Employment Security Act, and the Governor of Indiana, who signed the measure into law, were elected by the people of the State and had had ample opportunity to feel the pulse of their constituents. The inescapable conclusion must be that the legislature has provided for a system of unemployment insurance in Indiana reflecting the needs and desires of the people of the State as communicated to the legislators by these people, and to arrive at another conclusion is simply to charge that the State is unable to govern itself at the local level which is clearly not the case.

Deleted, also, from the original proposal was a provision which would have encouraged the States to eliminate experience rating from their unemployment compensation tax structures and substitute a uniform tax rate. This provision is contained in section 208 of S. 1991.

Experience rating provides an incentive to employers to furnish State unemployment compensation agencies information needed to operate their programs effectively. A State agency can administer its program properly only if it has available to it complete information regarding separations from work, offers of work, and other data which can be provided only by covered employers. A system in which all employers paid a uniform unemployment compensation tax rate would tend not to enlist and sustain employer interest. Benefits paid, whether properly or improperly, would not affect an individual's business' unemployment compensation tax rate, and without an added financial incentive to motivate him, any efforts a businessman might expend to stabilize his employment and help assure proper benefit payments would be less diligent than might otherwise be the case. If employers generally were no longer concerned with the validity of benefit claims, benefit costs would be bound to rise. Without full employer cooperation, unemployment compensation agencies simply wouldn't have adequate means of policing the program.

It is true that S. 1991 does not mandate that States discontinue experience rating. But great pressures would be brought to bear to cause States to set rates on a flat, uniform basis if the law is changed to permit it. It is possible that even some employers might favor a flat rate—at first. But because experience rating has proved its desirability—in providing automatic balanced financing and in maintaining a high degree of employer interest in the program, which is so vital to the program's success, nothing should be done at the Federal level which would encourage States to discontinue individual employer experience rating.

The Indiana State Chamber of Commerce believes that to restore the provisions on Federal benefit standards and other provisions which were deleted by the House would be to cause the several States, partners in the Federal-State program, to become little more than disbursing agents. We believe, further, that there are provisions in H.R. 15119 that could be improved upon. Recognizing, however, that rarely can any piece of legislation be wholly satisfactory to all who may be involved, we are reconciled to the supposition that there must be some give and take in the measure under consideration.

We urge, therefore, the passage of H.R. 15119 without change.

Thank you very much, gentlemen.

(The prepared statement of Mr. Alvord follows:)

STATEMENT OF OSCAR ALVORD ON BEHALF OF INDIANA STATE CHAMBER OF COMMERCE

My name is Oscar Alvord, and I am Director of the Social Legislation Department of the Indiana State Chamber of Commerce. The membership of the Indiana State Chamber is composed of more than 5,500 member business firms and professional people, located in all parts of Indiana.

The Indiana State Chamber of Commerce believes that certain features of H.R. 15119 could be improved upon, or even deleted. Nevertheless, H.R. 15119 is a substantial improvement over the original proposal (H.R. 8282, S. 1991).

COVERAGE

Because of the administrative problems involved, the Indiana State Chamber suggests that the broadening of coverage under state unemployment compensation programs might better be left to the individual states. Already, 21 of the 52 jurisdictions cover workers in firms with one or more employees, and 4 states cover employees in firms with 3 or more. There is no reason to believe the trend will not continue as additional states reach the point where they feel administratively equipped to handle the increased burden. There is also a grave question as to whether the Congress should use the threat of loss of Federal offset credit to force states to extend coverage to employees of state institutions. Although Congress lacks power to tax units of state governments, Section 104(b) of H.R. 15119 brings employees of certain state institutions into the U.C. program through that doubtful method.

ADDITIONAL REQUIREMENTS

While the provisions required to be included in state laws by Section 121(a) of H.R. 15119 have relatively little effect on the Indiana Employment Security Act, the Indiana State Chamber believes, as it always has, that additional Federal standards are unnecessary and unwise. The Indiana State Chamber firmly believes that the proper governmental level to administer a program is that one nearest the people which can afford effective and efficient administration. We believe that the states have adequately demonstrated their ability to administer their unemployment compensation programs and to adjust their laws to changing conditions, and categorically oppose any effort to bring about the setting of any additional Federal Benefit Standards.

EXTENDED BENEFITS

The Indiana State Chamber of Commerce is not persuaded that there has been a clearly demonstrated need, in Indiana, for a benefit duration in excess of the 26 weeks now permitted by Indiana law. However, the extended benefit program under H.R. 15119 is certainly superior to that contained in H.R. 8282 and S. 1991. Whereas in the original proposal the extension was for 26 additional weeks regardless of economic conditions, in H.R. 15119 the extension is limited to an additional 13 weeks and is geared to recession periods. Even under the present proposal, we would have preferred that the states be left free to determine the "trigger-point" for state recessionary benefits, with Congress confining itself to a national "trigger" for a national recessionary benefit program.

FINANCING

Title III of H.R. 15119 addresses itself to the financing of the unemployment compensation program. Although less onerous than H.R. 8282 and S. 1991, H.R. 15119 still relies on increasing the taxable wage base rather than tax rate increases for additional revenue. The need for increases in *state* taxable wage bases has not been demonsirated. Indiana's Benefit Fund (as of June 30, 1966) was $203.1 million, some 240% of the amount expended from the Fund in the highest cost 12-month period of its existence.

The following two tables show that Indiana employers will be subjected to a substantial U.C. tax increase under the revised bill, and under S. 1991 the increase would be enormous:

Effects of S. 1991 on maximum tax payable by employers, per employee (using selected experience rates for State unemployment compensation tax)

If Indiana State unemployment compensation tax rate is	0.1 percent	0.5 percent	1 percent	2 percent	2.7 percent
1966					
Maximum taxable wage—Present, $3,000:					
State tax	$3.00	$15.00	$30.00	$60.00	$81.00
0.4-percent Federal tax	12.00	12.00	12.00	12.00	12.00
Maximum tax per employee	15.00	27.00	42.00	72.00	93.00
1967					
Maximum taxable wage—1967-70, $5,600:					
State tax	5.60	28.00	56.00	112.00	151.20
0.55-percent Federal tax	30.80	30.80	30.80	30.80	30.80
Maximum tax per employee	36.40	58.80	86.80	142.80	182.00
1971					
Maximum taxable wage—1971 on, $6,600:					
State tax	6.60	33.00	66.00	132.00	178.20
0.55-percent Federal tax	36.30	36.30	36.30	36.30	36.30
Maximum tax per employee	42.90	69.30	102.30	168.30	214.50
1971 tax as a percent of 1966 tax	286	257	244	234	231

Effects of H.R. 15119 on maximum tax payable by employer, per employee (using selected experience rates for State unemployment compensation tax)

If Indiana State unemployment compensation tax rate is	0.1 percent	0.5 percent	1 percent	2 percent	2.7 percent
1966					
Maximum taxable wage—Present, $3,000:					
State tax	$3.00	$15.00	$30.00	$60.00	$81.00
0.4 percent Federal tax	12.00	12.00	12.00	12.00	12.00
Maximum tax per employee	15.00	27.00	42.00	72.00	93.00
1967					
Maximum taxable wage—1967-68, $3,000:					
State tax	3.00	15.00	30.00	60.00	81.00
0.6 percent Federal tax	18.00	18.00	18.00	18.00	18.00
Maximum tax per employee	21.00	33.00	48.00	78.00	99.00
1969					
Maximum taxable wage—1969-71, $3,900:					
State tax	3.90	19.50	39.00	78.00	105.30
0.6 percent Federal tax	23.40	23.40	23.40	23.40	23.40
Maximum tax per employee	27.30	42.90	62.40	101.40	128.70
1972					
Maximum taxable wage—1972 on, $4,200:					
State tax	4.20	21.00	42.00	84.00	113.40
0.6 percent Federal tax	25.20	25.20	25.20	25.20	25.20
Maximum tax per employee	29.40	46.20	67.20	109.20	138.60
1972 tax as a percent of 1966 tax	196	171	160	152	149

It is noteworthy that the heaviest percentage of tax cost increase is borne by those employers who, by providing steady employment, have earned more favorable rates.

BENEFIT STANDARDS

The House Ways and Means Committee, after exhaustive study, chose (we believe wisely) to delete from the measure before them the Federal benefit standards relating to state U. C. eligibility, benefit duration and the amount of weekly benefits which are contained in Section 209 of S. 1991.

The Indian Employment Security Act, enacted as the "Unemployment Compensation Law" by the Special Session of the 79th Indiana General Assembly and approved on March 18, 1936, declared that economic insecurity due to unemployment is a serious menace to the health, morale and welfare of the people of the state. It further declared that protection against this hazard of our economic life can be provided *in some measure* through the payment of benefits to persons *unemployed through no fault of their own*.

It thus was not contemplated that unemployment benefits replace an individual's entire wage loss, or that persons unemployed through their own volition should be compensated under this program.

In the more than a quarter-century since original enactment, the Indiana Legislature has made sweeping amendments to the Employment Security Act in fourteen different sessions, including the 1938 special session. There have been but two sessions (1949 and 1961) in which no changes were made.

Proposed amendments to the Employment Security Act have always been aired in extensive public hearings, with representatives of labor, employer groups and the U. C. Agency being heard at length. The whole area of unemployment compensation was carefully studied for two years by a study committee created in 1961 by the Indiana Legislative Advisory Commission, and for another two years by a similar committee created in 1963. During the 1965 session of the Indiana Legislature, numerous discussions on unemployment compensation were held among legislative leaders, the Governor's office and interested groups. The U. C. bill was recalled to committee three times. The final version was unanimously approved by both houses of the General Assembly and signed by the Governor. No legislation has ever had more thorough consideration—it having been the 13th bill introduced in the House of Representatives (on January 12, 1965) and not receiving its final vote until March 1, just a week before adjournment.

The 150 members of the Indiana General Assembly, who enacted the current version of the Employment Security Act, and the Governor of Indiana, who signed the measure into law, were elected by the people of the state and had had ample opportunity to feel the pulse of their constituents. The inescapable conclusion must be that the legislature has provided for a system of unemployment insurance in Indiana reflecting the needs and desires of the people of the state as communicated to the legislators by these people, and to arrive at another conclusion is simply to charge that the state is unable to govern itself at the local level, which is clearly not the case.

EXPERIENCE RATING

Deleted, also, from the original proposal was a provision which would have encouraged the states to eliminate experience rating from their U. C. tax structures and substitute a uniform tax rate. This provision is contained in Section 208 of S. 1991.

Experience rating—basing individual employers' unemployment compensation tax rates on factors bearing a direct relationship to their experience with unemployment, has proved to be an eminently satisfactory method of providing automatic balanced financing. Rates based on experience are certainly not unique in insurance-oriented programs. Experience rating provides an incentive to employers to provide steady work and thus cut their tax costs. Certainly, it must be recognized that stabilization of employment is more difficult of attainment in some instances than in others, but it is not unreasonable that those who create high benefit costs be required to bear a greater share of the cost than others whose employment is more stable.

Experience rating provides an incentive to employers to furnish state U. C. agencies information needed to operate their programs effectively. A state agency can administer its program properly only if it has available to it complete information regarding separations from work, offers of work and other data which can be provided only by covered employers. A system in which all employers paid a uniform U. C. tax rate would tend not to enlist and sustain employer interest. Benefits paid, whether properly or improperly, would not affect an individual business's U. C. tax rate, and without an added financial incentive to

motivate him, any efforts a businessman might expend to stabilize his employment and help assure proper benefit payments would be less diligent than might otherwise be the case. If employers generally were no longer concerned with the validity of benefit claims, benefit costs would be bound to rise. Without full employer cooperation, U. C. agencies simply wouldn't have adequate means of policing the program.

It is true that S. 1991 does not mandate that states discontinue experienc rating. But great pressures would be brought to bear to cause states to set rates on a flat, uniform basis if the law is changed to permit it. It is possible that even some employers might favor a flat rate—at first. But because experience rating has proved its desirability—in providing automatic balanced financing and in maintaining a high degree of employer interest in the program, which is so vital to the program's success, nothing should be done at the Federal level which would encourage states to discontinue individual employer experience rating.

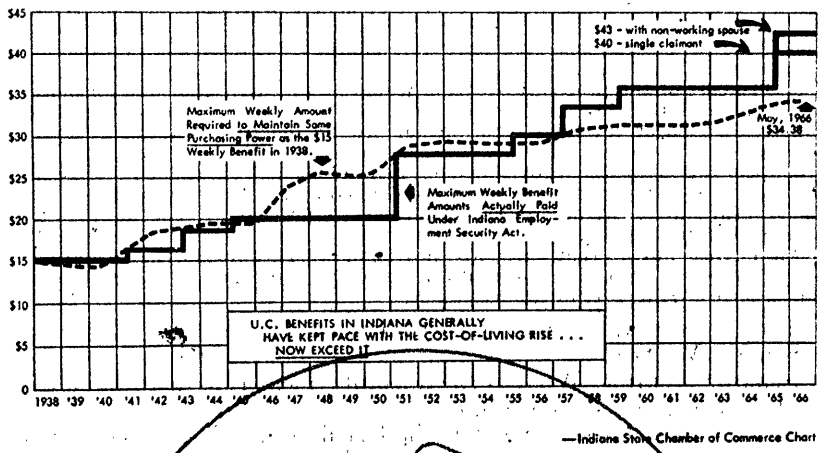
CONCLUSION

The Indiana State Chamber of Commerce believes that to restore the provisions on Federal Benefit Standards and other provisions which were deleted by the House would be to cause the several states, partners in the Federal-State program, to become little more than disbursing agents. We believe, further, that there are provisions in H.R. 15119 that could be improved upon. Recognizing, however, that rarely can any piece of legislation be wholly satisfactory to all who may be involved, we are reconciled to the supposition that there must be some give and take in the measure under consideration.

We urge, therefore, the passage of H.R. 15119 without change.

MAXIMUM WEEKLY UNEMPLOYMENT BENEFITS IN INDIANA

In Relation To Cost-Of-Living Changes, 1938-1966



—Indiana State Chamber of Commerce Chart

SUMMARY OF STATEMENT OF OSCAR ALVORD ON BEHALF OF INDIANA STATE CHAMBER OF COMMERCE

Our testimony, while pointing out that there are certain provisions of the bill to which exceptions can be taken by those whose basic concern is the maintenance of sound state U.C. systems, will nevertheless support passage of H.R. 15119 without amendments. Particular emphasis will be on these points:

1. Broadening of coverage might better be left to the individual states.
2. There is no demonstrated need for lengthened duration according to the experience in our state.
3. The cost of the proposed program would be excessive and burdensome.
4. Indiana's U.C. law reflects the current will of the people of the state as reflected by major revisions made in our law by the 1965 Indiana General Assembly.
5. Restoration of the provisions on Federal Benefit Standards, Experience Rating and other provisions which were deleted by the House would be to cause the several states, partners in the Federal-State program, to become little more than disbursing agents.

Although believing that there are provisions in H.R. 15119 that could be improved upon, we recognize the need for some give and take. We urge, therefore, the passage of H.R. 15119 without change.

The CHAIRMAN. Thank you very much.

Senator Morton.

Senator MORTON. What is the unemployment rate in Indiana today of those who are under coverage?

Mr. ALVORD. Three percent is the last figure. The adjusted rate is 3 percent as compared with the national rate of 4 percent.

Senator MORTON. Under the so-called triggering devices in this bill, H.R. 15119, and if your unemployment rate stays as it is, you would not have extended benefits.

Mr. ALVORD. I am not positive on the question in Indiana. We have hit now the 3-percent trigger point that is in the bill. The other provision where it compares it with the former period, to see whether we are 120 percent of the former period, I am not positive whether we have hit that part of the trigger point or not.

Senator MORTON. It is your understanding that both——

Mr. ALVORD. It is my understanding you have to reach the 3 percent and, at the same time, have the other trigger.

Senator MORTON. Have a 20-percent increase over the preceding quarter.

Mr. ALVORD. Over the corresponding period, yes.

Senator MORTON. Are you disturbed by this argument which has been presented, and was touched upon by the last witness, where a State such as Connecticut, let us say, where it is about 1.2 percent this year, and 1.7 percent last year, might indeed be triggered for an extended period before a State where the rate might presently be 4 or 5?

Mr. ALVORD. Senator, if we had our druthers we would prefer that the States be allowed to choose their own trigger point. We think that local conditions are such that the State legislature, which is much closer to the people, can make a better determination in each State. We would have preferred that the Congress settle for a national trigger point if they felt that was necessary, but that they let the States choose their own trigger point. We are not making any case of it.

Senator MORTON. For example, when you had the experience in South Bend, which was a unique experience, was there anything in your State program which extended coverage in that particular area?

Mr. ALVORD. No, there was not, Senator, not under the unemploy-

ment insurance program. That, as you say, was a unique situation. I look at that as a situation where even had there been an extended benefit program it would have served only a very temporary service anyhow, and at the end of that period of time they would be right where they had been, and I think the wise thing that was done, they went out to try to find work for them, they did other things, put them on training programs, and instead of simply paying them for staying at home they tried to get them back to work, and to me and to those who believe as I do, that was much more practical than to extend the compensation.

Senator MORTON. Some years ago you had a difficult situation in Evansville, which was not exactly comparable to the South Bend situation, but which was also worked out, but it did not require——

Mr. ALVORD. It did not require this type of program. This is not to say unemployment insurance is not a sound program; we think it is a sound program. We are not convinced that it needs to be of such long duration. The Evansville situation fortunately, happily, is much improved and is no longer a problem.

Senator MORTON. Thank you very much.

The CHAIRMAN. Thank you very much, sir.

Mr. ALVORD. Thank you, sir.

The CHAIRMAN. Our next witness is Claude A. Loesch, Indiana Manufacturers Association.

STATEMENT OF CLAUDE A. LOESCH, ADMINISTRATIVE ASSISTANT, INDIANA MANUFACTURERS ASSOCIATION, INC.

Mr. LOESCH. Mr. Chairman and members of the committee, due to the limitations of time and the repetitiveness of much of the testimony that has gone on before, I would request of you, Mr. Chairman, that the full statement prepared by the Indiana Manufacturers Association be made a part of the record, and I will just summarize and go over a few points at this time, if that is agreeable.

In summary, the Indiana Manufacturers Association feels that unemployment compensation can be handled best at the State level; and we feel that this has been adequately demonstrated by the States throughout the years in which the program has operated.

We also feel that unemployment compensation has been updated consistently in Indiana under the present Federal-State system. In only two sessions of the general assembly since the law became effective has it failed to be amended.

We also feel that the take-home pay of claimants is a better basis for setting maximum weekly benefit amounts than is gross earnings of covered workers.

We also feel that 26 weeks is sufficient time for a claimant to canvass the labor market for a job, and any benefits that are paid beyond 26 weeks should be under a program which has a needs test and which would redefine "suitable work." We also feel that uniform duration is contrary to insurance principles.

We also feel that each State should be permitted to legislate its own disqualifications and not be restricted by a maximum 6-week delay in the benefit payments.

An increase in the taxable wage base will result in some employers with high unemployment compensation costs paying no additional tax.

At the last general assembly in Indiana much consideration was given to increasing the benefit fund. Indiana had in 1952 a balance of some $230 million in its fund. This went down to about $132 million and, at the last session of the general assembly it was decided that something should be done about bolstering the fund balance. All the mehods were considered, including raising the wage base above $3,000. But the general assembly decided on raising the rates and leaving the base at $3,000.

I think one of the things that they took into consideration was that in Indiana there were 6,731 employers who had costs of unemployment compensation which exceeded the taxes they had paid into the fund. In other words, their balance instead of being a plus was a minus balance. They were high-cost unemployment employers.

Senator DOUGLAS. Mr. Loesch, in what industries were those employers?

Mr. LOESCH. They ran the gamut from manufacturing to contracting to large employers, small employers.

Senator DOUGLAS. Weren't they——

Mr. LOESCH. Go ahead.

Senator DOUGLAS. Weren't they concentrated primarily in the durable goods industries and the industries which have always been characterized by a much higher rate of unemployment than a general average?

Mr. LOESCH. I think you may be generally right in that statement. I am sorry I did not bring the full report with me from the employment security division.

Senator DOUGLAS. That has been the general experience with unemployment over the country.

Mr. LOESCH. But there are a lot of contractors and a lot of seasonal workers in there. But of these, 34 percent of active deficit employers would not have paid one penny more into the fund had we raised the wage base than they were already paying. Thirty-four percent of the active deficit employers had no one making over $3,000 in a year. Therefore, their costs would not have gone up. That is not necessarily because they were low-paying employers, low hourly pay, but they were the employers who had seasonal employment who laid off quite often and, of course, being seasonal and laying the people off, their people drew more benefits.

Senator DOUGLAS. And also employers which were hit more severely by any drop in general business, isn't that true?

Mr. LOESCH. Well, not necessarily, Senator, because some of them that are hit by a general decline have through the years built up a pretty good fund, and may not go into an arrear-account basis. Most of these perennials in good times and bad times, they are just in the type business——

Senator DOUGLAS. In any system of pooled funds you should not expect all firms to pay out less than the general average. It would be like a man thinking in his golf game he always exceeded his general average and never fell below it.

Mr. LOESCH. Well, that is right. But I think the Indiana Legislature, in considering this problem, felt since we had to get additional

money into the fund it would not be right to get this additional money entirely at the expense of those who had already been paying their share; that there should be some method whereby those who were creating the high costs would pay additional moneys.

Senator DOUGLAS. Were these industries creating the high costs or were the high costs in the general structure of business about which an individual employer could do very little?

Mr. LOESCH. That is right, and it gets back to the basis of the whole thing, Does the employer cause the unemployment or do the conditions? But it does remain a fact that we are trying to get the unemployment costs as a part of doing business, as a part of the product that the man makes, and if we are doing that then we should help keep the unemployment costs down.

Enactment of S. 1991 would result in presently covered Indiana employers having their combined Federal and State unemployment compensation costs increased more than 70 percent by 1972.

We feel that H.R. 15119, as passed by the House, is a much more acceptable bill in that it has omitted almost all of the Federal standards pertaining to benefits; changed the lower coverage requirement from one or more at any time to one or more in 20 weeks or a payroll of $1,500 in a calendar quarter; substituted extended benefits of 13 weeks during recession periods for the 26 weeks of Federal unemployment adjustment benefits available at all times; retained the present requirements for "experience rating"; eliminated the provision which limited most disqualifications to a maximum of 6 weeks; eliminated Federal grants to State; and provided for judicial review which will permit States to appeal decisions of the Secretary of Labor to the U.S. Court of Appeals. While H.R. 15119 provides for increasing the taxable wage base to $4,200 and increasing the tax rate to 0.6 percent, we favor keeping the taxable wage base at $3,000 and obtaining any necessary additional money by an increase in the tax rate.

I think that will conclude my statement, Mr. Chairman.

(The prepared statement of Mr. Loesch follows:)

STATEMENT OF CLAUDE A. LOESCH, ADMINISTRATIVE ASSISTANT, INDIANA MANUFACTURERS ASSOCIATION, INC.

Mr. Chairman and members of the Senate Committee on Finance, the organization I represent has a membership of over 1600 companies engaged in manufacturing in all sections of Indiana. The size of member companies varies from the largest in the State, employing tens of thousands, to those employing only one or two. About 80 percent of our members employ less than 200 workers each. The total membership of the Association employs about 90 percent of persons engaged in manufacturing in Indiana.

The Indiana Manufacturers Association opposed many of the provisions contained in H.R. 8282 when it was being considered by the House Ways & Means Committee. Since S. 1991 is identical with H.R. 8282, and since the Indiana Manufacturers Association is still opposed to these provisions, a copy of the statement prepared for the House Ways & Means Committee is made a part of this testimony.

H.R. 15119, as passed by the House, is a much more acceptable bill in that it has:

(1) omitted almost all of the federal standards pertaining to benefits

(2) changed the lower coverage requirement from 1 or more at any time to 1 or more in 20 weeks or payroll of $1,500 in a calendar quarter

(3) substituted extended benefits of 13 weeks during recession periods for the 26 weeks of federal unemployment adjustment benefits available at all times

(4) retained the present requirements for "experience rating"

(5) eliminated the provision which limited most disqualifications to a maximum of six weeks

(6) eliminated federal grants to states

(7) provided for "judicial review" which will permit states to appeal decisions of the Secretary of Labor to the U.S. Court of Appeals.

While H.R. 15119 provides for increasing the taxable wage base to $4,200, and increasing the tax rate to .6 percent, we favor keeping the taxable wage base at $3,000 and obtaining any necessary additional money by an increase in the tax rate.

SUMMARY

Unemployment compensation legislation can be handled best at the state level.

Unemployment compensation has been updated consistently in Indiana under the present federal-state system.

Take-home pay of claimants is a better basis for setting maximum weekly benefit amounts than is gross earnings of covered workers.

Twenty-six weeks is sufficient time for a claimant to canvass the labor market for a job. A redefinition of "suitable work" and a "needs test" should be a part of payments beyond 26 weeks. Uniform duration is contrary to insurance principles.

Each state should be permitted to legistate its own disqualifications and not be restricted by a maximum six-week delay in payment of benefits.

An increase in the taxable wage base will result in some employers with high unemployment compensation costs paying *no* additional tax.

Enactment of S. 1991 would result in presently covered Indiana employers having their combined federal and state unemployment compensation costs increased more than 70 per cent by 1972.

H.R. 15119 is a more acceptable bill than S. 1991.

With the exception of the proposed increase in the taxable wage base, we are in accord with H.R. 15119.

Our opposition to H.R. 8282 is based primarily on the fact that each of the states have different types of problems to consider in the field of unemployment compensation and the various State legislative bodies can do a better job of exploring and solving these problems than can be accomplished on a national level. The fact that we have divergent societies, standards of living and economic differences between the several states insures that the imposition of federal standards, on a purely arbitrary basis, would ultimately defeat the worth-while accomplishments of unemployment compensation legislation.

We recognize that the national government has the right to effectively preempt the states in the area of unemployment compensation by enactment of H.R. 8282. However, we submit that the effectiveness of the program from its inception has been founded on the recognition of these local and regional differences. We submit further, that state legislatures, being much closer to the grass roots, can more closely reflect the attitude of the people, thereby safeguarding against the adoption of extreme conservative or liberal views in this very sensitive area. The mere fact that the people of a state are closer to their elected state legislators than their federal counterparts argues for the continuance of state responsibility in future amendatory legislation in this field. Without question, local action is more reflective of public thinking in a particular state.

For example, when Indiana was considering unemployment compensation amendments during the 1965 legislative session, the bills introduced to amend unemployment compensation were in no way as liberal as are the provisions of H.R. 8282; yet it would be unfair to conclude that the legislative packages proposed by the various interested groups and the Administration did not fully meet the desires of Indiana citizens. It is safe to conclude that the final legislative enactments in the field of unemployment compensation did reflect the consensus of those more interested in the problem—the public.

It has been alleged that the unemployment system has not kept pace with the times and that improvements in the program are essential to exert a stronger stabilizing influence on the economy. This conclusion presupposes that the individual states have been indifferent in their approaches to unemployment compensation. Certainly, such a conclusion is unjustified. States surely are cognizant of the problems of unemployment compensation—I known Indiana is.

There has probably been more time and study spent in considering all aspects of this problem than in any other specific area of legislation in Indiana since

the original enactment of this law in 1935. The Indiana Employment Security Council, a duly organized statutory body, composed of labor, management, and public members, meets regularly to receive recommendations of individuals and groups relative to the strengthening of the Indiana program.

The recommendations of this body are transmitted to the Employment Security Board, which is also composed of representatives of management, labor, and the general public. The Employment Security Board holds regularly scheduled meetings at which interested groups and individuals may be heard. After considering the recommendations of the Advisory Council, they adopt proposed legislative changes which in recent years have been presented to the Employment Security Act Study Committee. This is a legislative study committee composed of equal numbers of Democrats and Republicans from both the House and the Senate.

Prior to the 1965 session of the General Assembly, this committee incorporated into a bill many of the recommendations of the Employment Security Advisory Council and the Employment Security Board, along with a number of changes which, after many hours of testimony by all interested parties and long deliberation, the committee itself considered advisable.

The legislation proposed proved to be one of the most controversial introduced in the entire session. Numerous committee meetings were held at which all intrested parties were given the opportunity to present facts and data for committee consideration. The bill that finally was enacted during the session was not entirely acceptable to either management or labor, but was a bill that the public generally accepted.

It is our contention that the hundreds of hours that were devoted to detailed analysis, study, hearings, and finally the passage of legislation resulted in giving Indiana citizens the kind of legislation desired by the vast majority. Such legislation is much more reflective of grass roots support than could possibly be accomplished on the national level. When the efforts of Indiana are multiplied by the cumulative efforts of the other 49 states, the committee has some idea of the importance of local interest in this area of legislation.

UNEMPLOYMENT COMPENSATION IN INDIANA OVER THE YEARS

As a result of deep study given to unemployment compensation in Indiana, many amendments have been made in the law over the years. Among these changes are—

1. Increase of the maximum weekly benefit amount from $15 to $40 plus $3 for a "non-working" spouse.
2. Increase in the maximum duration of benefits from 15 to 26 weeks.
3. Increase in the maximum benefits payable in a benefit year from $225 to $1040 or $1118 when claimant has a non-working spouse.
4. Reduction of the waiting period from 2 weeks to 1 week.
5. Elimination of employee contributions.
6. Increase in the maximum rate of contribution from 2.7% to 3.0%.
7. a. Provision that Federal interest be credited to individual employers' accounts.
   b. Discontinuance of crediting interest to individual employers accounts.
8. Change in flat penalty of six weeks suspension and loss of six weeks of benefits to suspension of benefit rights until claimant earned 10 times weekly benefit amount and is then separated under non-disqualifying circumstances. This penalty is imposed for (1) leaving work without good cause, (2) being discharged for misconduct, or (3) refusal to accept suitable work without good cause.
9. Change in complete loss of benefit rights for quitting to marry or because of marital obligations to suspension of benefit rights until claimant has earned $200 after date of action which caused suspension.
10. Amended the Act of authorize payment of Supplemental Unemployment Benefits.
11. Made unemployment compensation exempt from Indiana Income Tax.
12. Provide for non-charging of benefits when reason for separation is not attributed to the employer.
13. Amended the Act to provide that when an individual retires under a collective bargaining agreement, he cannot be deemed to have left work voluntarily without good cause.

THE EFFECT OF H.R. 8282 IN INDIANA

Under the current Indiana law, a claimant receives about 52% of his weekly wages up to $43 a week if he has a "non-working" spouse and $40 a week if he does not have such a dependent.

Under the provisions of H.R. 8282, an Indiana claimant would receive 50% of his weekly wages up to the following limits:

	Based on 1964 State average weekly wage	Based on projected State average weekly wage
Effective July 1, 1967	$55	$68
Effective July 1, 1969	66	73
Effective July 1, 1971	74	85

Despite the fact that H.R. 8282 bases the maximum weekly benefit amount on the average wage of covered workers, we feel that a much more realistic basis is the take-home pay of claimants. It seems unreasonable to use the "gross" earnings of all *covered* workers in a formula to arrive at a standard maximum benefit amount. "Gross" earnings includes bonuses and other compensation paid to claimants as well as the salaries of employees who rarely become claimants.

The following chart shows the percent that the maximum weekly benefit amount is to "Gross Earnings" and "Take-Home Pay" for both "all covered workers" and "claimants" in Indiana.

	Gross earnings	Take-home pay	
		No dependents [1]	3 dependents [2]
Average weekly wage covered workers (1964)	$110.78	$92.77	$98.17
Maximum weekly benefit amount:			
$40, no dependents—percent	36.1	43.1	
$43, dependents—do	38.8		43.8
Average weekly wage of claimants (1964)	$80.00	$67.61	$72.91
Maximum weekly benefit amount:			
$40, no dependents—percent	50.0	59.6	
$43, dependents—do	53.7		58.9

[1] "Take-home pay" equals gross earnings less Federal income tax and OASDI taxes.
[2] A "nonworking" spouse and 2 children.

NOTE.—The gross earnings of "covered" workers is $110.78 while the gross earnings of claimants in the same period is $80.

DURATION

The current Indiana Act provides that a claimant will be eligible to receive 25% of his "wage credits" or 26 times his weekly benefit amount, whichever is the lesser.

Enactment of H.R. 8282 would result in practically all claimants being eligible for 26 weeks of benefits. Indiana has many part-time and seasonal workers who become claimants. For example, in the 1964 calendar year, 14.9% of all eligible claimants were eligible for less than 10 weeks of benefits.

Under uniform duration standards, these claimants who have very little attachment to the labor market, would be eligible for 26 weeks of benefits.

We have always believed that unemployment compensation was primarily for restoring a portion of a person's income, who is out of work through no fault of his own, while that person searched the labor market for a new job. Twenty-six weeks seems long enough for an ex-employer to finance a plan for such a search. If no job is found in six months, evidently there are no jobs—such being the case, some program other than unemployment compensation should be provided. This new program should be one that recognizes "need" and one that would re-define "suitable work" from the narrow term used in unemployment compensation legislation.

DISQUALIFICATIONS

The present Indiana law governing unemployment compensation provides that when an individual—

quits voluntarily without good cause,
is discharged for misconduct, or
refuses suitable work

such individual is ineligible for benefits until he has again returned to covered employment, earned ten times his weekly benefit amount, and then becomes separated under non-disqualifying conditions.

One of the most frequent complaints raised by the public, even under the present disqualifying provisions is when an employee draws benefits after having requalified by earning the required amount. A mere six-week postponement in such cases will certainly increase the questions, cause more irritation and cause an even less desirable public image of the entire program.

The public policy section of the Indiana Employment Security Program in Article I states—

"The enactment of this measure to provide for payment of benefits to persons unemployed *through no fault of their own*—" [Italic ours].

The following are just a few of the cases on file in our office. In each of these cases we believe that unemployment is the result of an overt act by the claimant which in all fairness requires the imposition of a penalty greater than a mere six-weeks postponement of benefits.

Case No. 1

Claimant discharged for deliberate sabotage. Claimant was caught in the act of sabotaging a press, and subsequently admitted that he had done so in order to idle the press and get a break from work.

Case No. 2

Claimant discharged for forgery, falsification of records and attempted theft. Claimant forged a doctor's signature to an erroneous statement and the claimant then admitted he had committed the act in an attempt to violate the Company-Union contract and collect money for a holiday.

Case No. 3

Claimant quit his regular job, saying that he did not want to work nights. He stated that he had no other job to go at the time he quit.

Case No. 4

Claimant discharged for drunkenness. He had been told at the beginning that if he ever drank while driving a truck, he would be discharged. He was arrested for drunken driving and failure to stop after hitting another car. He was put in jail and the truck impounded.

Certainly, it seems clear that these individuals are responsible for their unemployment and should not be eligible for benefits merely by serving an additional six-weeks waiting period.

INCREASE IN THE TAXABLE WAGE BASE

Methods of financing the unemployment compensation program were thoroughly studied by the 1965 Indiana General Assembly. After considering the different ways this could be accomplished, including increasing the taxable wage base above $3000, it was decided to retain the $3000 limitation and obtain the additional financing by adjusting the ratios and rates. The amended act will provide about 20% or an $8 million increase in revenue.

As of June 30, 1963, there were 6731 employers with deficit balances which totaled over $72 million. Of these, 4691 were active employers.

A study by the Employment Security Division shows that 1593 employers or 34% of all active deficit employers had no employees who earned over $3000. This means that if the wage base is raised to more than $3000, 34% of the employers who are most responsible for the financing problem in Indiana will pay no additional unemployment compensation taxes.

Furthermore, 68% of all active deficit employers had less than 20% of their employees who earned $3000; and would thereby pay very little additional tax by increasing the wage base.

On the other hand, by increasing the wage base to $6600, employers who have not only paid their full benefit costs but have also contributed the most to creating

a fund balance would have their Indiana unemployment compensation costs more than doubled.

An increase of the wage base to $6600 would tend to keep the maximum tax rate at 2.7%. To raise the tax rate above this figure would result in an excessive total tax cost.

A study of the following table shows the many combinations of taxable wage bases and rates which the different states have created to solve their financing problems. It is to be noted that only three states—Oregon, Utah, and West Virginia—have used the method which H.R. 8282 would, for all practical purposes, make mandatory.

Maximum wage base and maximum unemployment compensation tax rates in force in all States (including Washington, D.C., and Puerto Rico) as of May 4, 1965

$3,000 wage base and 2.7-percent tax rate	Over $3,000 wage base and 2.7-percent tax rate		$3,000 wage base and over 2.7-percent tax rate		Over $3,000 wage base and over 2.7-percent tax rate		
State	State	Maximum base	State	Maximum rate (percent)	State	Maximum rate (percent)	Maximum base
Arizona	Oregon	$3,600	Alabama	3.6	Alaska	4.0	$7,200
Colorado	Utah	4,200	Arkansas	3.6	California	3.5	3,800
Connecticut	West Virginia	3,600	Florida	4.0	Delaware	4.5	3,600
Iowa	(Total, 3)		Georiga	4.2	Hawaii	3.0	4,200
Kansas			Illinois	4.0	Idaho	5.1	3,600
Louisiana			Indiana	3.0	Massachusetts	4.1	3,600
Maine			Kentucky	4.2	Michigan	4.6	3,600
Mississippi			Maryland	4.2	Nevada	3.0	3,800
Nebraska			Minnesota	3.0	Pennsylvania	4.0	3,600
Oklahoma			Missouri	4.1	Rhode Island	3.3	3,600
Virginia			New Hampshire	4.0	Tennessee	4.0	3,300
Washington			New Jersey	4.2	Vermont	3.5	3,600
Washington, D.C.			New Mexico	3.6	(Total, 12)		
(Total, 13)			New York	4.2			
			North Carolina	3.7			
			North Dakota	4.2			
			Ohio	4.2			
			Puerto Rico	3.1			
			South Carolina	4.1			
			South Dakota	4.1			
			Texas	7.2			
			Wisconsin	(1)			
			Wyoming	3.2			
			(Total, 23)				

[1] No specific maximum is provided. For 1965, the maximum rate is 4.45 percent.

Source: P. 4803 and 4804 "Unemployment Insurance Reporter," vol. 1B, published by Commerce Clearing House, Inc.

INCREASE IN COSTS

The following is a report prepared by the Indiana Employment Security Division giving the estimated benefit costs in Indiana should H.R. 8282 become law.

This report outlines the methods and assumptions used in preparing the statistical portions of the report.

It should be noted that this report does not include any estimate for increased benefit costs caused by liberalizing the disqualification provisions.

1. Average weekly wage in covered employment: A least squares regression of 1953–64 data was used to project the average weekly wage through 1972.

2. Average covered employment: A least squares regression of 1958–64 data was used to project average covered employment through 1972. The trend line was adjusted to coincide with the actual value of covered employment in 1964.

3. Average weekly benefit amount: ES–206 distribution of eligible claimants in 1964 was used to estimate the average weekly benefit amount under the present state law and the average benefit amount had any of the three formulas for determining the maximum benefit amount been in effect under the proposed federal law. Under the present state law the maximum benefit amount is $40 with $1–3 for a dependent spouse if the claimant has sufficient wage credits for this additional allowance.

4. Benefit costs:

a. Favorable economic conditions: 1964 benefit costs were used as a benchmark for future economically favorable years. The insured unemployment rate in 1964 was 2.2 per cent. A percentage increase was applied to actual 1964 benefit costs ($34.5 million) to estimate costs had the present state law, effective 1965, been in effect. Benefit costs were also computed on the assumption that each of the three proposed federal provisions, increasing the maximum benefit amount, had been in effect during 1964. A ratio of benefit costs to actual total wages in 1964 was computed for each of the above benefit costs. These ratios were then applied to projected total wages for the years 1966–72.

b. Unfavorable economic conditions: The same method as above was used to estimate benefit costs under economic conditions comparable to those in 1961. The insured unemployment rate in 1961 was 4.7 per cent. Actual 1961 benefit costs ($73.0 million) were used as the benchmark for future costs estimates.

5. Actual duration of benefits: the actual duration of benefits was 10.7 weeks in 1964. It was estimated that under the near-uniform duration provision in H.R. 8282 the actual duration would have been 12.5 weeks. In 1961 the actual duration of benefits was 12.3 weeks; under H.R. 8282 actual duration would have been approximately 15 weeks.

6. Additional Coverage: an estimated 139,200 additional workers would have been covered under H.R. 8282 in 1964.

Firms with 1 to 3 workers	64,700
Hospitals	20,800
Schools, nursing homes, and other non-profit, religious, charitable and educational organizations	44,700
Farm workers	9,000
Total	139,200

The additionally covered (except farm workers) were assumed to increase at the same rate as those presently covered. The number of farm workers was held constant. Benefit costs per covered worker were computed for the years 1966–72 under both the favorable and unfavorable assumptions and applied to the additional coverage to arrive at the cost of additional coverage. It was assumed the benefit costs for farm workers would be one-half of the average cost per covered worker.

7. Taxable wages: taxable wages were estimated from the historical series of the relationship between the ratio of the average annual wage to the $3,000 tax base and the ratio of taxable to total wages. Some adjustment was made from a study of the tax base in Indiana.

8. Federal Taxes: only one set of estimates was made for the federal taxes of the FUTA, which is presented in table 2. The estimates of taxable wages for the period 1966–72 were made under the assumption of generally favorable economic conditions on the average. It is recognized that taxable wages probably would temporarily decrease during some point of the projected period. For instance, from 1957 to 1958 taxable wages decreased 7.2 per cent while from 1960 to 1961 the drop was only .8 per cent. Some similar adjustment can be made to the present estimates at any given year to estimate the taxes under less favorable conditions but it is impossible to pinpoint the year in which such a dip might occur and the extent of the adjustment.

9. Disqualification provisions: the estimates of benefit costs in Tables 1 and 1a do not include any estimates for increased costs due to liberalizing disqualification provisions.

TABLE 1.—*Estimated benefit costs under proposed Federal law (H.R. 8282), 1966–72* [1]

FAVORABLE ECONOMIC CONDITIONS (1964)

[In millions of dollars]

Year	Benefit costs under present law	Increase in benefit costs under proposed federal law			Total benefits under proposed law
		Increase due to change in maximum benefit amount	Increase due to change in duration only	Combined increase due to change in maximum and duration	
1966	40.7				
1967	42.4	2.5	2.4	5.3	47.7
1968	44.3	7.9	7.4	16.7	60.9
1969	46.1	9.6	7.8	19.0	65.1
1970	48.0	12.9	8.1	73.1	71.2
1971	50.0	14.0	8.4	24.7	74.7
1972	51.9	15.8	8.7	27.1	79.0

UNFAVORABLE ECONOMIC CONDITIONS (1961)

1966	$101.6				
1967	106.1	6.3	7.7	15.3	121.4
1968	110.6	19.8	24.3	48.4	159.0
1969	115.3	24.1	25.3	54.7	170.1
1970	120.1	32.6	26.4	66.1	186.2
1971	124.9	35.7	27.4	70.9	195.8
1972	129.8	40.8	28.5	78.2	208.0

[1] This table includes costs for only that segment of the work force presently covered.

TABLE 1a.—*Estimated benefit costs of added coverage under H.R. 8282, 1966–72*

FAVORABLE ECONOMIC CONDITIONS

Year	Additional covered employment	Benefit costs (in millions)
1966	143,800	$4.7
1967	146,100	5.5
1968	148,400	7.0
1969	150,700	7.4
1970	153,000	8.1
1971	155,300	8.5
1972	157,600	9.0

UNFAVORABLE ECONOMIC CONDITIONS

1966	143,800	$11.7
1967	146,100	13.9
1968	148,400	18.2
1969	150,700	19.4
1970	153,000	21.2
1971	155,300	22.3
1972	157,600	23.7

TABLE 2.—*Estimated Federal taxes of the FUTA under present State law and under proposed Federal law, H.R. 8282*

[In millions of dollars]

Year	Federal taxes under present State law	Federal taxes under proposed Federal law	
		Present coverage	Added coverage
1966	14.8	17.4	1.8
1967	15.2	32.1	3.6
1968	15.5	33.0	3.7
1969	15.8	34.0	3.8
1970	16.3	34.9	3.9
1971	16.8	38.8	4.3
1972	17.1	39.8	4.4

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. There is one question I should like to ask. In the concluding paragraph on page 1 of your material which you submitted you said that you were in favor of keeping the taxable wage base at $3,000 and obtaining any additional money by an increase in the tax rate. I wondered if you meant you were in favor of a six-tenth of 1 percent Federal share or whether you were willing to go above this provision in H.R. 15119?

Mr. LOESCH. I would say it is whatever is necessary, and that is the reason I think that "necessary" should be underlined. I think it is questionable whether the increase that is proposed is necessary at this time.

Senator DOUGLAS. Are you opposed to an increase to six-tenths of 1 percent Federal sharing?

Mr. LOESCH. Not if it is necessary; no, sir.

Senator DOUGLAS. Who is to be the judge of what is necessary?

Mr. LOESCH. I would think you gentlemen.

Senator DOUGLAS. You just expressed yourself as saying that you did not think it is necessary at this time.

Mr. LOESCH. I do not think it is necessary for a six-tenths and the increase in the wage base together.

Senator DOUGLAS. You would hold the increase to six-tenths?

Mr. LOESCH. Not necessarily——

Senator DOUGLAS. In other words, you would provide less revenue than is provided in H.R. 15119 because you keep the rate at the same point at which H.R. 15119, but cut back the taxable wage base of $4,200 to its present figure of $3,000.

Mr. LOESCH. It will be less money provided; was that your question, sir?

Senator DOUGLAS. Yes, that is right. Have you any estimate as to how much less money would be provided?

Mr. LOESCH. No, sir, I do not; but I would think the Labor Department would be able to give that information to you.

Senator DOUGLAS. Are there any official representatives of the Labor Department here?

Would you give your name for the record?

Miss DAHM. My name is Margaret Dahm. I am Special Assistant for Federal Legislation to Robert Goodwin, Administrator of the Bureau of Employment Security.

Senator DOUGLAS. I wondered if your Bureau has made computations of what the difference in yield between a $4,200 wage base and a Federal tax rate at six-tenths of 1 percent, and a tax base of $3,000 and only six-tenths of 1 percent. In other words, how much additional money is brought in by the increase of $1,200 in the wage base.

Mr. Vail has given me a sheet dated July 21 from the Office of Actuarial and Financial Services of the Unemployment Insurance Bureau and Employment Security, and I will ask him to summarize that, if he will.

Mr. VAIL. At the $3,000 wage base, with a Federal rate of six-tenths of 1 percent, the Federal yield would be $840 million. At a wage base of $6,600——

Senator DOUGLAS. No, $4,200.

Mr. VAIL. I am sorry, sir. At $4,200 the yield would be $1,074 million. At a wage base of $6,600, the yield would be $1,380 million.

Senator DOUGLAS. In other words, the difference between the $4,200 base is approximately $300 million.

Is the Bureau of Employment Security ready to submit figures on the estimated increases in benefits occasioned by the benefit provisions of the bill which Mr. Loesch seems to endorse?

Mr. Loesch seems to have endorsed virtually all features of the House-passed bill, with the exception of the increase in taxable wage base from $3,000 to $4,200; isn't that true?

Mr. LOESCH. Yes.

Senator DOUGLAS. What I am trying to get at is, what is the estimated increase in benefits caused by the remainder of H.R. 15119 so that we can see whether that $300 million is needed? Nobody is for collecting money that is not needed. The question is, is this needed to provide the increase in benefits which Mr. Loesch seems to endorse?

Miss DAHM. The Bureau's estimates on the cost, the Federal costs, of the extended benefit program in H.R. 15119 were, I think, the basis on which the tax rate and wage base in 14119 were established, Senator.

Senator DOUGLAS. No; in the brief summary which Mr. Loesch gave verbally, and which is on page 2 of the document which he submitted, by indirection he seems to oppose extended benefits; is that true?

Mr. LOESCH. No, sir.

Senator DOUGLAS. Because you say 26 weeks is sufficient time for a claimant to canvass the labor market for a job. What is your attitude on extended benefits?

Mr. LOESCH. We do feel that 26 weeks is sufficient time for a claimant to seek a job.

Senator DOUGLAS. Are you opposed to extended benefits?

Mr. LOESCH. But in so many of these things there has to be a compromise, and that is the reason why we did not oppose that in this bill.

Senator DOUGLAS. I did not hear you, Mr. Loesch.

Mr. LOESCH. We feel that in many of these areas there must be a compromise made, and that is the reason we did not specifically oppose the extended benefits.

Senator DOUGLAS. So you are not opposed to extended benefits.

Mr. LOESCH. Not in 15119.

Seantor DOUGLAS. The representative of the Bureau of Employment Security said that will occasion about $300 million extra in cost and this was the reason why the House increased the taxable wage base from $3,000 to $4,200.

Mr. LOESCH. Unless—and I am not sure of these figures, I did not think that the $300 million was all in the Government—is not that to be split 50–50 with the States, as I understand it, and that figure may not be correct, but our contention is that whatever the increased costs would be that if they are more than $300,000 or whatever it is——

Senator DOUGLAS. $300 million.

Mr. LOESCH. It should be through a rate increase.

Senator DOUGLAS. So you would be ready to go above six-tenths of 1 percent if that is necessary?

Mr. LOESCHE. If that is necessary.

Senator DOUGLAS. I think for the sake of the record I should point out that on page 44 of the material assembled by our very efficient staff, entitled "Data Relating to H.R. 15119," and I wish Mr. Loesch were given a copy of this——

Mr. LOESCH. Did you say page 44?

Senator DOUGLAS. Page 44.

Mr. LOESCH. Yes, sir.

Senator DOUGLAS. You will find that 73 percent of the claimants for unemployment insurance benefits in Indiana received less than 26 weeks of benefits, and only 27 percent received 26.

Mr. LOESCH. That goes back to——

Senator DOUGLAS. Undoubtedly there were many that were dropped by the other disqualification provisions before they could receive benefits, and, therefore, there were many noncompensable weeks of unemployment not covered by the Indian law. This illustrates a point which I tried to emphasize at our last session that we should not treat the maximum benefit period as the uniform benefit period. The record shows that a minority of the claimants received the maximum.

Mr. LOESCH. May I explain just a little of that high percentage, sir. That is high because of a technicality in the law. A lot of these people received 25-point-something weeks, but there was a technicality in the law that prevented many of them from getting the full 26 weeks, is the reason for the high percentage. Most did receive better than 25 weeks.

Senator DOUGLAS. In other words you admit that the Indiana law is imperfect. As a matter of fact, there are very few States in the Union which have a higher percentage of those who failed to get the 26 weeks of the benefits. If you will look down that column you will find that Georgia, Hawaii, Idaho, South Carolina, South Dakota, Virginia seem to be the only States with a higher percentage of those who failed to get the full 26-week benefits, and this needs constantly to be borne in mind and the confusion between a maximum benefit and the uniform period of benefit needs to be very sharply realized and pointed out.

Those were the only questions I had, Mr. Chairman.

The CHAIRMAN. Senator Morton.

Senator MORTON. Mr. Loesch, you have referred to information that has been developed for the presentation of the last bill before the Indiana State Legislature. When responding to Senator Douglas you

referred to some, I believe, 6,400 manufacturers, and 32 percent of them did not——

Mr. LOESCH. You have a copy of the statement that I presented?

Senator MORTON. Yes.

Mr. LOESCH. It is on page 6 of that statement beginning at the top of the page.

Senator MORTON. Yes. In your second paragraph, the second sentence, "This means that if the wage base is raised to more than $3,000, 34 percent of the employers who were most responsible for the financing problem in Indiana will pay no additional unemployment compensation tax."

Now, not to make it a part of the record, but could you furnish the committee, just for its information, any report made to or by the State legislature to indicate the type of employer that was involved in this 34 percent? I mean was it—in your State you have Scott County, you have got Stokely-Van Camp operations that are obviously seasonal in nature. You have to can a vegetable when you harvest it. You cannot just wait and spread your work out.

I personally would be interested, just as a matter of information, in seeing whether this was really made up of companies engaged in the manufacture of production of durable goods, and how much of it was made up of those who, through no fault of their own, happened to operate a seasonal business.

Mr. LOESCH. Well, Senator, I know that the employment security division in Indiana has a complete breakdown of the type of employers who do have deficit accounts. I do not know for sure whether this study which they made—and, by the way, these figures are from an employment security division study, I do not know whether they do have a breakdown by industry of the ones who would not pay any additional taxes.

Senator MORTON. But you do——

Mr. LOESCH. If you get the distinction between the two.

Senator MORTON. Yes, I see. But it would be interesting for me, as one member of the committee, to have the information that you referred to first that is available.

Mr. LOESCH. Yes.

Senator MORTON. Would you ask the employment security division to be good enough just to send me a copy of that and have it available?

Mr. LOESCH. If they have both I will send you both of them. I will send you whatever they have, Senator.

Senator MORTON. Thank you very much.

Thank you, Mr. Chairman.

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

We have been receiving a number of letters from labor groups, and in view of the fact that it was agreed by the leadership of the American Federation of Labor-CIO that Mr. Meany would appear on behalf of that organization, and that they would not bring in the State representatives, as well as those who spoke for other international unions, we are inserting those letters into the record as we go along.

As Senator from Louisiana I feel I should read into the record some exerpts from the letter from the Louisiana State AFL-CIO, signed by Mr. Victor Bussie and Mr. E. J. Bourg, Sr.

I want them to know that I received the letter and appropriately noted it.

There are one or two sentences I feel I should note. They say:

The federal standards for maximum weekly benefits amounts should be set at two-thirds the states average weekly wage with the minimum benefits equal to one-half the workers weekly wage. The average weekly wage in Louisiana is approximately $103.50 per week in covered employment. The recent session of the Louisiana Legislature set the maximum weekly benefit amount at $45.00 per week effective August 1, 1966. This compares to an average weekly wage in Louisiana in 1940 of $20.00 per week and the maximum weekly benefit amount of $18.00 per week. This means the maximum weekly benefit amount received in 1940 was 90 percent of the average weekly wage in the State as compared to 42 percent after August 1, 1966.

They go on to say:

Federal standards for uniform disqualification penalties should be established in any reform Unemployment Compensation Legislation. In Louisiana, if an employee leaves his or her employment for any reason other than "good cause connected with his employment" they are disqualified from receiving benefits until they have returned to work and earned ten times their weekly benefit amount and then laid off through no fault of their own.

We have had thousands of persons in Louisiana leave their employment for legitimate and good moral reasons and be unemployed for several months and be denied unemployment benefits until they return to work and earn ten times their weekly benefit amount. A person needs assistance when they are unemployed and should never be denied benefits if they left their employment "with good cause" even if the cause was not directly connected with his or her employment. The states should be allowed to withhold benefits only up to six weeks when a worker leaves his employment voluntarily for good cause.

Also, we would urge your committee to extend the coverage of the Unemployment Compensation program to cover employers with one or more employees. There is little or no justification to deny an unemployed worker benefits solely because he was unfortunate and worked for an employer with only two or three employees. His financial needs are just as great when unemployed as a worker that worked for an employer that had a thousand employees. His family can get just as hungry, have just as many doctor bills and yet be fully entitled to maintain their human dignity as any other worker who is unfortunately unemployed.

To supplement the States Unemployment Compensation Program, there should be established a program of extended federal unemployment compensation benefits. This type of program would provide benefits for long-term unemployment when plants are closed, automation is introduced, or a general recession occurs. A worker, that is 45 years of age and is laid off for any reason, most always witnesses a period of long-term unemployment before securing employment and in these instances this type of program of extended federal benefits would be most desirous.

I will ask that the entire letter be printed in the record.

(The letter referred to follows:)

LOUISIANA, AFL–CIO,
Baton Rouge, July 21, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: The Louisiana AFL–CIO, representing 140,000 workers in Louisiana, respectfully requests that you, as Chairman of the Senate Committee on Finance, prevail upon your committee to recommend to the U.S. Senate a good, strong Unemployment Compensation reform bill. The Unemployment Compensation reform bill as passed by the House of Representatives is seriously inadequate and does not get at the heart of the problem of workers in all of the fifty states on an equal basis of being able to draw unemployment benefits.

It is our considered judgment that the McCarthy bill S. 1991 does get at the heart of the problem of Unemployment Compensation benefits and any Unemployment Compensation reform bill passed by the U.S. Senate should be patterned after this measure.

We in Louisiana believe that such a reform bill should set federal minimum standards particularly in the area of weekly benefit amounts, eligibility requirement, duration of weekly benefits, disqualifications for benefits, and broader coverage.

The minimum duration of weekly benefits should be not less than twenty-eight weeks plus a minimum of twenty-eight weeks of extended Federal Unemployment Compensation benefits.

The federal standards for maximum weekly benefit amounts should be set at two-thirds the states average weekly wage with the minimum benefits equal to one-half the workers weekly wage. The average weekly wage in Louisiana is aproximately $103.50 per week in covered employment. The recent session of the Louisiana Legislature set the maximum weekly benefit amount at $45.00 per week effective August 1, 1966. This compares to an average weekly wage in Louisiana in 1940 of $20.00 per week and the maximum weekly benefit amount of $18.00 per week. This means the maximum weekly benefit amount received in 1940 was 90% of the average weekly wage in the State as compared to 42% after August 1, 1966.

Federal standards for uniform disqualification penalties should be established in any reform Unemployment Compensation Legislation. In Louisiana, if an employee leaves his or her employment for any reason other than *"good cause connected with his employment"* they are disqualified from receiving benefits until they have returned to work and earned ten times their weekly benefit amount and then laid off through no fault of their own.

We have had thousands of persons in Louisiana leave their employment for legitimate and good moral reasons and be unemployed for several months and be denied unemployment benefits until they return to work and earn ten times their weekly benefit amount. A person needs assistance when they are unemployed and should never be denied benefits if they left their employment "with good cause" even if the cause was not directly connected with his or her employment. The states should be allowed to withhold benefits only up to six weeks when a worker leaves his employment voluntarily for good cause.

Also, we would urge your committee to extend the coverage of the Unemployment Compensation program to cover employers with one or more employees. There is little or no justification to deny an unemployed worker benefits solely because he was unfortunate and worked for an employer with only two or three employees. His financial needs are just as great when unemployed as a worker that worked for an employer that had a thousand employees. His family can get just as hungry, have just as many doctor bills and yet be fully entitled to maintain their human dignity as any other worker who is unfortunately unemployed.

To supplement the States Unemployment Compensation Program, there should be established a program of extended federal unemployment compensation benefits. This type of program would provide benefits for long-term unemployment when plants are closed, automation is introduced, or a general recession occurs. A worker, that is 45 years of age and is laid off for any reason, most always witnesses a period of long-term unemployment before securing employment and in these instances this type of program of extended federal benefits would be most desirous.

We, in the Louisiana AFL-CIO, hope that you and the other members of the Senate Committee on Finance will merge the House passed bill with S. 1991 and report to the Senate a reform bill that will provide the unemployed worker with a guarantee that his economic needs will be cared for during periods of unemployment, regardless of which State he lives in, whether it be in the North, South, East or Western part of this great Nation.

Your consideration of this matter will be deeply appreciated. You are further requested to insert the contents of this letter in the printed record of the Committee hearings.

With kind personal regards and best wishes, we are,

Respectfully,

VICTOR BUSSIE,
President.
E. J. BOURG, Sr.,
Secretary-Treasurer.

The CHAIRMAN. In addition to that here is a letter from I. W. Abel on behalf of the United Steelworkers of America; a statement from the Communications Workers of America signed by their president,

Joseph A. Beirne; and Mr. J. F. Friedrick, president of the Milwaukee County Labor Council, AFL–CIO; in addition to that here is a letter from the Oklahoma State AFL–CIO, stating its position.

(The letters referred to follow:)

UNITED STEELWORKERS OF AMERICA,
Pittsburgh, Pa., July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: Revision of the unemployment compensation system has been a long-range objective of the labor movement. The system has been in operation since the early 1930's without any major changes. Such a fact does not necessarily attest to its perfection.

As a matter of fact, we in the labor movement have been urging various amendments which would establish minimum Federal standards on the operation of the state administered systems.

Too long have the states bargained away their state systems for the dubious advantage of pirating industrial plants. Actually, the direct impact of this kind of competition leaves the working man without any protection and the state with marginal employers.

Our Union views the House-passed bill as completely devoid of any realistic provision to inaugurate a program of Federal standards. In particular, there are no standards on benefit payments or eligibility disqualifications. Even the ICESA accepted the principle of a Federal percentage standard on benefits (although the 50–50 formula is below our expectations in that it limits the number of unemployed workers who could obtain 50 percent of their average weekly wages). Any unemployment compensation bill without a standard on benefits would fall far short of what labor could reaosnably support.

Furthermore, the Administration's provision on the extension of benefits after the exhaustion of state benefits adapts the system to the modern-day realities of long-term situations of individual unemployment, whether there is an economic recession or not. The House-passed version barely approaches this concept.

Our deep disappointment with the House version evolves out of our shock in realizing what is *not* in the bill. Certainly the extension of coverage to new employees and correction of benefits for seamen are good features. But they are appended to a skeleton—which, like all skeletons, should be left in the closet.

Our Union hopefully anticipates more favorable treatment from the Senate Committee on Finance, under a Chairman to whom the concept of income maintenance in times of distress is no strange notion.

Sincerely yours,

I. W. ABEL, *President.*

COMMUNICATIONS WORKERS OF AMERICA,
Washington, D.C., July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: On July 21, 1966, AFL–CIO President George Meany presented the views of labor on the need for improving the federal-state unemployment insurance system, before the Senate Finance Committee.

While the Communications Workers of America fully supports the testimony given by Mr. Meany, I would be remiss in my obligation and responsibility to the over 400,000 workers whom I am privileged to represent were I to forego the opportunity to apprise the committee of our thinking on this important issue of the day.

More than a quarter of a century has elapsed since our Federal-State Unemployment Compensation system was born. Unfortunately, the system has fallen short of many of the original purposes and functions for which it was originally intended.

The basic purpose of our Unemployment Compensation system was to provide for human need against the ravages of unemployment, and also, to form a first line of defense against economic chaos by providing purchasing power to unemployed workers and their families. These are most worthy and noble objectives.

But under the present system, far too many American workers are excluded

from the benefits of the various Unemployment Compensation laws. Among these, millions who are denied protection are government workers, domestic workers, farm workers, many categories of workers in the service trades, and those who work for small employers.

It is undeniable that the pangs of unemployment apply just as severely and bitterly to these unprotected workers as to those who are now covered by the Unemployment Compensation laws. Simple justice demands that all workers be given the benefit of existing law.

Unemployment Compensation laws are as varied as the number of states. The weekly benefits are different state by state; the duration periods run the gamut; and eligibility and disqualifications present a crazy-quilt pattern of differences and complexities.

Experience over the years indicates that the weaknesses of the Unemployment System cannot be reformed by action of the various states. Experience dictates that if the System is to fulfill its originally intended purpose; if desperately needed reform and uniformity are to be achieved, it is necessary that the United States Congress provide uniform minimum standards to be applicable to the entire country.

H.R. 15119, a token measure passed by the House, does not get to the roots of the problems. It is an unsatisfactory bill.

On the other hand, S. 1991 approaches reforms in a fashion that centers on the real problems.

The Senate bill calls for needed reforms of broader coverage, fair weekly benefits, adjustment benefits for long-term unemployment, uniform disqualification penalties and modernized financing.

The Communications Workers of America wholeheartedly endorses S. 1991, and respectfully urges the Senate Finance Committee to report this bill for Senate floor action.

Passage of S. 1991 will make a wholesome contribution to our economy and to the health and well-being of unemployed workers and their dependent families.

In conclusion, Mr. Chairman, I respectfully request that this letter be made a part of the official record of the Senate Finance Committee's hearings on Unemployment Compensation reforms.

Sincerely,

JOSEPH A. BEIRNE, *President.*

STATEMENT OF J. F. FRIEDRICK, PRESIDENT, MILWAUKEE COUNTY LABOR COUNCIL AFL-CIO

The Milwaukee County Labor Council AFL-CIO, representing some 200 local unions with a combined membership of 125,000 working men and women, at its meeting on July 20th, 1966 voted to support Bill S. 1991.

This action was taken because the delegates to the Council are convinced that improvement in Unemployment Compensation to meet modern day conditions is a matter of great necessity and that such improvement can best be obtained through a revision of the minimum standards prescribed in the Social Security Act.

We in Wisconsin are proud of the fact that our state legislature passed an Unemployment Compensation Act in 1932. We also recognize, however, that other states followed largely because of the enactment of the Social Security Act by Congress. The Congress did in that Act provide for certain minimum standards which state acts had to meet in order to be entitled to the offset of the federal payroll tax. So there is no fundamental issue involved in a change of these minimum standards to meet conditions which have occurred during the past 30 years.

Some states have valiantly tried to keep abreast with these changes, while other states have done very little outside of what they had to do to meet federal standards.

The sad fact is that some states have failed to keep pace with changing conditions with the deliberate intention of using their low standards and accompanying low payroll taxes as a means of a competitive advantage in their campaigns to attract industry.

We believe that with the great mobility of labor and the even greater mobility of the products of labor, competition for industry is unfair competition if it is based not on what is fair to meet the needs of people but rather on how little can we get by with.

In our opinion fair competition must be based on a fair and equal response to the needs of people. We, therefore, believe that minimum standards for benefits must be applied. We favor a system of tying benefits to a 50 per cent rate of earnings and adjusting the maximum periodically (at least yearly) to two-thirds of a state's average weekly wage so that a majority of workers can attain an amount equal to one-half of their earnings. Under present conditions, even in our state, which has a semi-annual adjustment of the maximum on a 52½ per cent rate of average wages, a very large number of our workers get benefits which are far less than half of their earnings.

The maximum duration in our state (tied to number of weeks' employment in the past year) is 34 weeks yet many of our workers exhaust their benefit eligibility while still unemployed. We, therefore, favor extended federal U.C. benefits.

We further favor a more realistic basis for contributions to the unemployment compensation fund. Surely the basis of $3,000 established in the late 1930's is woefully inadequate now and is one of the main causes of resistance to more adequate benefit standards.

We also favor broader coverage. In our state employers of four or more employees are covered. Over the years we have tried to broaden this coverage but have been unsuccessful. There is in our opinion no valid reason why all employees should not be covered.

In conclusion, we are of the opinion that since Unemployment Compensation Legislation came into being as a federal-state cooperating system, by means of federal legislation, the improvement of standards and the extension of federal contributions by further federal legislation does not destroy but rather enhances federal-state cooperation and will improve the whole Unemployment Compensation system.

We urge passage of S. 1991.

OKLAHOMA STATE AFL–CIO,
Oklahoma City, Okla., July 21, 1966.

Hon. RUSSELL LONG,
Chairman Senate Finance Committee,
Senate Office Building,
Washington, D.C.

PROPOSED FEDERAL LEGISLATION: H.R. 8282 AND S. 1991

DEAR SENATOR LONG: The Labor Movement in Oklahoma is very much interested in the Unemployment Compensation Act and the proposed changes to update this piece of legislation.

We are enclosing a copy of the summary of this Act, hoping that Congress will act upon these changes in the interest of the working men and women in our nation. It is highly important that benefit standards of states are enacted in Federal Legislation so that benefits will be standardized throughout the United States.

We are taking the liberty of enclosing the provisions and effective dates of H.R. 8282 and S. 1991. Please read this letter and proposed legislation into the record of the Senate hearings on this Act.

We are also enclosing a pamphlet entitled "Program of Progress for Oklahoma", which was adopted in Convention, January 28 & 29, 1966, which points out under increased Unemployment Insurance to raise the benefits to 66⅔% of the average weekly wage.

Respectfully submitted.

ALVA H. HOLLINGSWORTH,
President.
JACK ODOM,
Executive Vice President.
HENRY L. LIKES,
Secretary-Treasurer.

TABLE I.—*Summary of proposed Federal legislation in H.R. 8282 and S. 1991*

Provision	*Effective date*
Federal grants to States whose benefit costs exeed 2 percent of total State wages in covered employment. Grants to equal ⅔ of benefit cost in excess of 2 percent.	For 1966 and ensuing years.
Federal extended benefits (after 26 weeks of State benefits) to workers employed ½ or more of 3 prior years. Limited to 26 weeks each 3 years.	July 1, 1966.
Raised Federal unemployment Tax by 0.15 to 0.55.	Do.
Extended coverage to—(1) employers of one or more, (2) more employers of nonprofit organizations, (3) farm workers on farms using 300 or more man-days of farm labor in a quarter, (4) agricultural processing workers, and (5) commission agents.	Jan. 1, 1967.
Raise taxable wage maximum from $3,000 to—	
$5,600	Jan. 1, 1967.
$6,600	Jan. 1, 1971.
Benefit standards for States—	*Benefit years beginning on—*
(1) Qualifying requirement not to exceed 20 weeks of work (or 1½ quarters of wages).	July 1, 1967.
(2) Weekly benefits at least half of average wage—up to benefit maximum (or 1/26 quarters).	Do.
(3) Disqualifications, except for fraud, labor dispute, and crimes, not to exceed 6 weeks postponement of benefits.	Do.
(4) Duration of 26 weeks	Do.
(5) Maximum weekly benefit amount to equal following percentage of the average weekly covered wages:	
50 percent	Do.
60 percent	Do.
66⅔ percent	Do.

OKLAHOMA STATE AFL–CIO—PROGRAM OF PROGRESS FOR OKLAHOMA AND YOU

1. PROPOSED CHANGES IN WORKMEN'S COMPENSATION

A. Raise the maximum temporary total from $40 per week to 66⅔ of the injured worker's weekly wage.

B. Extend benefits of disability duration with unlimited medical expense from 500 weeks to 750 weeks.

C. Increase the $13,500 death limitation to $20,000 and add for widow and one dependent the amount of $5,000; $2,500 for second dependent; $2,500 for third dependent; four or more dependents, the total benefit would be $32,000. Extend the age limit for benefits to children to 21 years.

D. Number of weeks for which compensation is payable for certain scheduled injuries. Increase coverage for hernia from 14 to 20 weeks.

E. Permit worker freedom of choice of qualified physician.

F. Require rehabilitation division within the Industrial Court.

G. Provide full compensation for rehabilitation up to 52 weeks.

H. Make employer or carrier liable for attorney's fees when employee has to obtain legal counsel to collect benefits.

I. Require workmen's compensation coverage for all employees.

J. Require full pay reinstatement for employees discharged for filing a compensation claim. Make employer liable to $1,000 for discrimination against employee for filing a claim.

K. Repeal House Bill No. 1063, whereby a $5 per case filing fee is required by the Industrial Court for filing an industrial claim.

L. Full coverage for occupational disease under workmen's compensation.

M. Waiting period shall be no more than three days with retroactive benefits to first days of injury.

2. INCREASE UNEMPLOYMENT INSURANCE

A. Raise the maximum benefit from $32 per week to 66⅔ of the employee's average weekly wage with a maximum of 66⅔ of the State average weekly wage.
B. Add additional $2 per dependent up to four dependents.
C. Quality workers unemployed from labor disputes to draw benefits when production or operation is resumed.
D. Earn as much as $20.00 before unemployment benefits would be effected.

3. FAIR LABOR STANDARDS ACT

A. Provide for a state minimum wage of at least $1.25 per hour.
B. Establish maximum hours of work week and require overtime pay for overtime work.
C. Elimination of present existing exemptions under the minimum wage law.
D. Repeal existing laws not compatible with Equal Opportunities Act.
E. Strive to raise appropriation to State Department of Labor to implement this program.

4. IMPROVED ELECTION LAWS

A. To get a bill passed for all working people to have time off to vote without loss of wages.
B. To get the time off in the A.M
C. A bill to require the approval of ballot title before a petition is circulated,
D. A bill for registrars at large.
E. All election laws uniform in all counties.

5. TAFT-HARTLEY ACT

Taft-Hartley Act permits states to pass right-to-work legislation (14-B). Oklahoma State AFL–CIO is opposed to any form of action that will permit the State to enact a right-to-work law by a Statutory Act or Referendum Petition.

6. JUDICIAL SYSTEM

A. Court on the Judiciary.
B. Eliminate all JP. Courts.
C. Eliminating fee system in all Courts where the amount of fine or fee determines the salary of the Judge.
D. We recommend all Judges being elected by a popular vote of the citizens of the State of Oklahoma.

7. A STATE LABOR RELATIONS ACT

A. A state Labor Relations Act to protect all workers not covered by the National Labor Relations Act. Guaranteeing them the right to organize and the right of representation by Union of their choosing; setting up procedure similar to those in the National Labor Relations Act as administered by the NLRB.

8. REVISE OKLAHOMA TAX LAWS

A. Close existing loopholes in Oklahoma tax structures.
B. Require corporations, utilities, oil and gas companies to pay their share of taxes.
C. Defeat any sales tax proposals, national, state or city.
D. Urge the enactment of Legislation placing a tax on natural gas at the wellhead as this is a natural resource of Oklahoma and 90% of the gas produced in the state leaves the borders to be consumed outside of its boundaries.
E. Pass Legislation permitting the State to use monies on unclaimed property after twenty years.
F. All shopping centers and business districts now who are exempted from paying ad valorem taxes on forth acres or more tracts pay their fair share of taxes.

9. IMPROVE SECONDARY AND ELEMENTARY SCHOOLS

A. Increase minimum salary for teachers.
B. Provide job security for teachers through tenure law.
C. Reduce size of classrooms to maximum twenty-five pupils per class.
D. Provide better equipment and more facilities.
E. Support a free text book program.
F. Support consolidation of schools where the present facilities and curriculum are out dated.

10. HIGHER EDUCATION

A. Work for the establishment of a dentistry school in Oklahoma.
B. Urge the Legislature to make available more four year colleges and universities.
C. Promote Legislation to make available the facilities for more two year colleges whereby low income families would have the opportunity of sending their children to college, permitting them to live at home and commute to school.

Senator DOUGLAS. Mr. Chairman, I would like to remark that representatives of organized labor have tried to expedite the hearings by making their personal appearances here as few as possible, and having only two or three men speak, with the remainder filing their statements.

The CHAIRMAN. Yes. May I say that I am pleased to hear all the witnesses who ask to be heard. Most of them were State administrators and management witnesses, but I think it is fair to point out that there are a great number of people represented who have decided to settle for one witness, Mr. Meany, to speak for their organization when, in fact, they represent great numbers of people.

Here is a letter from Lee W. Minton, international president of Glass Bottle Blowers Association, which I would ask to be printed in the record; another is Mr. Jerry Wurf, international president, American Federation of State, County & Municipal Employees, AFL-CIO, which I will ask to be printed in the record; here is another letter from the United Transport Service Employees, Mr. George P. Sabattie, president, and incidentally a copy was sent to Senator Paul Douglas and Senator Everett Dirksen of Illinois and I will ask that that be printed in the record; here is a statement by Mr. Ed S. Miller, president of the Hotel and Restaurant Employees and Bartenders International Union, which is generally in support of S. 1991 introduced by Senator McCarthy and others.

I have read these letters and I would urge all members of the committee that they should do so.

Here is one from the Louisville Central Labor Council signed by Mr. Herbert L. Segal; and finally here is one from the Los Angeles County Federation of Labor, AFL-CIO, and this one is signed by Mr. W. J. Bassett.

(The letters referred to follow:)

GLASS BOTTLE BLOWERS' ASSOCIATION
OF THE UNITED STATES AND CANADA,
July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee, Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Members of the Glass Bottle Blowers Assn. (AFL-CIO) know from long, practical experience the need for a strong Unemployment Compensation reform bill, with federal minimum standards.

While blessed with an above-average level of job stability in our industries, we have seen in a number of instances when we have had plant shutdowns in various states the glaring weakness of the hodgepodge system of jobless insurance as administered in the several states.

I respectfully urge your Committee to give thoughtful and favorable consideration to the McCarthy Bill (S. 1991), which I believe you will agree would correct present inequities and pave the way for an enlightened unemployment compensation system to serve the nation in the years ahead.

It is vitally important that any bill enacted by the Congress establish uniform federal standards for weekly benefits and for the duration of payment of benefits, plus a minimum of 26 weeks of extended federal jobless payments.

On behalf of 70,000 members of our organization employed in 40 states, I urge the Senate Finance Committee to offer to the Senate sound, progressive legislation, along the lines of the McCarthy Bill, to assure meaningful, long-needed reform in our unemployment compensation system.

Sincerely yours,

LEE W. MINTON,
International President.

AMERICAN FEDERATION OF STATE, COUNTY,
AND MUNICIPAL EMPLOYEES,
Washington, D.C., July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR LONG: This letter pertains to the subject matter of the hearing currently being conducted by the Senate Finance Committee on S. 1991.

On behalf of the 300,000 members of our organization located in almost 1,500 communities, I want to tell you of our position on this bill. My statement is a reflection of an endorsement of the bill made by the delegates to our recently-conducted biennial convention which happens to have been held in Washington just two months ago. You may recall that we provided you and other members of the Congress with a copy of that resolution.

We are vitally interested in this particular piece of legislation, not only because it will provide some long-needed standards, but also because of two additional reasons: the first is that it will provide, for the first time, application of the unemployment compensation laws to some persons in our jurisdiction who have heretofore been deprived of such coverage—employees in non-profit institutions. I speak especially for the low-paid non-academic college employee and the horribly exploited hospital worker. These poorly paid people are least of all able to do without unemployment compensation; it will be a marvelous boon for the Congress now to certify their being covered in the future.

Our additional interest goes to another aspect of the proposed legislation, that of raising the tax base. Many of our people are employed by the various unemployment compensation offices in the various states; their capacity to receive even minimum raises—and they are needed—rests largely upon funds being made available for these purposes. Raising the tax base will help to alleviate their plight.

We urge favorable consideration of this legislation by your Committee.

I should appreciate very much this letter being made a part of the record of the Committee's hearing on this matter.

Sincerely yours,

JERRY WURF,
International President.

UNITED TRANSPORT SERVICE EMPLOYEES,
Chicago, Ill., July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SIR: In order to protect the unemployed workers and their families throughout the United States, it is urgent and necessary to make reforms to establish minimum Federal standards in the Nation's unemployment compensation system.

With the rapid changes in automation and technology, and the moving of industries from one section of the country to another, it has created many new problems for the workers and their families.

Unemployment benefits are the main source of support when the family's breadwinner becomes unemployed. We have discovered that in most States unemployment benefits are totally inadequate and only last for a short period of time thus creating hardships on the unemployed worker and his family.

President Johnson has proposed to Congress several amendments to the law to restore the original principles of job insurance protection. These changes are embodied in H.R. 8282 introduced by Congressman Wilbur Mills, chairman of the Ways and Means Committee. In the Senate a companion bill S. 1991 was introduced by Senator Eugene McCarthy and 15 other Senators.

These bills have the full suport of the AFL–CIO and they would extend coverage to 5 million workers not now protected under the law, including small establishments with one or more employees in number and benefit institutions such as hospitals, universities, etc. With these additions, unemployment insurance would cover approximately 85% of all wage and salaried workers.

Adjustments must be made to increase benefits for long-term unemployed workers in those States where unemployment compensation has run out before the unemployed workers can find employment.

It is vitally important that the Senate pass a good, strong unemployment compensation reform bill with Federal minimum standards.

Due to the present State laws the unemployed members of this organization suffer severely throughout the country and especially in the Southern States and those other States where the law provides inadequate unemployment compensation benefits.

I respectfully request that this letter be printed in the record of committee hearings.

Very truly yours,

GEORGE P. SABATTIE,
President.

STATEMENT OF ED S. MILLER, GENERAL PRESIDENT, HOTEL & RESTAURANT EMPLOYEES AND BARTENDERS INTERNATIONAL UNION

My name is Ed. S. Miller. I am a resident of Cincinnati, Ohio, where I have the honor of serving as General President of the Hotel and Restaurant Employees and Bartenders International Union, an organization now in its 75th year and representing almost 500,000 workers in the mass feeding and lodging industry.

I wish to place in your record emphatic endorsement of S. 1991, a bill proposed by Senator McCarthy and a number of his colleagues with the object of bringing up to date this country's unemployment compensation law by enacting reforms which will permit it to fulfill the purposes that law was intended to achieve: namely, to provide an effective "cushion" to protect both the family and the national economy from the traumatic shock of lost wages during periods of unemployment.

You will understand our concern in this matter when I point out to you four characteristics of the mass feeding and housing industry—in which, by the way, we include not only hotels and restaurants, but a wide range of other establishments from logging camps and in-plant cafeterias to hospitals and other institutional kitchen and housekeeping operations—which cry out for the adoption of the proposed reforms. These include:

(1) The lowest average hourly wage rates listed each month by the Department of Labor's table of earnings for some 300 categories of employment.

(2) Hundreds of thousands of employees not now reached by existing law, such as those in tens of thousands of small enterprises with three or fewer employees, and the mounting numbers employed in such expanding branches of the industry as nonprofit hospitals and colleges.

(3) An extraordinarily high rate of business mortality in precisely those same small units which are characteristically marginal in their financing.

(4) A special vulnerability to the dramatic changes occurring through urban renewal's demolition of core area structures which once housed hotels and restaurants serving downtown patrons in dozens of cities.

A fourth source of concern is the plague of plant piracy occurring as state governments heat up their competition as raiders of the economies of their sister states. Those runaway plants, if they did not have employee cafeterias on the premises, usually afforded a major source of lunch, supper and often breakfast customers to small restaurants in their neighborhoods.

The men and women our union represents, as well as a couple of million more who have no one to plead their cause, may for these reasons be seen to be among the innocent victims of the present law's serious inadequacies.

Our people are victimized in these ways:

Since unemployment compensation is based on the worker's weekly wage, it's perfectly clear that a person who gets very low wages draws very low benefits indeed. Average wages in eating and drinking places are now about $1.35 an hour, in hotels and motels $1.40—and those are average, mind you. Wages of a dollar or less are commonplace in an industry which demands of many that they subsist on gratuities.

But there are also many working in the industry who get no tips whose wages are well below even today's $1.25 minimum.

S. 1991 would set a federal standard of unemployment compensation gradually rising to a maximum of two-thirds of the state's average weekly wage, with a minimum of one-half the worker's own weekly wage. The need for this federal standard is clear when you consider the crazy-quilt pattern of present standards. Most workers, if they are covered at all now qualify for less than half of their lost wages when out of work through no fault of their own, and in some states they qualify for as little as 20 or 25 percent. Even under the more generous proposal in S. 1991, it doesn't take much imagination to understand that half of a lost weekly wage of $40 or $50 is mighty thin "cushion" to soften the shock of being out of work. It's tough on the jobless family, and is bound to be tough on the corner grocer if very many families in the neighborhood are so ill-protected.

Another way our people are victimized is that many thousands aren't covered at all. I speak of two groups in particular: those working in the small establishments, which far outnumber the large ones, and are characteristic of the industry particularly in the small towns which dot the states you represent; and those working in non-profit institutions. The present personnel crisis in the nation's health services are brought on not alone by the horse-and-buggy pay scales available to those who serve it. The fact that so many are on the outside looking in when it comes to such federal protections as unemployment compensation and minimum wage benefits is definitely a part of this gloomy picture.

It is grim, unpleasant truth that these people who are most in need of the beneficial effects intended by those who framed both the Unemployment Compensation Act and the Fair Labor Standards Act have in fact been exempted from both. It is encouraging to know that the Senate will presently attempt to eliminate the second of these discriminations with pending amendments to the wage-hour law now being considered by the Senate Labor Committee. I hope this committee will take the steps needed to wipe away the first by broadening coverage of our unemployment compensation system to the 5 million workers contemplated in S. 1991.

Our people are further victimized by the inadequacies of the present statute because so many of them find themselves in need, even of the pittance now provided low-wage earners in most states, because of the vulnerability of the places where they work to the processes of economic change. Scan any big city newspaper's classified columns under the heading of "Business Opportunities" and you will find almost any day dozens of bars and restaurants offered for sale. Study the bankruptcy notices and you'll find others on the rocks. The mortality of such small enterprises is notorious, and of course when those places die, jobs die with them.

The same unhappy results follow with increasing prevalence as real estate operators in urban centers buy once-proud hotels—like the Astor and the Plaza in New York—now demolished to make way for office buildings. Or when, in keeping with our headlong efforts to cope with urban blight and clotted traffic arteries, we send urban renewal's headache balls crashing into structures in core areas, destroying restaurant jobs along with the buildings.

In one block of my home town of Cincinnati in recent months seven restaurants have been swept away. Some have relocated, some have simply expired, with a net loss of not fewer than 50 jobs. And this is only a start.

Several more blocks in the area are slated for destruction, at no one knows what net cost in steady employment.

I have no figures on the cost in lost jobs growing out of the competition between the states for payrolls of industrial plants, but the pressures are mounting and the plants are on the move. Cincinnati has lost a minimum of 2,000 jobs in the last three or four years due to the movement of such firms as Adler Socks and

Baldwin Piano to other places. Closing those operations not only meant unemployment for those directly concerned, but for the small businesses in their neighborhoods dependent on those workers as customers.

Clearly, it is the intent of unemployment insurance to take up the slack temporarily in order to tide over not only the families concerned, but the communities as well. If the law isn't changed now to provide meaningful protection, the Congress will only compound the problem.

The desperate current needs is adjustment in schedules to assist the long-term unemployed—those who remain out of work after present benefits have expired under various state systems. Those particularly affected are people put on the street through closings and automation and plant transfers—not to mention any community hit by such sharp economic changes as brought about by the closing down of a factory in a one-industry town, or any large area suffering the consequences of regional recession.

In many respects the jobless pay system was a better program in the 1930's, when it began, than it is now. Today, in every state, the maximum weekly benefit is smaller, relative to wages, than it was in 1939. Only Hawaii has reached the benefit level long recommended to the states by Republican and Democratic administrations alike. In some states restrictions on qualifying for benefits have been so severely tightened that they continue indefinitely regardless of the worker's readiness to work or his search for a job. Clearly, gentlemen, the hour is at hand for fixing the reasonable federal standards S. 1991 would establish.

As a result of the serious shortcomings of the present statute, and of the shameful variations from state to state in coverage, benefits and eligibility, the figures show that only one of every two jobless persons receives any benefits at all and that only one out of every five dollars of wages lost through unemployment is replaced in the family budgets of this nation.

That means our celebrated "economic cushion" only goes, today, 20 percent of the way toward keeping our interdependent economy the affluent society we like to think it to be. Basic reform is long overdue if jobless benefits are to be restored to the place they should occupy as this country's firstline of defense against both current unemployment and recession. We're now in the 66th month of an altogether unprecedented economic boom. Here and there a few clouds are appearing on the horizon, some no bigger than a man's hand. It seems to me that prudence requires that those reforms be enacted now—the time to fix the roof is when the sun is shining.

LOUISVILLE, KY., *July 22, 1966.*

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: I am writing you on behalf of the Louisville Central Labor Council, Louisville, Kentucky and on behalf of the many wage earners in our community who are affected by legislation pending before your Committee with reference to reforms in the unemployment compensation law.

I request that this letter be printed in the record of Committee hearings.

The problems confronting many people in the salaried labor field when they face the misfortune of unemployment are manifold in our area, which I suspect is fairly typical of most areas in this country. We have been particularly concerned with the following problems:

(1) The length of time for which benefits are paid to an unemployed person in many situations has proved to be much too short. This area, on occasions, has been designated as a depressed area and many hard working, conscientious people who have become unemployed through no fault of their own have not been able to find new employment within the time for which unemployment benefits are allowed. It is our understanding that a very slight increase in the tax affecting unemployment benefits would allow a substantially longer benefit period and this certainly should be done.

(2) We have constantly faced the problem of deserving wage earners who have become unemployed and have discovered that they are not eligible for unemployment benefits, farm laborers, agricultural processing workers and certain employees of non-profit organizations and employees of small establishments with fewer than four employees. To the unemployed person, these distinctions as to the nature of his employment or the category of his employer make very little rhyme or reason when he finds that he is not eligible for unemploy-

ment benefits until he can find new employment. If at one time there was a valid reason for distinguishing certain types of employment, it is our experience that the reasons no longer exist. Certainly the burden of the very modest tax for a small employer must be equated with the benefit to the employee of that small employer who finds himself without work but with all of the financial responsibilities of maintaining himself and his family. The amount of benefits paid to an unemployed person obviously is not sufficient to meet even bare existence needs. We are aware that these benefits have increased throughout the years, but unfortunately the increase in benefits has lagged far behind the increase of the costs of basic necessities of life, food, clothing and shelter, and provisions should be made to bring the benefits more realistically in line with actual costs.

(3) We have had a continual problem, which we feel results from a basic defect in legislation of interpretation and application of eligibility rules. We feel that the time has arrived when the eligibility and disqualification rules should be re-examined and re-defined. Particularly, we are concerned with the "availability requirement rule". It is our experience that the application of present rules lacks uniformity and results in many discriminatory holdings. Registration and availability for suitable work should be the standard for eligibility and the rules concerning availability should be clearly defined by the Legislature.

Thank you for the consideration of our opinions and recommendations and we feel confident that the concerted effort of the Senate Committee and the Senate and House will result in legislation which will be more beneficial and meaningful to the working man.

Very truly yours,

HERBERT L. SEGAL,
Attorney for Greater Louisville Central Labor Council.

LOS ANGELES COUNTY FEDERATION OF LABOR, AFL–CIO,
Los Angeles, Calif., July 22, 1966.

Hon. RUSSELL L. LONG,
Chairman, Senate Committee on Finance,
Senate Office Building,
Washington, D.C.

DEAR MR. LONG: The Los Angeles County Federation of Labor, AFL–CIO, in behalf of the 500,000 members of its affiliated local unions, urge the Senate Finance Committee to give complete support to Senate Bill 1991 as it is presently constituted, without amendment.

It is very necessary that minimal Federal standards be established in the field of unemployment compensation for the following reasons:

COVERAGE

The System is frequently criticized because of its failure to protect those who earn the least, who are the most vulnerable to unemployment and hence most quickly thrown into poverty if they lose their jobs. This is not an attribute of the System itself but of our failure to move it out of the selective coverage with which it began its existence, into one of more universal coverage.

Only when all workers mentioned in the bill are covered will the preventive wall against poverty due to temporary joblessness be complete.

BENEFIT LEVELS

Our economy is based on the workers' willingness to make long term expenditure commitments in terms of such essentials as the mortgage on his house or rental levels established by lease, his time payments on an automobile and all other investments of modern living, his health and other insurance payments, his educational obligations to his children, and his taxes.

When he loses his job, not only his personal economy but his role in the national economy is thrown out of kilter unless his replacement income bears a reasonable relationship to his earnings.

It is not unjust or unreasonable that legislation be enacted requiring 50 percent of the individual's weekly wage, thus rectifying the situation to that extent. This is a long overdue step in the right direction.

DURATION OF BENEFITS

Perhaps the most significant fact to note in this area is the changing character of unemployment, itself. When the Act was framed in 1934 it was assumed that most unemployment would result from seasonal factors in production or temporary dislocations in the market. The role of the worker in this picture was assumed to be relatively static. After the seasonal or market dislocations had passed, the worker would return to his former or similar job. However, in today's changing technological and economic pattern the causes of unemployment have changed in ways that create a far greater risk for particular workers of long term unemployment due to major changes of occupation, skill, or location that require considerable time for readjustment.

Thus, the exhaustion of claimants' benefit rights unde existing duration restrictions of the state laws has become a major factor in creating poverty.

The actual number of claimants exhausting their benefit rights before securing employment has decreased in recent years, however, they still constitute approximately one quarter of all beneficiaries. These people have no choice but to turn to public assistance if jobs cannot be found.

RETRAINING

Closely related to the problem of duration, is the question of whether the unemployed worker can hope to find a job without acquiring a new or different skill. For a worker displaced by automation, changing skill requirements, or major shifts in employment distribution, continuous availability may prove an actual handicap to reemployment if it prevents him from acquiring a new skill through training or from moving to a new location to seek employment. The bill would make a progressive step toward solving this problem by requiring states to pay regular benefits to unemployed workers while taking training approved by state agencies.

DISQUALIFICATION PENALTIES

There is necessity for uniform Federal standards on disqualification penalties as those contained in the bill in order to prevent unjust, harsh, and unrealistic penalties as now practiced by some states.

A uniform Federal system of Unemployment Insurance where many states must function within a single national market is seriously needed. The Federal Government is the only jurisdiction which can assure simultaneous updating of provisions among all the States, thus providing a reasonable standard of adequacy without competitive disadvantage to any one state.

The benefits of uniform Federal regulation are not confined to workers. Employers will share equally through protection to their own work force and their own competitive position. It is the surest way to maintain the market on which their prosperity depends.

Respectfully yours,

W. J. BASSETT, *Secretary.*

The CHAIRMAN. A number of these letters, like the one from Louisiana, advocate not precisely what Mr. Meaney advocated. Some advocate that we go beyond what S. 1991 would propose and others advocate some variation from Mr. Meany's statement, but in general they do support S. 1991.

Senator MORTON. May I ask a question, Mr. Chairman?

The CHAIRMAN. Yes.

Senator MORTON. When do you contemplate the conclusion of the public hearings?

The CHAIRMAN. Tomorrow.

Senator MORTON. Assuming we do complete them tomorrow, when would you contemplate that copies of these hearings with these various proposals would be available for the committee?

The CHAIRMAN. Senator, I will be glad to make all these letters available to you right now.

Senator MORTON. I will get them.

The CHAIRMAN. We will have the galley proof on the entire hearings by Thursday and the reporter can make available his printed hearing tomorrow morning and the same thing will be true of Wednesday morning, and I would hope then that we could commence executive session on this bill Wednesday, and proceed to start voting on it and, hopefully, report the bill sometime this week.

Now, our remaining witness, Mr. John F. Nagle, wanted to appear for the National Federation of the Blind. Mr. Nagle is ill and unable to be here and the point he has to present in his statement is not of the nature that other witnesses have already presented, and, therefore, I would like to ask that our chief counsel, Mr. Tom Vail, read that statement to us, and that will be our concluding statement for today.

STATEMENT OF JOHN F. NAGLE, CHIEF, WASHINGTON OFFICE, NATIONAL FEDERATION OF THE BLIND, AS READ BY TOM VAIL, CHIEF COUNSEL TO THE COMMITTEE ON FINANCE

Mr. VAIL. Mr. Chairman and members of the committee, my name is John F. Nagle. I am chief of the Washington office of the National Federation of the Blind. My address is 1908 Q Street NW., Washington, D.C.

Mr. Chairman, recognizing the need to improve and expand the existing Federal-State unemployment compensation program, the House of Representatives passed H.R. 15119, a bill intended to provide better and broader protection against the disastrous consequences of unemployment upon a workingman and his family, a bill designed to minimize these consequences.

Presumably, however, Mr. Chairman, the loss of wages resulting from unemployment is considered a disaster only when it happens to a physically fit workingman, for, by specific provision of H.R. 15119, section 104, a facility—a sheltered workshop—conducted for the purpose of providing a program of remunerative work for individuals who because of their impaired physical or mental capacity cannot be readily absorbed in the competitive labor market, and the handicapped workers employed in such a facility, are specifically and categorically excluded from the provisions of H.R. 15119.

We ask you and we urge you, Mr. Chairman, to delete this unjust and discriminatory exclusion from H.R. 15119.

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 merits, that they should be and must be considered and judged as individuals—that they not be prejudged and condemned by false and derogatory generalizations, that they not be condemned 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 battle to make the American dream a reality for handicapped Americans.

Rather, we have joined together in our common cause, and we have worked and struggled together—against the disparagements of ignorance and the discriminations and denials of cobwebbed thinking,

against the despair of indifference and the despotism of misguided benevolence, and misdirected effort and concern.

And section 104 of H.R. 15119, 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 strivings for equality of opportunity to achieve, according to our ambitions and our abilities, equality of opportunity, too, to share with our sighted fellows the responsibility for 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 physically or mentally 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 ask for public charity?

Mr. Chairman, why is such recourse 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 Congress and to the Nation as the dignity and plight of the physically fit worker when he becomes unemployed.

Unable to secure employment in the regular economic pursuits of the community, the handicapped person—wanting 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 his limited work capacity resulting from his impairment, but he goes to work in the sheltered workshop because employers in competitive business and industry will not hire him, will not even give him the chance to demonstrate the extent to which he can function in spite of his impaired condition.

Mr. Chairman, it is neither just nor equitable to penalize this handicapped individual because of society's failure, 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 can't 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, the more than 43,000 handicapped workers employed 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 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 own 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 catastrophe has nothing to do with workers' physical condition or with the nature of their employment.

The catastrophe is loss of wages and rapidly multiplying unpaid bills.

We ask and urge this committee and the Congress, therefore, to delete the clauses of section 104 of H.R. 15119, which would deny unemployment compensation to disabled men and women who work in sheltered workshops.

The CHAIRMAN. I am going to ask that our staff undertake to find out the reasons why that provision is part of the law and what the objection would be to deleting it, and how those objections might be met so that this witness' testimony can be fully considered by the committee in executive session.

That concludes the session for today and we will meet again at 9 o'clock tomorrow.

(Whereupon, the committee adjourned at 11:20 a.m., to reconvene at 9 a.m., Tuesday, July 26, 1966.)

UNEMPLOYMENT INSURANCE AMENDMENTS OF 1966

TUESDAY, JULY 26, 1966

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

The committee met, pursuant to recess, at 9 a.m., in room 2221 New Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Anderson, Douglas, McCarthy, and Williams.

Also Present: Tom Vail, chief counsel.

The CHAIRMAN. Today we conclude 2 weeks of hearings on revision of unemployment compensation. We have received oral testimony from more than 50 witnesses and the committee has received even more written statements in lieu of a personal appearance.

The information developed at these hearings will aid the committee in its executive consideration of the unemployment compensation amendments when it begins to work on the markup tomorrow.

Our first witness this morning is Mr. Leonard Lesser of the Industrial Union Department of the AFL–CIO.

Mr. Lesser.

STATEMENT OF LEONARD LESSER, ASSISTANT TO THE PRESIDENT, AND GENERAL COUNSEL, INDUSTRIAL UNION DEPARTMENT; ACCOMPANIED BY JACK BEIDLER, GENERAL LEGISLATIVE DIRECTOR; AND WOODROW GINSBERG, RESEARCH DIRECTOR

Mr. LESSER. Mr. Chairman, my name is Leonard Lesser. I am assistant to the president and general counsel of the Industrial Union Department.

I am accompanied by Jack Beidler, on my left, our legislative director, and Woodrow Ginsberg, who is our research director.

We appear here on behalf of the Industrial Union Department, AFL–CIO's 6 million people.

Mr. Chairman, I have a statement which I would like to file for the record and then just make some oral comments on it.

The CHAIRMAN. We will have your statement printed and then you can go ahead and make your comments.

Mr. LESSER. Fine.

Mr. Chairman, the Industrial Union Department is strongly concerned with the whole problem of our unemployment compensation system.

This program has been a tremendously benevolent force in American life. It has brought help to millions of workers and their families when they suffer the risks of unemployment.

At the same time, it has benefited our economy by providing these workers with purchasing power during periods of unemployment.

This concern has been expressed as recently as July 7 of this year when the executive board of the industrial union department met in Washington.

At this meeting it adopted several resolutions. One that dealt with the whole problem of income maintenance, and in this resolution it took a strong position on unemployment compensation and the provisions of H.R. 15119 as passed by the House.

I refer to the statement action in my statement. But, if I may, I would like to read a few sentences from that since it sets forth the position of the industrial union department. I quote:

> Insofar as our unemployment compensation program is concerned, the provisions of H.R. 15119, the bill enacted by the House of Representatives and now pending before the Senate Finance Committee are inadequate. This bill, as passed by the House, failed to enact Federal standards to assure that unemployed workers receive at least 50 percent of their weekly wage; failed to permit benefits to be paid for a sufficient period of time; and failed to eliminate the most harsh and restrictive disqualifying provisions of State laws, all of which were contained in H.R. 8282 and S. 1991, the bill proposed by the administration and supported by the labor movement.

On the contrary, enactment of H.R. 15119, in its present form, eliminates even existing pressures on States to improve their own laws. H.R. 15119 is worse than no bill at all.

Unless it is substantially improved in the Senate we urge its defeat by the Congress or, if necessary, its veto by the President.

Mr. Chairman, in taking this position, the executive board was quite conscious of what it was doing. After the entire resolution was read, the president, President Reuther, called specific attention to the position set forth on unemployment compensation before calling for a vote on the entire resolution. The resolution was adopted unanimously.

As we indicate in the resolution, we are concerned not only with the shortcomings of H.R. 15119, its failure to enact benefit standards governing the amount of the weekly benefit, the period for which benefits are paid, and also the conditions under which benefits are paid.

We are also concerned, and equally concerned, with the harm which we believe this H.R. 15119 will do to existing programs in stifling all hope for future improvement.

I would like to examine this point for a moment.

H.R. 15119 provides for a permanent program of extended benefits. In this respect or in this area, it is also similar to S. 1991. S. 1991, however, provides for benefits when the State responsibility ends, and it establishes a State responsibility and makes clear this responsibility must be met before the Federal Government will assume an obligation.

H.R. 15119, however, says that whenever the State duration period ends, and regardless of how short the State duration period is, it, the Federal Government, will pay for one-half the cost of additional benefits.

The effect of this program in H.R. 15119 which, as I indicated, provides for the Federal Government paying 50 percent of the cost of the benefits whenever State duration ends, regardless of how short it is, is clear. Why should the State extend its duration if there is on the

books legislation which says, "Whenever your duration expires the Federal Government will come along, pay an additional period of weeks, and pay for 50 percent of the cost of the weeks, of these additional benefits."

Why should a State extend its duration under its own law and pay 100 percent of the cost when the Federal Government has a program which says, "Whenever times get a little bad, whenever a trigger indicates that there is fairly heavy unemployment in the State or in the National, we will extend benefits to your people, and we will pay for 50 percent of the cost of this extension."

We believe, therefore, that if a program of extended benefits is to work, and if it is not to adversely affect the State laws, provisions similar to those contained in S. 1991 are necessary.

There are several elements which I would like to point out. First, it is necessary that the Congress establish the period of State responsibility, and 26 weeks have generally been accepted as this period.

At that point, Federal benefits should become payable. In other words, Federal benefits should be payable with the 27th week of unemployment, leaving it to the State to provide benefits financed by its own taxpayers for the first 26 weeks.

Second, we believe that it is necessary to assure that the State meets its responsibility and provides benefits for the first 26 weeks for people who are eligible. S. 1991 contains such provisions.

Finally, we are concerned about the triggers which are contained in H.R. 15119. We are concerned because the individual who is unemployed through no fault of his, because of the lack of a suitable job, who is unable to find a suitable job for 27, 28, or 29 weeks, suffers the same hardships as a worker who is in that position at a time when 4 or 6 percent of the workers are unemployed.

In fact, the worker who is unable to find a job for more than 26 weeks in good times may be much worse off than the worker who is unable to find a job when many of the workers with whom he associated are in the same position.

I recall during the depression of the thirties people went out of their way to help the unemployed. They were conscious that this was a commonly accepted thing.

Today, the unemployed person in good times has a much more difficult time and we believe that if the program is properly administered, a person who is unemployed for more than 26 weeks will be unemployed not because of his own desire but because of the lack of any suitable job for him.

If the Employment Service is doing the job and exposing him to suitable jobs, then there will be a job for him. If they are unable to place him he will be unemployed because of lack of work.

If he is malingering, there are provisions, and S. 1991 does not change these provisions which permit a State to deny him benefits if he leaves a job, if he is unavailable for work, if he refuses a suitable job without good cause.

So we would suggest that an extended benefit program contained in three items of State responsibility for the first 26 weeks, Federal responsibility for the period beginning with the 27th week of unemployment, and we would suggest that either the trigger be eliminated or that for persons who have long-term attachment to the labor mar-

ket, an additional program be available for them which will be operative regardless of whether or not unemployment reaches specified percentages.

I would like to talk just briefly now, Mr. Chairman, with respect to the provisions in S. 1991 with respect to the weekly benefit amount and disqualifications. In these areas H.R. 15119 is completely deficient. I do not want to go into the record and the facts and the figures as to what has happened to the State weekly benefit amount. Secretary Wirtz, Mr. Meany and other persons testified before this committee, have made clear that today in every State the maximum benefit is a lower percentage of the average wage in the State than it was in 1939 when benefits first became payable. These facts are clear. The tables in the material prepared by your staff point this out. There has been a steady deterioration in the maximums in every State in this country.

I would like to discuss for a moment the reason why we think this has occurred. We believe that the reasons for the States to act on weekly benefit amounts are the same reasons which resulted in the failure of the States to enact unemployment compensation laws in 1935. When the original Social Security Act was reported by the House of Representatives in 1935, it stated in its committee report, and I would like to quote a few sentences:

> The failure of the States to enact unemployment insurance laws is due largely to the fact that to do so would handicap their industries in competition with the industries of other States. The States have been unwilling to place this extra financial burden upon their industries.

Mr. Chairman, we believe that the same factors of interstate competition are the primary reasons why States have failed to increase their maximums to keep pace with the rising wages in the States.

If a State, if one State, were to increase its benefits, obviously this would result in an increased cost to its employers, and until other States are willing to do this, the continual argument is made this will increase costs, employers will have to pay more, increased taxes may result in industry removing itself from the State.

Those of us who have worked with State legislatures in trying to get them to improve benefits, those of us who have served on State advisory councils, have met this argument time and time again. We, therefore, believe that if the Federal Government is to be assured that the reasons for the enactment of the original unemployment compensation program ought to be fulfilled that the enactment of Federal standards similar to those contained in S. 1991 are essential.

I would like to point out that the standards which are contained in S. 1991 are not extreme. A maximum equal to two-thirds of the average wage in the State will only assure more workers of receiving 50 percent of their own weekly wage, raising the maximum to 60 percent or 66⅔ percent or 75 percent, will not give one worker more than 50 percent of his own weekly wage. It just seems that more workers will receive 50 percent of their own weekly wage.

This goal of the 50 percent of an individual's weekly wage was recognized as the goal in 1935, it has been recognized as the goal of every commission that has ever been established. It was recognized by Presi-

dent Roosevelt, by President Truman, President Eisenhower, President Kennedy, and President Johnson.

In every one of his economic reports, President Eisenhower urged the States to provide a benefit of at least 50 percent of their weekly wage, and he specifically said to do so it is necessary to raise the maximum benefits in the States so that the great majority of covered workers can receive at least 50 percent of their weekly wage.

The Federal Advisory Council reported to his Secretary of Labor that to do so would require a maximum of from 60 to 66⅔ percent of the average weekly wage in the State.

Finally, Mr. Chairman, I would like to point out that if there is any criticism of S. 1991 in terms of the benefits standards we would criticize it in that it takes too long, the staging over 2-year periods before the 66⅔ percent becomes effective is too long a wait. We would urge that it is not necessary to wait the 6-year period before the maximum assures a benefit of 50 percent to the great majority of workers.

The CHAIRMAN. Let me ask you one question that does concern me about this.

Mr. LESSER. Sure.

The CHAIRMAN. An unemployment compensation benefit is not taxable.

Mr. LESSER. No, it is not, Mr. Chairman.

The CHAIRMAN. If a worker is making a substantial income, up near the maximum amount that would be covered, and he is paying income tax on it, that tax, I assume might run 14 percent of what he is making.

Now, if you subtract the tax he is paying from $100 salary, let us say, you would be looking at 66⅔ percent against $86 rather than against $100. So that his unemployed income after taxes would be more than 66 percent of what his actual take-home pay is.

Mr. LESSER. Well, let me say, first, Mr. Chairman, the individual under S. 1991 would not receive $66. He would only, if he earned $100, he would only, the maximum, receive $50. In other words, S. 1991 only provides that his benefit will be 50 percent of his own wage.

Now, if the average wage in the State is $100—

The CHAIRMAN. How about this second and third step we are talking about?

Mr. LESSER. I was going to get into that, too. If the average wage in the State were $100 the maximum would be $66 but the individual earning $100 would only receive $50.

Now, it is true that his after-tax pay might be $86 rather than $100, but it is important to recognize that when an individual is unemployed he not only loses his cash wage, he also loses many fringe benefits which are not computed in the cash wage. He will lose pension rights, he will lose his Blue Cross, Blue Shield, or other hospital and medical coverage; he will lose life insurance coverage while unemployed, all of which the employer may be paying all or a substantial part of.

Now, that is not taken into account when you compute his $100. We have made estimates and I believe the chamber of commerce has made estimates, that fringe benefits are running over 20 percent of an individual's cash wage. So this individual who earns and gets a cash wage of $100 will not only lose $100 but will be losing $20 or more in fringe benefits.

I might say, Mr. Chairman, that the question of gross wage versus after-tax wage has been a long debated subject, and every commission has come up with this conclusion of loss of fringe benefits and the use of the gross wage as being more equitable.

If I may make one final point with respect to S. 1991, I would like to comment briefly on the provisions in that bill providing for judicial review of the Secretary's determination of nonconformity.

As we point out in our statement, we do not object to the principle of judicial review of decisions of nonconformity. We do object, however, to the specific provisions of H.R. 15119, which would substitute for the usual rule of substantial evidence a weight of evidence rule by which courts will determine whether or not to sustain the Secretary's determination.

I might point out in this connection that the Senate, at the end of June of this year, passed a bill, S. 2974, which made decisions subject to judicial review. These were decisions of the Secretary of Labor with respect to whether or not the employment service program which is corollary and part and parcel of the unemployment insurance program was in conformity. The Senate provided that the Secretary of Labor's decisions with respect to conformity of the Employment Service program was subject to judicial review, but provided that the findings of the Secretary, if supported by substantial evidence, shall be conclusive.

This is in contrast to the weight of evidence in H.R. 15119.

We would urge if there are to be provisions for judicial review, they be similar to those contained in S. 2974 which governed the Secretary of Labor and his relationship to the Employment Service, as well as those provisions which are common in all judicial review provisions governing most Federal, governing all Federal administrative agencies.

One final point on judicial review. As pointed out in the Secretary of Labor's testimony, when the Senate enacted the so-called Knowland amendment, they did so as a stopgap provision, extended the period for administrative review of State decisions, and now to tack judicial review on top of that without reviewing it, and trying to shorten the period would only result in an extensive, long period before action could be taken to correct nonconformity problems.

Mr. Chairman, I would like to conclude by saying we appreciate this opportunity to appear before this committee. We urge the committee to take action to bring our unemployment compensation program into line with the realities of today and tomorrow.

Unless such action is taken, our unemployment compensation program will continue to deteriorate and will not fulfill its purpose of helping workers and their families when unemployed, and shoring up their purchasing power for the benefit of the entire economy.

We urge the Senate Finance Committee to look at S. 1991. We believe its provisions serve the ends for which the unemployment compensation program was fashioned. Thank you, Mr. Chairman.

(The prepared statement of Mr. Lesser follows:)

STATEMENT OF LEONARD LESSER, ASSISTANT TO THE PRESIDENT AND GENERAL COUNSEL OF THE INDUSTRIAL UNION DEPARTMENT, AFL–CIO

My name is Leonard Lesser. I am Assistant to the President and General Counsel of the Industrial Union Department. I am accompanied by Jack Beidler,

our Legislative Director. We appear here on behalf of the Industrial Union Department, AFL–CIO to which are affiliated 60 international unions. We are speaking on behalf of a membership in excess of six million.

To state our position in the briefest possible manner, we support most earnestly S. 1991, the administration bill. Our reservations with regard to H.R. 15119, the House passed bill, are such that we are forced to the position that no bill would be preferable to this measure.

In a statement adopted earlier this month, the executive board of the Industrial Union Department noted that the bill passed by the House:

> Failed to enact federal standards to assure that unemployed workers would receive benefits of at least 50 percent of their weekly wage;
>
> Failed to permit benefits to be paid for a sufficient period of time;
>
> And failed to eliminate the most harsh and restrictive disqualifying provisions of state laws.

Provisions to achieve these goals were contained in the Administration measure H.R. 8282 which was whole-heartedly supported by the entire labor movement.

The IUD is not only concerned with the failure of H.R. 15119 to include provisions to assure adequate weekly benefits to workers when they are unemployed and to provide that these benefits will be paid for periods long enough to give an adequate opportunity to place workers in other jobs. We believe that H.R. 15119 in its present form worsens the present situation. It removes the existing pressures or incentives, weak as they may be, for states to improve their own laws. In fact it provides a disincentive for states to act.

It is for these reasons that the IUD board unanimously stated, "H.R. 15119 is worse than no bill at all. Unless it is substantially improved in the Senate we urge its defeat by Congress or, if necessary, its veto by the President."

The question of revitalizing our nation's unemployment compensation system has been before the Congress, as the members of this committee well know, for many years. It has been discussed and debated for almost as many years as we have had an unemployment compensation system. Yet in the thirty years since the enactment of our Federal-State unemployment compensation system not a single major improvement has been made. Coverage has been extended to some additional workers because of congressional action. Congress enacted temporary programs in 1958 and 1961 to extend benefits for the millions of workers who were exhausting the benefits payable under state laws before they were able to find jobs. But in all these years no action has been taken to assure that our unemployment compensation system will meet today's needs—of both our economy and our unemployed.

Before I go into the details of the measures before this committee, I'd like to suggest that we consider the broad context in which it is presented to the Congress. And that broad context is the dynamically changing nature of the relationship between the federal government and the states.

If the committee finds, as we believe it must, that our economy is becoming increasingly national in nature then it will determine that federal incentives for a more modern unemployment compensation system will have to be strengthened.

If it finds, as did the President's National Commission on Technology, Automation and Economic Progress that technological and other economic changes each year displace millions of workers then it will agree with that Commission's recommendations on unemployment insurance. The Commission, composed of prominent representatives of the academic community, industry, labor and the public declared, concerning unemployment compensation:

"Benefit levels must be increased; benefit periods must be strengthened; 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."

And finally, if the committee finds as we do that the nation's unemployment compensation system must be considered an integral part of both our nation's war on poverty, our nation's manpower program, and related economic programs, then it will agree that the provisions of S. 1991 are required to strengthen other national policies.

For while the unemployment rate has been moving downwards, it still hovers around four percent of the work force. It is not likely to decline much, if any, below that figure during the remainder of the year, even under conditions of continued economic expansion. The four percent rate in June 1966 meant that 3.0 million persons who were seeking jobs could not find them. And over the

course of a year, far more persons are jobless than the *average* number of unemployed during any one month. In 1965, the latest period for which such data are available, over 14 million different persons were unemployed for part of the year.

The question of federal-state relationships is, of course, a broad one. We believe that in a society as dynamic as ours it is a necessarily flexible one and that in many areas within recent years the necessity of establishing federal standards has been met.

Certainly there are now national standards governing the election of state legislatures. There are federal standards regarding voting and registration to vote. There are innumerable federal standards in the health and safety field. The Congress is considering federal standards for the manufacture of automobiles. But it is not necessary to cite these and other instances of the federal government enacting standards to govern the conduct of the states.

In considering the enactment of the standards contained in S. 1991 it is important to recognize that the concept of federal standards is not new in the unemployment compensation program itself. From the very inception of the program states were required to meet certain standards both in the enactment and administration of their unemployment compensation laws. In fact, the Secretary of Labor has stated that there are now about 35 standards which must be met by the states. These standards control the content of state unemployment compensation laws in major substantive areas.

The minimum coverage of state laws is fixed by the Congressional coverage of the Federal Unemployment Tax Act. In the area of disqualification for benefits, the state laws must contain the "labor standards" provisions set forth in Section 3304(a)(5) of the Internal Revenue Code. These preclude the denial of unemployment benefits under certain specified conditions.

In the area of financing, state laws are completely controlled by the provisions of Federal law. While all states have experience rating systems, they have not been adopted by all the states in recognition of the soundness of individual employer experience rating as a method of financing a social insurance program. Experience rating has been universally adopted because it is the only way by which the Federal law permits states to reduce the contribution rate below 2.7 percent. S. 1991 would relax this standard and would give to the states the option to reduce taxes either on a uniform across-the-board basis or on the basis of individual employer experience rating.

One would assume that those who argue against Federal benefit standards would rally to support this provision of S. 1991, for it is directly in line with their stated principle that the states should be permitted to run their own unemployment compensation business. But, instead, they have been found opposing it. The reason for such an apparently anomalous situation is, however, not difficult to understand. The trade association groups which have testified before this committee, and the big business which they represent, are in favor of a Federal standard which protects the financial advantages they enjoy from experience rating. They are opposed to a standard which assures adequate benefits to unemployed workers. Every stand they take on unemployment compensation legislation before Congress is dictated by their own financial interests. The States Rights flag is merely a camouflage to be used where appropriate.

The Industrial Union Department, however, need not rest its argument on behalf of S. 1991 on the grounds of whether Federal standards are consistent with a modern concept of Federal-State relationships. The enactment of Federal standards to assure the payment of adequate weekly benefits for a sufficient period of time under reasonable eligibility conditions is a matter of economic justice and social morality as well.

As the President of the Industrial Union Department, Walter Reuther, has said:

"For all of us, the continual dynamics of a growing economy produces benefits in which we share. Yet at the same time . . . it produces unemployment for some. Under the present unemployment compensation system the cost of obtaining the benefits of economic change fall with punitive force on the families of those whose jobs are eliminated in the process. It is not only illogical that the costs should fall with crushing weight on those selected haphazardly by blind economic forces while the benefits are shared by all—it is immoral. As long as we allow the present system with all its evils to exist, we are in reality denying one of our most primary and important responsibilities to our fellow men—the responsibility to care about their welfare."

The facts are plain and have been spread on the record many times:

1. Only 4 out of every 10 unemployed workers are entitled to unemployment compensation. Over 15 million workers are shut out of protection of unemployment compensation laws while additional millions who are covered do not qualify because of technicalities.

2. In 1939 in no state (except Alaska) was the maximum benefit less than 50 percent of the average weekly wage.

At the beginning of this year the maximum weekly wage benefit was *less* than 50 percent of the average weekly in 35 of the 50 States and the District of Columbia. In 1939, in 34 states the maximum was more than 60 percent of the average weekly wage. Today there is only a single state, Hawaii, in which the maximum is that high.

3. In 1939 when the wage base of the unemployment tax was set at $3,000 a year, about 97 percent of all wages and salaries were subject to the tax. Last year, with the wage base still at $3,000 only 57 percent of all wages and salaries are subject to unempolyment compensation tax.

4. Disqualifications which were reasonably humane in the 30's have become immeasurably more strict and cruel in the rules and regulations of today.

It is not necessary at this late date to set forth the facts and figures to support the above conclusions. Secretary Wirtz and other witnesses who have appeared before this Committee have spread them on the record. The question before this Committee is to determine how to do the job which the House of Representatives failed to do in enacting H.R. 15119.

H.R. 15119 does cover about 3.5 million additional workers under the system. The extension of the program to employees of non-profit and State hospitals and educational institutions is most significant. There are no reasons, however, for the limitations which it has placed on the coverage of employees of small employers. The administrative feasibility of covering employers of one or more at any time, as provided in S. 1991 has been demonstrated.

We further believe that the time is long overdue when the Congress should begin to extend the coverage of our social legislation to one of the largest groups of the working poor—the farm worker.

Only 2 percent of American farms employ more than 400,000 farm workers, indicating that these farms are in the category of industrial enterprises and not in the category of family farms. As industrial enterprises their workers should be covered by minimum wage legislation, by unemployment compensation legislation, by workmen's compensation legislation, by safety legislation and by all social legislation enacted for the protection of our people.

The awareness of the plight of these farm workers is spreading rapidly through the nation. We urge the committee to utilize this national interest to achieve coverage under this bill for farm workers.

It is in the areas of the weekly benefit amount, the period for which benefits are to be paid, and the conditions under which they are to be paid that H.R. 15119 is deficient.

A benefit level of 50 percent of a worker's wage has been the common objective since 1939 when benefits first became payable. The sad fact, however, is that because of the failure of the maximums in the state laws to keep pace with the rising wages in the states, fewer and fewer workers are receiving benefits of half of their weekly wage. A benefit formula which is geared to produce a benefit of 50 percent of a worker's wage is of little comfort to a worker earning $100 a week if the maximum in his state is $35. It is the maximum benefit which determines the range over which the state benefit formula will operate or the number of workers who will be entitled to 50 percent of their weekly wage; and as has been pointed out to this committee, in every single state the maximum benefit today is a lower percentage of the weekly wages in that state than it was in 1939.

The need to raise the maximum benefits to the level of 66⅔ percent of the average weekly wages in the state, as provided in S. 1991, has long been recognized. President Eisenhower in his Annual Economic Reports urged the states to raise their maximum benefits to assure that the great majority of covered workers would be able to receive weekly benefits of at least 50 percent of their weekly wage; and the Advisory Council on Employment Security to his Secretary of Labor pointed out that this required a maximum equal to that called for by S. 1991.

The need for a more adequate duration period for unemployment compensation has also been recognized.

Out of the impact of far-reaching change in our economy—automation, new products, geographical shifts and a whole range of vast and complex economic

factors has come a relatively new human casualty—the long-range unemployed worker. President Johnson noted this deeply disturbing problem when he pointed out that in 1964, *one out of every five* unemployed workers receiving unemployment compensation benefits was unemployed more than 26 weeks. And 1964 was a record year of prosperity!

Therefore, S. 1991 strikes a long-awaited and absolutely imperative welcome note in calling for a duration period in all the states for at least 26 weeks for any worker who has had 20 weeks or more of employment in his base period, and in addition creating new federal unemployment adjustment benefits (FUAB) which would provide that the federal government will pay benefits to certain workers if they remain unemployed longer than 26 weeks.

H.R. 15119 does nothing to meet this problem. Not only does it require nothing of the states in providing a program for extended duration, paid for in part with federal funds, it offers a reason for the states not to improve the period for which benefits are paid.

Why should a state which has failed to extend the period for which benefits are paid do so now and pay for the total cost of the additional weeks when the federal government has agreed that if unemployment rises in the state or nation, it will pay for 50 percent of the cost.

A clear division between the respective responsibilities of the state and federal governments is necessary to avoid this unsound result. S. 1991 fixes responsibility on the states for the first 26 weeks of unemployment and assures that it will meet its responsibilities; it accepts the federal responsibility for additional weeks by providing for 100 percent of the cost of such weeks; and it provides that federal benefits will be paid to all exhaustees, regardless of the levels of unemployment in the state or nation.

We urge the Committee to enact a program built on these principles.

In addition, the amount of the weekly benefit and the period for which it is payable, it is necessary to examine the conditions under which it is payable.

We recognize that our unemployment compensation system must establish reasonable rules to assure that benefits are paid only to those whose unemployment results from the lack of a suitable job. But at the same time we cannot condone state disqualification or eligibility provisions which have been enacted under the pressure of employer groups in the states.

S. 1991 at least puts a brake on the period for which benefits can be denied although it leaves the reasons for disqualification to the states. The imposition of a limit of no more than six weeks of disqualification for all causes except fraud, labor disputes, and conviction of a crime arising in connection with work and the elimination of the reduction as well as cancellation of benefit rights is an excellent beginning to right grievous wrongs.

There is one additional point which is worthy of mention. H.R. 15119 contains provisions for the judicial review of the Secretary's decision of nonconformity. We do not object to judicial review but we do object to it as an additional step in the already too long procedure for resolving questions of conformity.

As written, H.R. 15119 encourages States to turn to the courts, which have little expertise in these questions, in an effort to overrule the judgment of an expert administrative official. We would urge that the provisions of H.R. 15119 be changed to provide that the Secretary's findings of fact be conclusive if supported by substantial evidence.

We have stressed in our testimony those provisions of S. 1991 which we feel are the most crucial for modernizing our unemployment compensation system. However, we want to make it clear that we support the bill in its entirety even though we have not discussed each and every provision in it.

In the years that unemployment compensation has been in existence, the principle has proved its worth many times over and in such dramatic fashion that it has become an institution. But institutions and principles need the nourishment of attention and up-dating or they lose their effectiveness. The present inadequacies of the unemployment compensation system are reflected in the fact that, even now, there are millions of Americans who are suffering unjustly because of inadequate and inequitable state unemployment compensation laws. These people are men and women who have made a substantial contribution towards the creation of our affluent society. But they are denied their equitable share in that affluence.

Unemployment compensation must be brought into line with those realities and projected to what will be the realities of tomorrow. Unless such action is

taken, the effect will be to keep unemployment compensation from fulfilling its purposes.

We in the Industrial Union Department, AFL-CIO, believe S. 1991 is urgently required if our national system of unemployment compensation is to serve the ends for which it was fashioned.

The CHAIRMAN. Thank you, Mr. Lesser.

Senator Williams.

Senator WILLIAMS. Mr. Lesser, in endorsing S. 1991, I am sure you realize the Senate could not, even if it wished, report or pass the bill on this side. We can only act on the House bill because this is a revenue-producing measure. Therefore, even if we desired to include the provisions, we could only offer them as a substitute for the House bill.

Mr. LESSER. Well, I believe——

Senator WILLIAMS. I understand that is what you are endorsing.

Mr. LESSER. Yes, I guess I was not using the technical language.

Senator WILLIAMS. I understand that. Now, assuming that this substitute is not adopted, however, and H.R. 15119 is left pretty much as the House passed it, my question is then would you prefer that the House bill 15119 be passed or would you rather see it defeated?

Mr. LESSER. As I indicated, Senator Williams, and I point out in our statement, the Industrial Union Department's executive board has taken a very strong position indicating that they would rather see no bill than H.R. 15119 in its present form. If the committee were unwilling to substitute the provisions of S. 1991, we would urge that it add to H.R. 15119 provisions strengthening the extended duration program to remove disincentives from the States, adopting a standard on the weekly benefit amount, and considering other provisions contained in S. 1991.

Senator WILLIAMS. Yes.

Mr. LESSER. But as the bill, as H.R. 15119 now stands, we would rather see no bill.

Senator WILLIAMS. That was the point I wanted to clear up, that unless your recommendations were approved you would prefer no bill at all?

Mr. LESSER. That is right.

Senator WILLIAMS. Thank you.

The CHAIRMAN. Well, now, if the committee would see fit to adopt amendments that would fall short of doing what S. 1991 does, but we would move more in the direction of that, you people think it appropriate, I take it, you would want to take a look at what the committee did——

Mr. LESSER. Certainly.

The CHAIRMAN (continuing). Before you would want to pass judgment on it. You would like to know what the committee did do, and at that point would, perhaps, decide whether you would prefer to support that bill or have no bill at all. But, as it stands at the moment you would prefer to have just no bill, and just forget about it.

Mr. LESSER. That is exactly it. As we said in the statement unless it is substantially improved in the Senate, we urge its defeat.

Senator WILLIAMS. So that on the basis of the provisions of H.R. 15119, as presently embraced in the House bill, you feel it would be detrimental to labor?

Mr. LESSER. Yes, Senator Williams.

Senator WILLIAMS. And you want those provisions knocked out even if we accept your recommendation.

Mr. LESSER. We think there should be a program for extended benefits but we think the extended benefit provision in this House bill is detrimental to the existing program because it says to a State, as I indicated, "Why, don't bother to improve the duration of your benefits and require the taxpayers in the State to pay 100 percent of the costs, when the Federal Government has a program on the books which will pay 50 percent of the costs whenever your unemployment increases in your State."

Senator WILLIAMS. Perhaps I misunderstood him, but I understood Mr. Meany, when he was testifying, to feel that there were many worthwhile provisions in the House bill, but he thought they did not go far enough. But I gather from your testimony you think the provisions of the House bill are not any good anyway.

Mr. LESSER. No, I think on balance we would prefer no bill. I think the provisions of the House bill extending coverage to nonprofit institutions, to State hospitals and educational institutions are good provisions. We do not think the House bill goes far enough in extending coverage, but we think the provisions on coverage are good provisions.

However, we think on the other side the provisions which give to the States a disincentive to improve their laws are so bad that in balance we would prefer no bill.

The CHAIRMAN. If I understand it, your feeling on the question of extended benefits is that the House bill trigger mechanism providing extended benefits under certain circumstances would actually discourage the States from extending benefits for a longer duration on their own volition.

Mr. LESSER. That is right. If you pick up wherever the State duration is exhausted regardless of how short a period it is, if you say "You States have a responsibility for the first 26 weeks, we will assume a responsibility for the 27th week on," then you are not—and get the States to fill that 26-week gap, we think that would be good, we would prefer it without a trigger, but we think that a program on that basis would be good.

But if you say to a State, "If you are only providing 14 weeks, we will come along and provide an additional 7 weeks and pay 50 percent of the cost of those 7 weeks," why should a State extend its duration from 14 weeks, beyond 14 weeks, and require its taxpayers to pay 100 percent of the cost. That is the essence of our position.

The CHAIRMAN. Senator Anderson.

Senator ANDERSON. I just want to be sure that you prefer no bill at all to the House bill.

Mr. LESSER. That is right.

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

The next witness will be Mr. John A. Williams, Associated Industries of New York State.

STATEMENT OF JOHN A. WILLIAMS, ASSOCIATED INDUSTRIES OF NEW YORK STATE

Mr. WILLIAMS. Mr. Chairman and members of your honorable committee, my name is John A. Williams, and I appear before your committee as a representative of the Associated Industries of New York State, the Empire State, to discuss the unemployment insurance

amendments of 1966, H.R. 15119, with you. I am a member of the State Advisory Council on Employment and Unemployment Insurance, under appointment by Governor Rockefeller, and am, and have been for many years, a member of the Unemployment Insurance Committee of Associated Industries, as well as being a member of other unemployment insurance committes and groups.

Associated Industries is the manufacturers association of New York and its members provide more than one-half of the factory employment in the State. Its membership includes all categories of manufacturing, large and small, with geographical representation from all sections—from Jones Beach to the St. Lawrence River, and from Niagara Falls to Broadway.

Mr. Joseph R. Shaw, president of Assoicated Industries, who is sorry he could not attend today, submitted a statement to the House Ways and Means Committee on August 20, 1965, in opposition to many of the features of H.R. 8282, a bill which could have had serious repercussions upon the future course of a stable unemployment insurance system in this State and in the Nation. The House Ways and Means Committee weighed all of the pros and cons of the proposed legislation and drafted a substitute bill, H.R. 15119, which, in our opinion, is far superior to its predecessor.

We appreciate the fact that much of our legislation is based upon compromise and that H.R. 15119 is no exception to the rule and we extend our endorsement of the bill upon this basis, with further comment upon three of its features:

EXTENDED BENEFITS

On January 5, 1961, the directors of Assoicated Industries adopted a resolution approving legislation providing for extended benefits for 13 weeks on a "trigger point" basis to claimants who had exhausted their 26 weeks of regular benefits. Such legislation was passed by both houses of the legislature and approved by the Governor, hence our endorsement today of a similar sort of provision in H.R. 15119.

I want to point out that back as far as January 5, 1961, 24 directors of this group, the Manufacturers Association of New York, did vote to approve of a provision of extended benefits almost identical to what is included in H.R. 15119. This New York bill later expired by statutory limitation. It is not now on the books, but it was.

WAGE BASE

Our position through the years has been that an increase in the wage base in New York was not necessary on account of the sound financial condition of New York's unemployment insurance fund, and our endorsement of the increase in the wage base from $3,000 to $3,900 in 1969 and to $4,200 in 1972 has been predicated upon the expectation that when the new wage base figures are adopted by the State Legislature of New York that corresponding adjustments will be made in the tax table, section 581-2 of the New York State unemployment insurance law. We appreciate, of course, that this interpretation may be beyond the scope of Federal legislation but we do wish to go on record that the adoption of a revised wage base should be accompanied by a revision in the tax table.

The condition of a State's unemployment insurance fund, of course, determines the measure of the revision advisable in the tax table. New York's fund is and has, over the years, been in a good sound condition. As of July 1, 1966, New York's fund amounted to $1,367,978,611. Those figures are so big I cannot believe them. This amount would be sufficient to pay benefits at the highest annual rate so far ($502,447,253 in 1958) for a period of about 2 years and 8 months, without consideration being given to interim tax receipts. These figures visualize the measure of the solvency of New York's fund.

There is attached exhibit 1, a summary of the financial transactions of New York's fund from the first year of collections to April 1, 1966, which was extracted from the State's labor department publication, Operations.

I commend this table to you for careful consideration because it tells quite a story. I would like to say that in New York we may have 50 percent of wages up to the maximum of $50 a week. In New York the average weekly wage is now about $118, and our maximum is $55 or a half of $110, and we are just about half now, and I imagine that the legislature next year will up it to $60 to bring it in line, because we have had this idea of 50 percent in mind all the way through, and we think it is much better to let the State handle it than to have the Federal Government set up these percentages.

I would like to say, also, that our benefit formula starts at about two-thirds in the lower wages, and none of our figures is less than 50 percent, and most of them below the maximum are more than 50 percent of the claimant's weekly wage.

JUDICIAL REVIEW

This provision is a great step forward in restoring equity to the administration of the unemployment insurance law, and we unqualifiedly endorse it.

I appreciate this opportunity to appear before you and I respectfully urge that the members of this committee and the other members of the Senate ratify the House action on H.R. 15119.

(The attachment referred to follows:)

TABLE 8-A.—*Status of unemployment insurance fund—Summary of financial transactions*

Year and quarter	Receipts			Benefits paid*	Funds on hand, end of period*
	Employer contributions*	Interest credited to trust fund*	Refunds*		
1936	$25,830,009	$199,536			$26,029,545
1937	70,929,886	1,403,275			98,362,706
1938	125,238,151	2,689,140		$87,330,640	138,959,357
1939	116,235,414	3,798,598	$113,566	80,132,790	178,974,145
1940	127,069,116	4,845,325	181,070	98,709,152	205,232,527
1941	145,567,246	6,065,037	338,820	67,468,528	289,735,102
1942	170,330,504	8,121,501	351,664	65,925,154	408,619,617
1943	229,987,722	10,170,779	235,850	18,502,589	610,421,379
1944	226,072,078	13,683,561	215,994	10,016,674	840,376,338
1945	188,721,476	17,971,484	200,017	59,514,348	987,754,967
1946	162,735,684	18,772,768	387,297	191,541,577	978,109,139
1947	244,233,024	19,922,445	395,999	175,587,006	1,067,073,601
1948	150,714,035	21,796,048	479,743	184,407,661	1,055,655,766
1949	167,285,601	20,523,729	604,982	357,036,951	887,033,127
1950	295,295,250	18,758,423	735,369	297,206,104	904,616,065
1951	323,938,355	21,056,387	650,755	189,745,925	1,060,515,637
1952	291,003,469	24,696,932	756,165	185,967,599	1,191,004,694
1953	270,462,514	29,113,752	712,010	179,308,390	1,311,984,580
1954	212,906,850	29,946,114	871,145	288,324,512	1,267,384,177
1955	199,331,595	28,575,905	936,032	223,135,895	1,273,091,814
1956	210,718,863	30,505,746	961,300	213,097,003	1,305,824,809
1957	254,038,908	33,885,168	940,789	247,887,725	1,355,730,196
1958	230,518,393	32,109,491	1,449,297	502,477,253	1,121,588,210
1959	285,897,694	28,203,774	1,552,881	409,776,361	1,027,466,198
1960	339,516,091	29,853,010	1,344,636	399,152,265	999,027,670
1961	420,272,432	29,178,799	1,740,126	486,745,952	962,548,083
1962	517,184,898	31,061,648	1,722,703	403,592,489	1,102,497,934
1963	601,068,313	35,087,513	1,761,413	453,369,096	1,159,110,982
1964	427,596,411	39,496,553	1,315,837	408,093,436	1,170,936,606
1st quarter	61,401,603	9,314,714	341,819	141,407,593	1,088,077,509
2d quarter	168,060,772	9,487,114	356,141	104,502,104	1,161,106,221
3d quarter	123,464,467	10,366,577	285,958	80,381,784	1,214,124,085
4th quarter	74,669,569	10,328,148	331,919	81,711,955	1,170,936,606
1965	474,636,410	43,239,793	1,285,602	366,880,865	1,304,517,706
1st quarter	52,883,924	9,848,820	331,858	131,889,892	1,102,506,916
2d quarter	192,534,377	10,321,560	371,505	89,707,987	1,216,129,733
3d quarter	143,124,847	11,370,971	268,018	72,817,247	1,298,074,509
4th quarter	86,093,262	11,698,442	314,222	72,465,740	1,304,517,706
1966:					
1st quarter	61,067,714	11,484,111	304,942	116,947,714	1,261,213,548
2d quarter (April)	36,413,958		134,543	29,971,493	1,267,623,447

*Footnotes were not submitted with this table.

The CHAIRMAN. Senator Anderson.

Senator ANDERSON. Do you remember when the unemployment compensation law took effect?

Mr. WILLIAMS. The taxes started in 1937. The benefits started in 1939.

Senator ANDERSON. Do you think the $3,000 base then was satisfactory?

Mr. WILLIAMS. Well, of course, at the start we had—one year we excluded everything over $3,000, but one time we had the total wage. I cannot tell you the exact amounts, but those came in those earlier years, when benefits were not paid. The $3,000 came in 1939 when the Social Security Act was passed or was amended and at that time they conformed the unemployment insurance figure to the social security figure.

Senator ANDERSON. Now, $3,000 then is about equivalent to $9,000 today or more. Would you use that sort of a base now?

Mr. WILLIAMS. Well, the $3,000, sir, was primarily and solely a means of determining tax liability, and it is just as effective today for that purpose as it was in 1939.

Senator ANDERSON. It had no effect upon funds then.

Mr. WILLIAMS. The funds are governed by the amount of your tax rate. Of course, there are two things that determine the total tax collections, the base and the rate. You can use $3,000 indefinitely if you wanted to, and let the rate go up, but we are not objecting to the increase in the base of $4,200 at this time.

Senator ANDERSON. That is all.

The CHAIRMAN. Fine. Thank you very much, sir.

The next witness is Mr. Glen P. Woodard, Jr., of the Associated Industries of Florida.

STATEMENT OF GLEN P. WOODARD, JR., CHAIRMAN, BOARD OF DIRECTORS, ASSOCIATED INDUSTRIES OF FLORIDA

Mr. WOODARD. Mr. Chairman and Senators, my name is Glen P. Woodard. I reside in Jacksonville, Fla. I appear before you today in behalf of Associated Industries of Florida, of which I am chairman of the board of directors, the Florida Council of 100, the Florida Retail Federation, the Florida State Chamber of Commerce, and the Florida Trucking Association. These groups represent the employers of approximately 71 percent of the covered workers of Florida.

We wish to express our support of H.R. 15119 which came to the Senate and your committee with the strongest endorsement the House has given a major employee benefit measure in years. The House Committee on Ways and Means, following weeks of laborious study, offered this measure as a substitute for H.R. 8282, the companion to S. 1991 pending before this committee. The House then recorded a vote of 374 to 10 in favor of H.R. 15119. These affirmative votes came after in-depth analysis and review not only of H.R. 8282, but the entire Federal-State partnership which operates the unemployment compensation programs of this Nation.

The vehicle originally before the Ways and Means Committee was H.R. 8282 which contained some of the most far-reaching provisions ever advanced in the Congress as to unemployment compensation, coverage, benefits, duration, eligibility, and tax structure. These provisions would have, in the opinion of many qualified students of the program, gone far to totally destroy the "partnership" aspect of the program or at best, allow the States to remain in the partnership but with no vote. We all know the importance of "silent partners."

In Florida, as in most States, we have subscribed to the theory of the Federal-State partnership. But, Mr. Chairman and Senators, it is most disturbing to us when unilateral decisions are made by one partner—contrary to the views of the other—as to what the basic goals of the system are.

Whose basic goals shall we consider as being most representative of the needs of the unemployed, and the employed, for that matter? Shall we completely overlook the highly commendable record compiled by the States which every 2 years place their respective programs

under the microscope and bring them into step with local need and demand? Shall we disregard the days and days of State legislative investigation and automatically accept the goals of the representatives of the National Government rather than those expressed by the State administrators in behalf of their respective governing bodies? We think that H.R. 15119 has clearly answered this question and we sincerely hope your committee will ask the Senate to endorse this answer and pass this measure in its present form.

Peculiarities of the requirements upon the individual State unemployment compensation programs have long been the subject of discussion by students of this employee benefit system. They have consistently recognized that legislative action which solves a particular problem in one State would not necessarily afford a solution in another. As a matter of fact, one State's solution to a problem can often compound a similar problem when applied in another State. Those who recognize the diversity of economic structures in our several States fully appreciate why a program such as the unemployment compensation system cannot effectively be applied in a like manner to all areas of the Nation.

Frankly, we believe that S. 1991, like its former House companion H.R. 8282, would serve to put the States back years and years in their efforts to improve their unemployment compensation programs. Let us look at Florida for a moment. We think our situation is typical.

The business community of our State has endorsed every increase in benefits which have been accomplished in Florida in the last decade. But, the business community made it perfectly clear that unless and until the eligibility structure was cleaned up and made to serve those for whom the program was intended, any further efforts toward benefit increases would be opposed. Much has been accomplished in this direction. We now consider our State to have as close to a fair law—eligibility and taxwise—as could be reasonably hoped for. In our State a worker must be a part of the labor market; he must have lost his job through no fault of his own; he must be actually seeking employment to be eligible for benefits.

H.R. 8282 would have and S. 1991 would undo much of our housecleaning at the very time we are prepared to move in new furniture in the form of increased benefits.

In another vein, let me point out that the Florida Industrial Commission has calculated the added annual tax cost of H.R. 8282 and S. 1991 to be 295 percent of our present State and Federal U.C. tax. These measures would increase State and Federal U.C. taxes in Florida by $119.4 million annually. H.R. 15119 will increase our taxes but not beyond reason. We are willing to accept an increase under the circumstances and conditions laid down in H.R. 15119.

We think H.R. 15119 is a classic example of the legislative process at work. It offers something for the worker—not as much as he might want, but more than he now has and coverage for more workers than now protected under this law; it offers something for the employer—not as a benefit to him but in the form of much less added cost than its predecessor, H.R. 8282; it offers something for the State agencies by allowing them for the first time judicial appeal from the arbitrary decisions as to conformity with the Federal law; and

finally it offers something for the Department of Labor in the form of more than doubling the Federal tax.

Florida management recognizes H.R. 15119 for what it is—a realistic compromise of points of view gathered after weeks of exhaustive study and testimony. Therefore, we sincerely hope this committee will report this measure in its present form and that you, Senators, will encourage your Senate colleagues to pass H.R. 15119 without amendment.

Thank you for your attention. If you have any questions, I will do my best to answer them.

The CHAIRMAN. Here is what troubles me about this whole matter. We started out with a program where the States provided the weekly benefits averaging about 65 percent of what their wage base had been. Over a period of years, due largely to the depreciation of the value of money and the fact that the benefits were not increased to keep up with it, the average weekly benefits now work out to be about 45 percent. So about two-thirds of the average weekly benefit has been lost due mainly to inflation and to the failure of States to adjust upward to take care of that.

What objection would you have if we didn't take anything from you but simply provided an incentive for all States—Florida, which, incidentally, is a much wealthier State than Louisiana, and has lower benefits—Florida, Louisiana, and all States to get their level of benefits more in line with what they were when the program started out?

Now, what is your objection to that?

Mr. WOODARD. Senator, in our State we are presently—industry and government and labor are—studying this whole situation of the actual dollar benefits.

As I said in the testimony, I believe that we have a good, workable law in our State today.

We have, because of the peculiarities of our economy, great seasonal workers, we have had to readjust our own tax structure to take care of deficit employees, those who are a constant drain on the fund, and those with good experience rating.

The CHAIRMAN. Well, now, are you required by law, by Federal law, to take care of those deficit employees or are you doing it by State law?

Mr. WOODARD. By State law, as I understand it. We have to maintain a certain balance in the fund.

The CHAIRMAN. Yes.

Mr. WOODWARD. Incidentally, our fund is about, if my memory serves me right, approximately sufficient to take care of 3½ years, in fact our fund is so solvent, so self-sustaining, that for the past 2 years we have had a tax credit for certain employers.

The CHAIRMAN. Would you say you are doing some things for people who come into the State, who are now residents of Florida, that you are not required to do by law, by Federal law; is that right or am I wrong about that?

Mr. WOODARD. We are try to make it as fair, and we would love to have those people to come in, we want an incentive for them to come.

The CHAIRMAN. Well, the thought occurs to me that in Louisiana we have higher benefits than you have in Florida. Your per capita income is far higher than ours.

Mr. WOODARD. Yes, sir.

The CHAIRMAN. Our maximum benefits shown in this table are $40. I believe the State legislature just raised that to $45 but your maximum benefit is $33 in Florida.

Mr. WOODARD. Yes, sir.

The CHAIRMAN. And your per capita income is a great deal more, your prosperity is booming there. Even in Louisiana, though, I have complaints from my people in labor that that $45 amounts to about 45 percent of the average weekly wage, and that when the program went into effect the weekly wage was about $20 and the average maximum was about $18, so the maximum was about 90 percent of the average weekly wage. My thought is if we just provided some type of incentive which you could either take or reject, provided it was not of such a nature that you could not afford to reject it, something that you could take if you wanted to take it and not take it if you did not want to take it, what would be your objection to that? What would be your objection to an incentive for the States to raise their levels of benefits and to give the States credit for all the things that they do that they are not required to do by law, all in an effort to try to get the level of benefits up to somewhere as it was when we started the program.

Mr. WOODARD. Don Summers, chief of the statistical section of the Florida Industrial Commission, tells us that approximately 55 percent of the claimants receive at least 50 percent of their wages. Those are the wages, those are the figures, of the Florida Industrial Commission. In direct response to your question as to the incentive program——

The CHAIRMAN. But you are talking about low-wage claimants, and your maximum benefit does not affect low-wage claimants; but as far as those who are making a substantial income is concerned, that $33 maximum would obviously mean that they would get less than half of what they had been making on a weekly basis.

Mr. WOODARD. I think that we would be interested in studying and looking at any proposal concerned with incentives. I think this is one of the bases of our economy, incentive profit motive.

The CHAIRMAN. Yes, sir.

Senator Anderson.

Senator ANDERSON. I was just interested, at the top of page 4 of your statement, do you know how much 8282 would raise costs and how much S. 1991 would raise costs? You do not say how much H.R. 15119 would.

Mr. WOODARD. Approximately double our tax. I can get that figure of the amount that was paid in if you would care to have it.

Senator ANDERSON. Do you think the passage of H.R. 15119 would about double your tax?

Mr. WOODARD. Yes, sir.

Senator ANDERSON. Is $15 million a rough figure for it?

Mr. WOODARD. Something like that, yes.

Senator ANDERSON. You do not have to answer this question if you do not want to. Are you a salaried employee of the association?

Mr. WOODWARD. No, sir.

Senator ANDERSON. What is your business?

Mr. WOODWARD. I am in the grocery business.

Senator ANDERSON. Thank you.

The CHAIRMAN. Senator McCarthy.

Senator MCCARTHY. Did I understand there is a loan program that you have for employees who are unemployed?

Mr. WOODWARD. We do not have a loan program.

Senator MCCARTHY. I just heard it when I came in. I did not get the full description.

What was the special program you had——

Mr. WOODWARD. I said that——

Senator MCCARTHY (continuing). Of workers in Florida as part of this program?

Mr. WOODWARD. A loan program——

Senator MCCARTHY. I did not get what it was, but you said you were glad to have people come in.

Mr. WOODWARD. Oh, the Senator asked me concerning our wealth and Florida's economic situation, and people coming in. I said we were glad to have them come in.

Senator MCCARTHY. You do not have a special benefits program under the unemployment compensation program?

Mr. WOODWARD. No, sir.

Senator MCCARTHY. Not like dependency allowance like they have in Massachusetts?

Mr. WOODWARD. No, sir.

Senator MCCARTHY. Yours is just a straight unemployment program?

Mr. WOODWARD. Yes.

Senator MCCARTHY. I caught the end of your statement and I got the impression that you were paying benefits out of the unemployment compensation that were somewhat different from the ordinary unemployment benefits.

Mr. WOODWARD. One of our big problems, of course, in unemployment compensation, in the unemployment compensation picture in Florida, is the seasonality of workers in Florida, Senator. We have these deficit accounts to a rather large extent because of various seasonal workers, the canners and the packing plants, and things like that.

Senator MCCARTHY. You would be particularly affected by the extension of coverage.

Mr. WOODWARD. Yes, sir.

Senator MCCARTHY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. C. W. Tuley of the Tennessee Manufacturers' Association. Mr. Tuley's statement was inserted. He was unable to get transportation because of transportation difficulties which we have these days.

(The statement referred to appears on p. 285.)

The CHAIRMAN. Mr. John Post of the National Petroleum Refiners Association.

STATEMENT OF JOHN POST, NATIONAL PETROLEUM REFINERS ASSOCIATION

Mr. POST. My name is John Post. I reside in Houston, Tex.

I am here on behalf of the National Petroleum Refiners Association. The association is composed of 90 employers which operate over 90 percent of the refining capacity in the United States.

From 1954 to 1962 I was a member of the Federal Advisory Council on Employment Security to which Mr. Lesser referred in his oral statement.

In the hearings last year before the House Ways and Means Committee, I appeared on behalf of the 60,000 Texas employers and also filed a statement on behalf of this association.

We recommend that the committee adopt H.R. 15119 as passed by the House of Representatives.

For emphasis and to be brief, I will confine my own statement to two major points:

1. The proposed tax increase, and
2. The proposal in S. 1991 for minimum benefit standards.

I will also refer to some extent to some aspects of interstate tax competition partly because Mr. Lesser referred to that, and I may comment on your last questions to the witness about the accuracy of the benefits as measured by 1939.

I do not have to tell this committee that House bill 15119 bears very little relationship to H.R. 8282, which was the springboard for the hearings before the House, and that H.R. 15119 is basically a bipartisan bill which was passed almost unanimously by the House of Representatives.

We are glad that your committee is giving it thorough consideration, because, as your staff report indicates, this bill represents the most comprehensive revision of Federal-State program of unemployment compensation Congress has undertaken since the system was inaugurated in 1935.

Turning to the subject of the proposed tax increases, I stated above that our association endorses H.R. 15119 as passed by the House. We do this with reluctance because we seriously question the need to increase the Federal unemployment insurance taxes to the extent proposed by H.R. 15119.

Just to increase the Federal tax from its present four-tenths of 1 percent to five-tenths of 1 percent, by one-tenth of 1 percent, on the present tax base of $3,000 will generate in fiscal 1968, $136 million more in taxes, of which $129 million will be available for State administrative expenses.

This $136 million figure is derived from your staff report on page 7 in the middle of the page. This sets forth the amount of the extended benefit program and the same amount will be made available for administrative purposes.

Now, from the staff report on page 33, it also indicates that in fiscal 1966, under present laws, State administrators——

The CHAIRMAN. Let me ask you this question. It would generate $129 million unless the States changed their program to reduce taxes by modifying the experience rating, wouldn't it?

Mr. POST. No, sir. This is the Federal tax.

The CHAIRMAN. The net Federal increase.

Mr. POST. Just the Federal tax on the present $3,000 base.

The CHAIRMAN. You said something about it going to State expenses.

Mr. POST. This is the money that will be raised by Federal taxes to be used to finance the State adminstration of the programs.

The CHAIRMAN. I see.

Mr. POST. And the Federal administration of the programs. These are purely administrative costs of which approximately 95 percent will go to the States, so that $136 million will be raised by just this one-tenth of 1 percent increase in taxes.

Now, what kind of a deficit is that being used to meet?

According to the staff report, as I read it, in its chart there the deficit in 1966 was $13 million; and the deficit in 1967 will be $20 million, so the single increase of one-tenth of 1 percent in taxes would tend to raise more than five times the costs they are designed to meet.

Let us assume this deficit were to continue to grow at the rate of $10 million a year. It would still be somewhere around 1970 before the deficit would reach $50 million. It would be 1975 before the deficit would reach $100 million, and so it is difficult to understand why such a massive increase in taxes is necessary.

Mr. Chairman, I said at the outset that we do not object to this bill, but it is important to bring these facts to your attention because of the persistence of the proponents of S. 1991 in imposing even greater taxes.

If the Federal tax rate, on the other hand, were retained at four-tenths of 1 percent, but the tax base were raised from $3,000 to $3,900, then the new taxes generated in fiscal 1967 would be over $150 million, providing an even larger surplus than approaching its raising the tax rate.

By 1972, estimated tax collections under H.R. 15119, on currently covered employers and available for administrative expenses, would reach over $900 million. This is an increase of 80 percent over estimated costs in 1967.

Nowhere have we seen any estimates that administrative costs will even remotely reach that level between 1967 and 1972, so there is no rational justification, Mr. Chairman to increase both the tax rate and the tax base.

An increase in payroll taxes of one-twentieth of 1 percent, 0.05 percent on the present $3,000 tax base, would be sufficient to meet the estimated administrative costs at least until 1970, and thereafter another increase of one-twentieth of 1 percent would be sufficient to meet such costs until about 1975.

As between the increase in the tax rate and the increase in the tax base, we prefer the increase in the tax rate. There is no logical relationship between the level of wage rates paid by an employer and the unemployment insurance burden he should bear. A high wage rate employer does not necessarily have greater ability to pay than a low wage rate employer, and when an unemployed person uses the facilities of the unemployment insurance system, the administrative cost is the same whether his former employer was a high wage rate employer or a low wage rate employer.

We know that there are many programs other than unemployment insurance which are being administered by the State agencies. But we feel that the financing of such other programs should be handled in the other programs rather than using unemployment insurance funds.

Mr. Chairman, in my statement I discuss the question of whether or not this base should be increased just because the social security base has been increased, I will not discuss it orally here, except to point out that it would be just as logical to argue that the tax rates for unemployment insurance should be raised just because social security rates have been raised.

We support this bill but we urge the committee to recognize that any proposed tax increases now in the bill are far greater than needed and certainly do not justify any further increase in taxes.

I will not discuss the subject of extended unemployment compensation or judicial review. They are covered in my statement.

I would like to discuss the proposed minimum benefit standards in S. 1991. These proposals are similar to those in the House bill, to impose on the States certain minimum benefit standards for weekly benefit amounts, qualification for and duration of benefits. Although the weekly benefit amounts and the provisions for qualification and for duration are quite interrelated, the heart of the matter is the weekly benefit amount. This proposal is based on the frequently discredited argument that States have failed to provide adequate benefits and it is also based on flimsy evidence that interstate tax competition has in effect required the States to keep the benefits low.

These arguments have been refuted so often and so thoroughly that I have not included them as a formal part of my statement. I have however attached a portion of my statement last year as to those two points.

Since the statement last year, we have been able to figure out what would be the effect of a 50-percent standard geared to average weekly wages of covered employees, I think you will be interested in finding from the staff report's figures that a standard of 50 percent or any other figure which is geared to average weekly wages of covered employees won't necessarily work the way the advocates propose.

If you will turn to page 9 of my statement, you will see that there are a number of States where the maximum weekly benefit as a percentage of the average weekly wage of covered workers was less than 50 percent and nevertheless in those States the percentage of claimants eligible for a weekly benefit equal to at least half their weekly wage was greater than 50 percent.

By the same token, a number of States which met the 50 percent standard as to its maximum, nevertheless failed to provide a 50-percent benefit for at least half their claimants. So that trying to provide a benefit of 50 percent of a claimant's wages for a majority of claimants though trying to use this approach is not going to be effective.

In addition, therefore, to the basic argument about adequacy of benefits and interstate tax competition, gearing the standard to the average weekly wage of covered employees is not effective and is quite inequitable among the various States.

The reason for its inequity is that the States differ so in their industrial composition. All you have to do is look at the District of Colum-

bia and compare that with Michigan and with Wyoming or New Mexico or Arizona, and see that the States differ, and the occupational structure of the unemployed differ in each State. Trying to standardize it through this approach of having a maximum of 66⅔ percent or 60 or of 50 percent of the average weekly wages of covered workers is not going to achieve the goal which is sought, namely, assuring that 50 percent, at least 50 percent of the claimants will receive at least 50 percent of their own pay.

I would like to pass quickly to this subject of interstate tax competition because it has been raised here. In making decisions as to where to locate refineries, for example, the question of unemployment insurance taxes is not even remotely considered. Certainly in the question of whether to put a refinery in Louisiana or Texas or in Pennsylvania the impact of unemployment insurance taxes as such is so infinitesimal compared to other factors that we would not even think about it.

The CHAIRMAN. It might not be for your industry but let me just say to you I have had a lot of industrialists tell me this, when they get ready to decide where they are going to put their next plant, they take every cost they would estimate it would take them to operate that plant including the cost of building it, and add them all up, and compute their costs of operation, and when they get through adding up that column of figures the State that shows up with the lowest operating costs is the one where they feel they would put that plant. I have had more than one tell me that.

Mr. POST. Yes, sir, there is no question about the fact that they look at the overall operating costs. But in looking at the overall operating costs the impact of unemployment insurance taxes has no particular significance compared to access to raw materials, wage rates, the availability of labor, business climate.

The CHAIRMAN. Well, it is a lot less impact than some other things, but if you are talking about which side of the Sabine River to put the refinery on, it makes a lot of difference because by the time you get down to where you have got the same relative labor costs, you are going to use the same labor in either event, it is just a question of whether it is a Texas county bounded by Louisiana or a Louisiana county bounded by Texas, and if your transportation costs are the same, and the wage costs are practically the same, and most items are the same, what items are you going to separate on? You are going to separate it on the tax feature that will be one of the big features to separate you from the other and we just adjusted our tax structure down in Louisiana to be in competition with Texas and in the very industry you are talking for and we have been putting more plants and refineries in Louisiana since that time. You have been getting some which we should have been getting when we adjusted our tax downward and we think we stopped that. We do not say we are stealing them from you but we just say we are more competitive than we were before.

Mr. POST. I can admit that, being from Texas, but I am quite satisfied in the decisions of whether to put refineries in that area between Baton Rouge and New Orleans or put them in Beaumont, taxes were scarcely considered. There are many more important factors.

The CHAIRMAN. If you are talking about the New Orleans area you get a greater diversity of transportation problems which might very

well make a lot of difference, but if you are talking about the Lake Charles area, where we have refineries, compared to that same area that you mentioned, those transportation problems are not nearly as compelling as they are when you get to areas that are close together.

Mr. POST. Well, Mr. Chairman, speaking of Lake Charles, with which I am not as intimately familiar as you are, I would suggest that maybe the cost of real estate and many other factors might be as important as putting a refinery in Beaumont. In other words, there is a whole conglomeration of factors which enter into these decisions, and the impact of unemployment insurance taxes is so insignificant that it is hardly useful as an excuse on which to base a complete revision of the unemployment insurance system.

The CHAIRMAN. Here is a document that shows that 49 percent of Texas wages are lower than Louisiana's minimum, which is 0.9 percent.

Mr. POST. I think, Mr. Chairman, in regard to that, you have to look at the industrial composition of the State, and you would also have to compare industries because it is industries which compete with each other rather than States in that regard.

Now, I am not sure what kind of industries are in this composition and what, for example, the rate in refining in Louisiana is compared with Texas. But let's assume just for the sake of discussion that the rate in Texas were one-half of 1 percent less than the rate in Louisiana for refining. What does that mean in wages? It means less than 1 cent an hour, less than 1 cent an hour, so really it is not a very significant amount in determining whether you put a refinery in one place or another.

The CHAIRMAN. Well, I gave an example that on a shipbuilding contract, Louisiana bidding against Maryland, by the time you get through with all other items and you just look at the unemployment insurance problem, assuming they have got a high experience rating, which I assume they have, the argument that they ought to have the contract in spite of their high bid, was the fact that they had a lot of people out of work up there, and so I would assume that would give them a high experience rating and I feel the high experience rating of theirs compared to our shipyards on a $50 million contract that would cost them about $1,750,000 more than it would us, with our low experience rating in Louisiana even though we have a 0.9 minimum.

Mr. POST. It cannot be that on a $50 million overall contract the additional difference would be a million dollars.

The CHAIRMAN. What is the high point on the Maryland experience rating.

Mr. POST. You see, Mr. Chairman, you have to also recognize——

The CHAIRMAN. Let's see if you are correct or not. Now here is Maryland, on page 47 of your blue sheet, sir; 4.2 is their maximum tax. Now Louisiana's maximum tax goes up to 2.7, but you see in Louisiana we have an additional advantage. We are bidding for a shipyard that has a low experience rating so our minimum is 0.9. If you take 0.9 against 4.2, that gives you 3.3, and on a $50 million contract, you divide through there, you would get——

Mr. POST. Well, sir, the 3.3 assuming that is so, which I am not ready to accept, is still on a $3,000 base. You would have to get the

payroll and number of people and find out how many they are and if we are still using this——

The CHAIRMAN. Well, the average pay in our plant works out to be $3,500, so you are coming close to that.

Mr. POST. But the tax is levied on up to $3,000. It is not levied on anything above that. So that 3 percent of $3,000 would be $90 a year, which is less than 5 cents an hour. It is not $1 million.

The CHAIRMAN. Well, assuming that only half that payroll is subject to that tax, assuming only half of it is subject to that tax, you would still show up with about an $800,000 difference. In that kind of bidding it is not unusual to win as we did, we won by a hundred thousand dollars and if you are talking about an $800,000 advantage on that one item.

Mr. POST. I think that—are you saying the payroll is $50 million?

The CHAIRMAN. The contract is $50 million.

Senator ANDERSON. That is the trouble.

The CHAIRMAN. OK, reduce it again, say labor is only half of it, you still show up with a $400,000 advantage by the time you get through reducing all these factors.

Mr. POST. I think you also have the assumption, do you not, that this shipyard in Maryland is paying a maximum rate. You will notice in Maryland there is a zero rate possible. I am not suggesting that that is so.

The CHAIRMAN. Well, the reason the Maryland shipyard is getting it is that it came down to Washington to throw out our little bid because they had so many people unemployed in that area, now including that shipyard, so I would assume they would have the high rate.

Now, frankly, it is passing strange to me in my connection with State government, when I served there before I came up here, and I still have contact with the State government, that all the chambers of commerce groups, every time we talked about increasing benefits under unemployment insurance, came out with their first argument: "This is going to keep industry out of our State, this is going to raise our costs, and by the time we raise our costs in competing for industry we will be less attractive than the State with which we have to compete. This will either remove a competitive advantage we have or more often this will put us even more at a disadvantage in an area where we are disadvantaged already."

Well, I find it strange to hear that argument in Louisiana, which is always the first argument, I am told, and then to come up on this end and be told that that does not have anything to do with it. So somebody has got to be wrong, it is either my local chambers of commerce in Louisiana or the national outfit up here, it is either people at the ground level or their association's representatives but somebody should clear me up on this. You fellows ought to get together, either my local chamber of commerce is right or the national chamber is right, but it cannot be both. They have provided different answers.

Mr. POST. Mr. Chairman, in that regard, I understand entirely what you are saying. I have urged our people at the State level not to make that argument. It is erroneous, in fact, and it is hypocritcal to say it there and then have another argument here.

The CHAIRMAN. Well, they ought to quit telling——

Mr. POST. The real question is what are the facts and not what these fellows say and I would hope these hearings and the action on this bill would completely eradicate that kind of an argument both at the State level and at the Federal level. I said so in my testimony last year and I say it again here. It is an unsound argument and it has no basis. It should not be used as a basis for completely revising the unemployment insurance system.

The CHAIRMAN. Well, I suggest that those people you are supposed to represent should quit telling it to the Legislature of Texas and the Legislature of Louisiana when they start raising benefits for unemployment insurance at the State level because what happens is you come up here and they say, "Well, it ought to be a State matter," and the same groups go to the State legislature and say, "The States should not raise their benefits, we would not be competitive," and then come up here at this end and say it does not have a thing to do with it.

Mr. POST. If anything has been accomplished by these hearings, it is getting on the record the position of the employers, as I have stated it today, so they can be confronted with it at the State level when taking this position. I entirely agree with you, I think it is an erroneous argument and should not be made in the States or here and, as I said in my statement, it is making mountains out of molehills and should not be used on either side. The main thing is what are the facts and on the facts, the unemployment insurance tax will have very little impact on business decisions.

In my statement attached I discussed the refining industry and that was generated by a comment made in the hearings last year. I might just comment briefly, Mr. Chairman, on your question of the previous witness about the benefits in Louisiana, and I am not undertaking to talk about Louisiana, but just to suggest an approach. In the appendix to the statement I filed today on page 4 is a table which shows the relationship of benefits in 1939 to benefits in 1965. I have some serious question as to whether 1939 is a good date. The world changed so drastically betwen 1939 and the end of World War II, that probably some postwar date ought to be taken to see if the States have kept pace. But even taking 1939, if you look at the whole benefit picture you have to take into account the increase in duration in benefits as well as weekly benefit amounts, and you will see that between 1965 and 1939 benefits in Louisiana were multiplied three and a half times which was far greater than any change in conditions. In most other States when you include duration with the amount of the increase in benefits, you find there has been a tremendous increase in benefits provided by the States, and that they more than kept pace with the increase in wages.

I will be glad to answer any other questions. We appreciate the opportunity to appear, and as I said, we endorse this bill as the best overall job that could be done under the circumstances and we hope it will be enacted.

(The prepared statement of Mr. Post follows:)

STATEMENT OF JOHN POST, REPRESENTING THE NATIONAL PETROLEUM REFINERS ASSOCIATION

SUMMARY OF NPRA STATEMENT

(1) The National Petroleum Refiners Association is generally in accord with HR 15119 as passed by the House of Representatives and urges the Senate Finance Committee to adopt HR 15119.

(2) The proposed increases in HR 15119 in the tax base and tax rate to provide funds to meet State administrative expenses go far beyond any demonstrated needs. An increase of no more than 0.05 on the present tax base would be sufficient to meet projected costs until 1970 and 0.1 thereafter until 1975.

(3) The proposal to amend HR 15119 to impose minimum Federal standard for State benefits based on the average weekly wage of covered workers should be rejected. Such proposals would not meet the aims of the proponents to assure weekly benefit amounts to claimants of 50% of their earnings. In addition, the proposal is based on discredited theories of interstate tax competition and State failure to provide adequate benefits.

(4) The provisions of HR 15119 regarding extended benefits and judicial review should be accepted by the Senate.

INTRODUCTION

My name is John Post. My address is 613 Southwest Tower, Houston, Texas. I am appearing before this Committee on behalf of the National Petroleum Refiners Association (hereinafter called NPRA), an association of 90 companies which operate over 90% of the crude oil refining capacity in the United States. The NPRA appreciates this opportunity to present to this Committee its views on HR 15119 and S 1991.

"From 1954 to 1962 I was a member of the Federal Advisory Council on Employment Security of the United States Department of Labor. I am also associated with Henry Golightly & Company, Inc., International Management Consultants, New York City, New York.

"In the hearings in 1965 before the House Ways and Means Committee on HR 8282 I filed a statement on behalf of the NPRA and I also testified on behalf of over 60,000 employers in the State of Texas." [1]

BRIEF SUMMARY OF HR 15119

The most significant features of HR 15119 are: (1) increase the tax base from $3,000 a year to $3,900 a year in 1969 and increase it again to $4,200 in 1972; (2) increase the Federal unemployment insurance tax rate from 0.4 per cent to 0.6 per cent, beginning in 1967, with one-half of such increase (0.1 per cent) assigned to finance administrative costs and the other half of such increase (0.1 per cent) assigned to finance the proposed new program for extended benefits; (3) broaden the coverage of the program to include additional workers; (4) provide for extended payment of benefits during periods of recession or high unemployment; (5) assure judicial review of administrative determinations by the Secretary of Labor with respect to certain State action; (6) provide certain other features regarding interstate claims, disqualification from receiving benefits and administration of the program.

NPRA'S POSITION ON HR 15119

NPRA recommends that the Committee adopt HR 15119 as passed by the House of Representatives.

For *emphasis* and in accord with the Committee's request for brevity, we will confine our principal discussion to two points:

(1) The proposed increases in the tax rate and tax base to provide funds for State administrative costs go far beyond any foreseeable need.

(2) The proposal for minimum Federal standards for State benefits will not work to meet the aims of its proponents, in addition to being based on discredited theories of interstate tax competition and State failures to meet responsibilities.

The provisions of HR 15119 for extended benefits and judicial review will be discussed only briefly. Other provisions of HR 15119 and S 1991 will be covered thoroughly by other witnesses and therefore will not be discussed herein.

"HR 15119 represents the most comprehensive revision of the Federal-State program of unemployment compensation Congress has undertaken since the system was inaugurated in 1935." [2]

HR 15119 fully warrants, therefore, the thorough consideration your Committee is giving it in these hearings. As the committee knows, H.R. 15119 evolved

[1] Hearings before the Committee on Ways and Means, House of Representatives, 89th Congress, First Session, on H.R. 8282, pages 596–617 and 1887–1892.

[2] Data relating to H.R. 15119—The Unemployment Insurance Amendments of 1966—Prepared by the Staff for the use of the Committee on Finance, July 13, 1966, page 1 (hereinafter referred to as Staff Report).

after extensive hearings on HR 8282, the companion bill to S 1991, which proposed to revolutionize the Federal-State unemployment insurance system. HR 15119 is a bipartisan bill, as evidenced by the almost unanimous vote on the Committee and the House of Representatives (374 in favor and 10 against). HR 15119 and HR 8282 bear so little relationship to each other that they are not even 42nd cousins.

As we shall point out below, we are not in full accord with each and every provision of HR 15119. In view, however, of the comprehensive scope of the study in the House, the complexity of the subject, and the interrelationship of the provisions of HR 15119 with each other and with every other aspect of the unemployment insurance system, we have concluded that HR 15119 should be viewed as a whole. On that basis we are willing to accept HR 15119 as the best overall piece of legislation on this subject to be expected at this time.

We recommend therefore that, after due consideration, your Committee adopt HR 15119 as enacted by the House. This recommendation carries with it the further recommendation that you reject proposals to insert in HR 15119 various portions of S 1991 identical with those of HR 8282 which were considered and rejected by the Ways and Means Committee.

THE PROPOSED TAX INCREASES

We stated above that we are willing to accept HR 15119 as passed by the House of Representatives. We do so with reluctance because we seriously question the need to increase Federal unemployment insurance taxes to the extent proposed by HR 15119.

We believe the following analysis should be presented to your Committee in view of the persistence of proponents of S 1991 in pressing for even larger tax increases.

Just to increase the Federal tax rate from its present 0.4 per cent to 0.5 per cent on the present tax base of $3,000 will generate in fiscal 1968 $136 million more in taxes, of which *$129 million will be available for State administrative expenses.*[3] *This is at least five times greater than the estimated need for additional taxes.*

The $136 million figure is derived from Staff Report, page 7 (middle), which sets forth estimated amounts available for the extended benefits program. The same amount of new taxes will be generated for administrative costs. HR 15119 provides for an increase of 0.2 per cent in the Federal tax rate, of which one-half (0.1) will be devoted to the extended benefits program and the other half (0.1) will be devoted to administrative expenses.

The Staff Report (page 33) indicates that in fiscal 1966 under present laws State administrative costs will approximate $500 million compared with Federal unemployment insurance tax receipts of $487 million available for such costs—a deficit of *$13* million. In fiscal 1967, such State administrative costs are estimated at $530 million while such tax receipts are estimated at $510 million, a deficit of *$20* million. We have not seen figures for estimated deficits in subsequent years.

At a time when unemployment insurance claims are declining and have reached their lowest level since at least 1957, it is difficult to understand the necessity for imposing such massive tax increases to finance relatively small increases in State administrative costs.

Even if the estimated deficit under present laws were to increase to $30 million in fiscal 1968 and thereafter increase further by $10 million a year, it would be 1970 before the deficit would reach $50 million and 1975 before the deficit would begin to approach $100 million.

If the Federal tax rate were retained at 0.4 percent and the tax base were increased from $3,000 to $3,900, the new taxes generated in fiscal 1968 would be over $150 million and provide an even larger surplus than the increase of 0.1 percent in the tax rate.

By 1972 estimated tax collections under HR 15119 on currently covered employers and available for administrative expenses will reach over $900 million, an 80 percent increase over estimated costs in 1967. Nowhere have we seen any estimates of administrative costs which even remotely project such an increase between 1967 and 1972.

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[3] The Ways and Means Committee Report on H.R. 15119 says, on this point, "The portion of the tax increase that will be available for administrative expense will result in a 25 per cent increase in the amount that would otherwise be available for fiscal 1968 * * *" (page 28).

There is no rational justification, therefore, to increase both the tax base and the tax rate in order to cover the estimated increases in State administrative costs.

An increase in payroll taxes of 0.05 percent—one twentieth of one percent—on the present tax base of $3,000 would suffice to meet estimated administrative costs until at least 1971 and thereafter another increase of 0.05 percent would be more than sufficient to meet such costs until at least 1975.

As between an increase in the tax base and an increase in the tax rate, we submit that Congress should increase the *rate*.

There is no logical relationship between the level of wage rates paid by an employer and the unemployment insurance tax burden he should bear. A high wage rate employer does not necessarily have greater ability to pay than a low wage rate employer. Where an unemployed person uses the facilities of the system, the administrative cost is the same whether his former employer paid low wages or high wages. The costs of the unemployment insurance system should be met by employers on the basis of their use of the funds and facilities provided by the system.

No doubt, programs other than those relative to the normal unemployment insurance program will be administered by the State agencies. Provision to finance such other programs should be made in such other programs rather than divert employers' taxes imposed to finance the normal unemployment system.

It has been argued that the tax base for unemployment insurance taxes should be raised simply because the tax base for Social Security has been raised.

It was just a coincidence that in 1939 the tax base under both laws was the same. Since 1939 the Social Security program, which has entirely different actuarial factors, has undergone many substantial changes. To meet increased costs under those changes Congress has had to increase both the tax base and tax rates under Social Security many times.

It would be just as logical to argue that because Congress has substantially increased the tax *rates* under Social Security, it should also substantially increase the tax rates for unemployment insurance, regardless of the financial needs of the unemployment insurance program. But that argument is so patently unsound that it has never been advanced.

Social Security and unemployment insurance are designed to meet two entirely separate situations. Congress should approach the tax problems of each program with the specific needs of that program in mind.

In summary on this point, therefore, we support HR 15119 but urge your Committee to recognize that the proposed tax increases are far greater than any demonstrated need. Any further tax increase, as proposed by S. 1991, would be even more unwarranted.

EXTENDED UNEMPLOYMENT COMPENSATION PROGRAM

We endorse these provisions of HR 15119. There is room in this new program for reasonable differences of opinion on such matters as the "trigger point." We believe, however, that until the nation and some States have had some experience under the program, the provisions worked out by the House Ways and Means Committee should be left unchanged.

By the same token, however, we urge the Committee not to accept the proposals of the Secretary of Labor which would change the extended benefit program from a recession-oriented program to a welfare-oriented program.

JUDICIAL REVIEW

Because of our interest in the efficient and proper administration of the unemployment insurance system, which is financed entirely by taxes on employers, we endorse the proposals in HR 15119 for judicial review.

The only difference between HR 15119 and the Secretary of Labor's proposals concerns the apparent scope of the review. HR 15119 provides that the Secre-

tary's findings of fact shall be conclusive "unless contrary to the weight of the evidence." The Secretary proposes that the quoted words be changed so that his findings of fact shall be conclusive "if supported by substantial evidence." The Secretary does not suggest that the scope of the review under HR 15119 would impose any burden on him.

In the final analysis the courts would have to determine how significant the difference is between the language of HR 15119 and the Secretary's proposal. Regardless of the language and procedure under other statutes providing for judicial review of the actions of an administrative agency, a disagreement between a sovereign State and the Federal Government is entitled to the utmost consideration, particularly when the effect of an adverse ruling is to deny credit against the Federal tax to all employers in the State involved.

We recommend, therefore, that your Committee accept the judicial review provisions of HR 15119.

PROPOSED MINIMUM BENEFIT STANDARDS

Your Committee has received proposals similar to those presented to the House Ways and Means Committee to impose on the States minimum Federal standards for weekly benefit amounts, qualification for and duration of benefits.

Although weekly benefit amounts, duration and qualification are tightly interrelated, the heart of the matter is the proposal for minimum benefit amounts geared to the average wage of covered workers in a State.

This proposal is founded on the frequently discredited argument that States have failed to provide adequate benefits.

It is also said, on equally flimsy evidence, that the reason States fail to provide adequate benefits is that they are inhibited by interstate tax competition. The theory runs that interstate tax competition forces States to maintain low unemployment insurance tax rates and the low yield from such taxes forces the States to keep unemployment insurance benefits low.

These arguments have been refuted so often and so thoroughly that we hesitate to burden the record with one more rebuttal. Because of the fundamental nature of the problem, however, and to avoid the appearance of avoiding it, we attach hereto as Appendix A a portion of NPRA's statement to the House Ways and Means Committee relating to this issue.

Since the NPRA statement to the House Ways and Means Committee in 1965, another fundamental argument against the proposed minimum Federal benefit standard has emerged. This is that *no standard geared to average weekly wages of covered workers will work equitably among the States. This situation arises out of the significant differences among States in the extent and type of industrial activities carried on in them and the resulting wide variation among States in the average weekly wage of covered employees.*

A striking example of these differences in industrial activities is found in a comparison of Washington, D.C., Michigan, and Wyoming. Similarly, the occupational structure of the unemployed differs widely among States; this difference arises again out of the variety of industrial activities carried on in the States.

The effect of these differences on the proposed 50 per cent minimum Federal benefit standard geared to average weekly wages of coverd employes is demonstrated in the following comparison. This comparison, developed by Unemployment Benefit Advisors, Inc., shows that in the 12 months ending June 30, 1965: (1) In five major states whose maximum weekly benefit amounts did not meet the proposed 50 per cent standard, a majority of the claimants *did* receive at least half of their average weekly wage; (2) on the other hand, in five states where the maximum weekly benefit amount met the 50 per cent standard, a majority of the claimants during the same period *did not* receive half of their average weekly wage.[4]

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[4] The proponents weekly benefit standards based on the average wages of covered workers have also failed to take into consideration the effect of such standards on states with dependents' benefits or variable maximums.

12 months ending June 30, 1965 [1]

	Maximum weekly benefit allowance as percent of average weekly wage of covered workers	Percent of claimants eligible for a weekly benefit equal to at least half their weekly wage
States which fell below 50 percent standard:		
California	45	56
New Jersey	43	64
New York	42	62
Pennsylvania	43	59
Texas	38	54
States which met 50 percent standard:		
Colorado	50	32
Kansas	50	47
North Dakota	50	38
Utah	50	48
Wyoming	50	41

[1] All data derived from table 29, p. 110, of "Data Relating to S. 1991" compiled by staff of the Committee on Finance, Jan. 18, 1966.

Thus, minimum Federal standards for weekly benefit amounts geared to the average wage of covered workers are not only unnecessary and undesirable, but will be inequitable and unworkable.

CONCLUSION

In summary: While we are opposed to the proposed tax increase, we urge the Committee to adopt HR 15119 as passed by the House of Representatives.

APPENDIX A

EXTRACT FROM STATEMENT OF JOHN POST BEFORE HOUSE WAYS AND MEANS COMMITTEE ON HR 8282 (HEARINGS, PP. 1888–1890)

"INTERSTATE TAX COMPETITION"

Throughout these hearings the proponents of this bill have relied on the argument that "interstate tax competition" in unemployment insurance taxes seriously influences business decisions and thereby prevents States from providing adequate benefits.

We appreciate that from time to time arguments *against* increasing unemployment insurance benefits have been predicated on the threat of interstate tax competition in unemployment taxes, just as the proponents are using the same arguments to support HR 8282. In both instances mountains are being made out of molehills and should not be used as the foundation for important decisions on unemployment insurance. We suggest that it is the responsibility of this Committee to sweep away the smoke screen of "interstate tax competition" and base its judgment on fact rather than fiction.

Specifically with regard to impact on petroleum refining of interstate tax competition in unemployment insurance tax rates, we note the following statement by Andrew F. Brimmer, Assistant Secretary of Commerce for Economic Affairs, before this Committee on August 10, 1965:

". . . Through . . . diverse tax rates, the unemployment insurance system has a diverse and undesirable impact on the same industries located in different states. Hopefully, the present bill will . . . help to correct these inequities . . .

"The difference in rates for the same industry in different states can be substantial. For instance . . . in petroleum refining, the range was from 0.43 per cent in Texas to 2.00 per cent in Pennsylvania."

In fact what does this "substantial" difference between the rates in Texas and Pennsylvania amount to? Using $3,000 a year as the tax base, the 0.43% rate in Texas was equivalent to 0.6 cents an hour per employee, and the 2.00% rate in Pennsylvania was equivalent to 2.7 cents an hour. Certainly the difference of 2.1 cents per hour per employee between Texas taxes and Pennsylvania taxes cannot be considered "substantial."

The difference of 2.1 cents an hour should be considered against the background of the major economic factors which affect costs in the petroleum refining industry. These are capital investment, technological obsolescence, access to markets, access to raw materials, rate of operation, the competitive strength of a refinery and overall employment costs. All these factors bear directly on whether to expand or contract a refinery. The factors of access to raw material and access to markets probably have the most effect on decisions on where to locate a new refinery. Compared with all these factors, the effect of the difference in unemployment insurance tax rates among the various States is infinitesimal rather than "substantial."

To take a simple example: in a refinery which runs 100,000 barrels a day of crude oil, or over 4,000 barrels an hour, the cost of crude oil averages out at $12,000 an hour. Assuming the refinery employs 750 employees—which is higher than the average—the "substantial" difference between Pennsylvania and Texas is only $15.75 an hour, about 0.001% of the crude oil cost.

Looking only at employment costs and considering the relationship to them of unemployment insurance tax rates: the average hourly rate in the industry in June, 1965, was about $3.46 an hour. Fringe benefits, estimated at 25% of base pay, bring the hourly employment cost to about $4.25 an hour. Here again it is obvious that the difference of only 2.1 cents an hour in unemployment insurance tax costs will have practically no effect on decisions of whether to operate in Pennsylvania or Texas or any other State. It so happens that the average hourly rate in refining in Texas is about five cents an hour higher than in Pennsylvania, more than nullifying any disadvantage Pennsylvania may suffer through higher unemployment insurance rates.

Certainly, insofar as this industry is concerned, therefore, the fear of "interstate tax competition" has no foundation.

THE CHARGE THAT BENEFITS ARE INADEQUATE

A major premise of the bill's proponents is that the States have failed to provide adequate benefits. To remedy this complaint the proponents propose that Congress establish minimum weekly benefits which each State must pay. The proponents would go further and provide that any employee who works 20 weeks in a particular year shall receive benefits for at least 26 weeks.

To handle this contention fully, it would be necessary to examine the level of benefits in each State and measure that level against some agreed standard of "adequacy." The difficulties in making such a State-by-State comparison are manifest.

Even more important, however, is the fact that the proponents' standards of adequacy are, with one exception, not related to the income lost by beneficiaries through unemployment.

The proponents seek to use, as the proper measure of "adequacy," the relationship between the maximum weekly benefits in a State and *the average weekly wage of all employees* covered by unemployment insurance in that State.

Our position is that the proper measure of the adequacy of benefits is the relationship between the amount of benefits actually paid to beneficiaries compared with the income lost by those beneficiaries through unemployment. By and large the States have satisfied one of the standards proposed by H.R. 8282, namely, paying benefits equal to 50% of the income lost by beneficiaries up to a stated maximum.

It is in connection with this maximum that we differ with the proponents' proposal that the maximum weekly benefit in each State must eventually reach the level of 66⅔% of the average weekly wage of all employees covered by unemployment insurance.

The use of average weekly wages of *all* employees in covered employment is unsound because it includes the wages of the vast majority of employees (including executives, managers and professional employees) who never draw unemployment insurance benefits.

Even the use of gross wages of the beneficiaries themselves would inflate the standard of adequacy. The adequacy of benefits should be related to actual income lost through unemployment; therefore, gross wages should be reduced by the taxes normally withheld from wages, since unemployment insurance benefits are not subject to such taxes.

The proponents also charge that the States have not kept pace with the change in conditions since 1939. We seriously doubt whether 1939 is the proper base date for this purpose. But even using 1939 just for the sake of argument, the

evidence demonstrates that, over the course of the years since the unemployment insurance system was established, States have not only steadily increased weekly unemployment insurance benefits from the levels established in 1939 but they have also lengthened the duration of such benefits.

Thus, in the States which employ most of the employees in the petroleum refining industry, the increases in total maximum benefits (combining the weekly benefit and the duration of benefits) have been as follows:

	Maximum benefits		Ratio of present benefits to 1939 total benefits
	July 1, 1939	July 1, 1965	
California	$300	$1,690	5.6
Illinois	256	[1] 1,560	6.1
Indiana	225	1,040	4.6
Kansas	240	1,222	5.1
Louisiana	324	1,120	3.5
New Jersey	240	1,300	5.4
New York	195	1,430	7.3
Ohio	240	1,378	5.7
Oklahoma	240	1,248	5.2
Pennsylvania	195	1,500	7.7
Texas	240	962	4.0

[1] Includes dependents benefits for work with 3 dependents.

These increases, ranging from 3½ to 7½ times the benefits of 1939, certainly demonstrate that benefits have more than kept pace with the increase in wage levels. And the disparity in favor of the increase in benefits since 1939 would be even greater if the wages for 1965 were reduced by the taxes to which they are subject (and were not subject to in 1939).

The CHAIRMAN. How do you arrive at the statement that benefits in Louisiana were multiplied 3½ times?

Mr. POST. I took, Mr. Chairman, the increase in weekly benefits and the increase——

The CHAIRMAN. Which is what figure, what figure are you using there?

Mr. POST. I have to go back to the source of this, I am referring now to the figures I used last year which I did not repeat in my current statement, and I used the figures out of the reference material furnished to us by the Bureau of Employment Security. In other words, I arrived at the figure of $324 as the maximum benefits in Louisiana in 1939, and $1,120 in 1965.

The CHAIRMAN. Well, as I recall the maximum in Louisiana was, when this program started, was $18. Now the maximum by the last session of the legislature would be $45.

Mr. POST. For how many weeks?

The CHAIRMAN. It is 26 weeks in Louisiana now. What was it then, do you have it?

Mr. POST. Sixteen weeks when the program started. So you have the multiple of 45 versus the 18 and the 26 weeks versus the 16 weeks and when you figure them out, you see there has been a substantial increase in the benefits provided by the State compared with 1939.

The CHAIRMAN. Yes.

Senator Anderson.

Senator ANDERSON. No. questions.

The CHAIRMAN. Thank you very much.

Mr. POST. Thank you, sir.

The CHAIRMAN. Mr. Donald B. Thrush of the Printing Industries of America.

STATEMENT OF DONALD B. THRUSH, PRINTING INDUSTRIES OF AMERICA, INC., ACCOMPANIED BY GERARD D. REILLY, GENERAL COUNSEL

Mr. THRUSH. Mr. Chairman, I would like to introduce the people who are with me. On my right is our general counsel Mr. Gerard D. Reilly and on my left Mr. James Shields, president of Judd & Detweiler in the District, and he will also speak in behalf of the printing industry. I am particularly pleased to have this opportunity because I think many of you are aware that printing in the United States is a real classic example of private enterprise and it is made up of many, many small entities, and the chairman of the committee, who is active in the Small Business Committee, Senator Smathers and Senator Williams, have all had an active interest in what happens to small business in this country, and we are particularly appreciative of the attitude of Congress and of the Senate toward small business.

We, in our industry, although we are the seventh largest in terms of dollar item, we have a collection of small business enterprises, some 35,000 in all, and I think perhaps one of the interesting facts about this is that many of the people who run our businesses today worked in them in production capacities or sales capacities before and have been able to embark on their own to become heads of businesses.

That is the reason, possibly, for the size of our establishments as individual companies.

So on behalf of the members of the Printing Industries of America, the principal national trade association in the graphic arts industry, we certainly welcome this opporunity to appear before this committee to state some of the reasons why our industry is opposed to S. 1991, the Senate counterpart of H.R. 8282, which was rejected by the House last month when it enacted H.R. 15119, a comprehensive revision of the unemployment compensation laws.

The problems of our industry are such that some of the key provisions of S. 1991 would have a particularly severe impact upon employing printers. Accordingly we recommend that the committee, in reviewing the House bill before you, also reject those provisions of S. 1991 which the Ways and Means Committee of the House did not see fit to adopt.

The proposals in S. 1991 which we particularly oppose are:

1. The impairment of the "experience rating" system—a system that provides an incentive to employers to stabilize employment by granting significantly lower tax rates to companies whose operations are geared so as to minimize layoffs.

2. The imposition upon the States of Federal standards relating to the scale of benefit payments, eligibility, and duration of payments. States failing to amend their statutes to comply with these standards would face a loss of tax credits.

3. An increase in the taxable wage base of the Federal Unemployment Tax Act from $3,000 to $5,600, beginning next year, and to $6,600 thereafter. In contrast to this drastic proposal, the bill passed by the House would limit the increase in the taxable wage base to from $3,000 to $3,900 in 1969, and to $4,200 beginning in 1972.

4. Establishment of a Federal system of unemployment benefits for an additional 6-month period for workers who had exhausted their

primary benefits under State law, such payments to be made irrespective of whether or not opportunities for employment at the State or national level were high.

5. A section drastically curtailing the rights of States to establish grounds for the disqualification of applicants.

Presumably the provisions of S. 1991 were drawn to carry out the President's message of May 18, 1965, in which he urged a "modernization" of the system in light of figures showing an increase in recent years of the number of unemployed persons who had exhausted their benefits. He recommended that the law should be amended so as to extend the coverage of the system, raise the benefit amounts, and lengthen the benefit periods for unemployed workers.

While we recognize the desirability of lessening the hardships encountered by regular workers who have become unemployed for long periods through no fault of their own, S. 1991 seems to go far beyond the objectives stated in the President's message. On the matter of extended benefits for persons who have exhausted their payment rights under State laws, we believe that the authors of H.R. 15119 acted wisely in providing that an extended duration of benefits should occur only in times of recessions on a national or statewide scale.

As witnesses at the House hearings pointed out, the States themselves have made tremendous improvements in the original laws passed after the enactment of the Social Security Act in 1935. Forty-eight out of fifty States now provide benefit protection for as long as 6 months, the average scale of benefits in the States has more than doubled since 1938, and the waiting periods once averaging from 3 to 4 weeks after layoff have been reduced to a single week. Thus a survey of the State laws fail to reveal the need for such a drastic federalization of the system as this bill contemplates. Until now each State has been responsible for the solvency of its own system and has been given great latitude in the tax rate, the schedule of benefits, and eligibility requirements. The key proposals in S. 1991 would not only increase costs enormously but would destroy the basic actuarial principles of the original Federal statute.

In view of the testimony in the record on this aspect of the matter, we shall confine our criticism of S. 1991 to two provisions which would have an unusually severe impact upon the thousands of small printing employers represented by our association. We refer to those provisions that discourage States from maintaining a merit rating system and force States to pay benefits to persons whose unemployment is a matter of deliberate choice on their part.

According to the last census of manufactures, the industry referred to as "printing and publishing" consists of some 35,000 establishments spread throughout all 50 States. The average establishment employs 18 production workers. Thus it is readily apparent that the industry is composed of a large number of small businesses operating with limited resources, serving small market areas and sensitive to the burdens of increasing costs. Yet in the composite, preliminary figures released this spring from the census of manufactures indicate that in terms of total dollar payroll, this is the seventh largest industry in the United States. Average hourly earnings in the industry for March of this year were $3.03.

The employees of this industry rank fourth in average rate of pay and are 45 cents an hour above the average wage reported for all manufacturing. The average employer unfortunately does not fare as well as indicated by an average profit based on sales of only 3.17 percent, slightly more than half of that reported for all manufacturers.

In the period between 1957 and 1965, figures compiled by the Bureau of Labor Statistics show that the industry has increased from 557,000 production workers to 615,000—a growth rate of about 2 percent a year. The trend to shorter workweeks, the increase in the total work forces, and the shortage of skilled printing craftsmen has meant that for many years, the industry has had virtually no unemployment. In other words, this industry has been able to meet the principal goal of the unemployment compensation laws, viz, stabilization of employment.

One provision in S. 1991 (section 208) which encourages the States to stop the practice of basing the rate of tax upon the individual experience rating of the employer is grossly discriminatory to an industry like this. The merit rating provisions that exist under most State laws are in line with the original conception of unemployment compensation as expressed by President Roosevelt in his 1935 message to Congress:

> An unemployment compensation system should be constructed in such a way as to afford every practicable aid and incentive toward the larger purpose of employment stabilization.

To encourage the States to abandon this method of taxation would mean a substantial increase in the tax rates of employers who have virtually eliminated recurrent layoffs among their own employees and would be a windfall to employers in industries that for seasonal reasons are unable to avoid recurrent layoffs or because of poor planning, have peaks and valleys of employment.

So far as our industry is concerned, the elimination of the merit rating system would result in a catastrophic tax burden. My fellow witness, this morning, Mr. Shields, has prepared a chart showing the impact upon his own company here in the District of Columbia, if S. 1991 is enacted, and a set of exhibits projecting the increased costs upon other representative printing companies selected at random in such widely scattered States as Illinois, Louisiana, Connecticut, Florida, Indiana, Kentucky, and Arkansas.

The other provision of S. 1991 that would operate most unfavorably against conscientious employers, and conscientious workers is the provision preventing States from disqualifying applicants for unemployment compensation for more than 6 weeks (except for fraud, labor disputes, and crime). This means that a person who has voluntarily quit his job or who has been discharged for cause, could draw under this proposed legislation a full 52 weeks of benefits after only a 6-week postponement. It would also mean that such persons could continue to draw benefits even though they had been offered substantially equivalent employment.

It is difficult to think of a provision better calculated to encourage malingering and self-imposed idleness. Its enactment would be an invitation to unscrupulous workers to exhaust whatever paymets are available to them before making any real effort to find other jobs.

Such claimants would put a heavy drain upon the State funds which in some jurisdictions might bring about insolvency in those funds.

In closing, we wish to assure the committee that our industry is not opposed to all reforms in the Federal-State system of unemployment compensation. Consequently, we do not oppose favorable Senate action on such a bill as H.R 15119, even though we recognize that its provisions for increasing the Federal tax would apply to employers in the graphic arts field—an industry in which even in periods of mild recession, there has been no scarcity of employment opportunities.

I would like now, Mr. Chairman, to introduce Mr. Shields, who will make a further presentation on behalf of our industry.

STATEMENT OF JAMES W. SHIELDS, PRESIDENT, JUDD & DETWEILER, INC.

Mr. SHIELDS. Mr. Chairman and members of the committee, my name is James W. Shields. I am president of Judd & Detweiler, a member of Printing Industry of Washington, D.C., which belongs to Printing Industries of America.

I have prepared some exhibits to Mr. Thrush's testimony which illustrate in rather dramatic fashion what the tax impact upon typical printing companies would be if Congress should adopt (1) the provisions of S. 1991 which increases the taxable wage base from $3,000 to $56,000 beginning in 1967 and to $6,600 in 1970, and (2) should couple with it the provisions of that bill calculated to compel the States to abandon the experience rating system.

Exhibits 1 and 2 deal with my own company, one of the larger companies in the District, but still small business as that term is generally defined in Federal publications. You will notice in exhibit 1 that because our company has been able to avoid layoffs in the past 3 years, our State tax rate under the experience rating system is only one-tenth of 1 percent, and that our total payments to the Federal and State Governments is slightly less than $5,000.

If the House bill should be amended merely by adopting the proposals in S. 1991 for increasing the tax base, this figure would more than double next year and in 1971 jump to about $12,000. If the District is compelled to abandon the merit rating plan, our bill for unemployment compensation, assuming a work force of the same size and yet no layoffs for lack of work, would be close to $64,500, approximately 13 times our current tax.

Obviously this would create a severe hardship and remove any incentive for stabilizing employment. Plants with a high layoff rate and plants with none would be treated alike. Exhibit 2 is a chart also based upon our own experience showing how the existing experience ratings create an incentive. In the period 1960–62, as a result of losing a major customer, we were compelled to reduce our work force in order to remain in business. As a result under the present law our local tax

rate went up to 2 percent, requiring us to pay a District of Columbia tax of about $28,000 in 1961, and almost as much in 1962. The company had to undergo a long and painful period of readjustment to regain our merit rating. We do not quarrel with this situation, however, for even though the circumstances in 1961 were beyond our control, it was not a permanent situation. But, as the committee will observe from projection on the lower part of the chart, our tax figures if S. 1991 is adopted, would be doubled over what they had been in the grim years of 1961 and 1962, even though no Judd & Detweiler personnel have to resort to the unemployment compensation rolls.

The other exhibits are based on projections of the effect of S. 1991 on 11 other printing companies, some large, some small, located in eight different States, viz, Illinois, Connecticut, Kentucky, Arkansas, Indiana, Louisiana, Florida, and Kansas. Exhibits 3 and 4, from Illinois, show that in a small Chicago firm with an experience rating of four-tenths of 1 percent, now paying a tax bill of $2,300, would eventually be faced with costs of $17,500; but in a larger firm in a nearby community which enjoys the minimum rate, the tax would go from approximately $4,100 to nearly $56,000.

In Connecticut, exhibit 5, the rates for a medium-size company, not having a minimum experience rating, would more than triple. In Kentucky (exhibit 6), a firm reporting its local merit rating such that no State tax is required, would find its tax bill going from $1,400 to $17,800.

The same principles of geometric tax progression are illustrated in the figures for an Arkansas concern (exhibit 7), two Indiana firms (exhibits 8 and 9), two companies in New Orleans, La. (exhibits 10 and 11), and of Florida (exhibit 12) and Kansas (exhibit 13) printers.

These exhibits show clearly that the passage of S. 1991 would result in serious cost dislocations in the printing industry. The favorable experience ratings prove that we generally maintain stable employment levels and that there is no justification for a tax increase of the magnitude proposed in S. 1991. For the same reasons they show why we favor the passage of H.R. 15119 which retains experience ratings.

I request permission to have these exhibits inserted in the record.

The CHAIRMAN. As I understand it, S. 1991 had a provision that would give the State the option to repeal the experience rating if they wanted to, but it was not mandatory.

Mr. SHIELDS. Well, that is correct, as I understand the thing, what we have to look at the thing is we have to make projections that it could happen and therefore we have to look at it in that light.

The CHAIRMAN. Thank you.

Mr. SHIELDS. Mr. Chairman, I requested permission to have these exhibits inserted in the record. I didn't know whether you heard it.

The CHAIRMAN. Yes.

(The exhibits follow:)

SUPPLEMENTARY EXHIBITS TO TESTIMONY OF PRINTING INDUSTRIES OF AMERICA, INC.

EXHIBIT 1

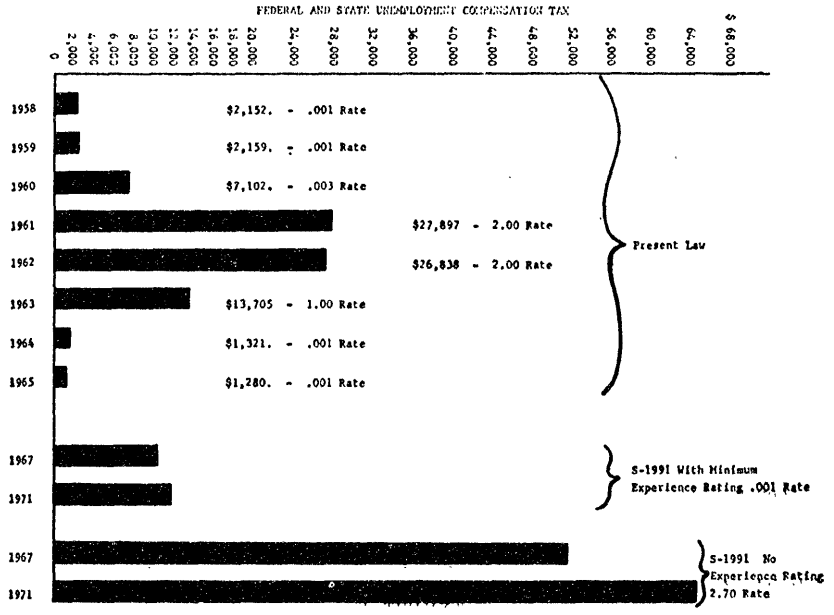
Unemployment compensation analysis

JUDD & DETWEILER, INC., WASHINGTON, D.C.

	Present law ($3,000 maximum)	S. 1991 ($5,600 maximum)	S. 1991 ($6,600 maximum)
1. 1965 annual payroll	$3,007,200	$3,007,200	$3,007,200
2. Col. 1—Total annual wages exceeding $3,000 for each employee	$2,020,096		
Col. 2—Total annual wages exceeding $5,600 for each employee		$1,428,633	
Col. 3—Wages exceeding $6,600			$1,115,845
3. Taxable payroll	$987,104	$1,578,567	$1,891,355
4. Current and proposed Federal unemployment compensation tax rates	0.004	0.0055	0.0055
5. Federal unemployment compensation tax	$3,948	$8,682	$10,402
6. State unemployment compensation tax rate:			
(a) With experience rating	0.001	0.001	0.001
(b) Without experience rating	0.027	0.027	0.027
7. State unemployment compensation tax:			
(a) With experience rating	$987	$1,579	$1,891
(b) Without experience rating	$26,650	$42,621	$51,066
8. Total Federal and State unemployment compensation tax:			
(a) With experience rating	$4,935	$10,261	$11,981
(b) Without experience rating	$30,598	$51,303	$64,468
9. Present Federal and State unemployment compensation tax		$4,935	$4,935
10. Additional unemployment compensation tax if H.R. 8282 is enacted:			
(a) With experience rating		$5,326	$7,046
(b) Without experience rating		$46,368	$57,433

513 employee

EXHIBIT 2


FEDERAL AND STATE UNEMPLOYMENT COMPENSATION TAX
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$2,152. - .001 Rate
$2,159. - .001 Rate
$7,102. - .003 Rate
$27,897 - 2.00 Rate
$26,838 - 2.00 Rate
$13,705 - 1.00 Rate
$1,321. - .001 Rate
$1,280. - .001 Rate
Present Law
1967
1971
S-1991 With Minimum Experience Rating .001 Rate
1967
1971
S-1991 No Experience Rating 2.70 Rate

EXHIBIT 3

Unemployment compensation analysis

BRUCE OFFSET CO., CHICAGO, ILL.

	Present law ($3,000 maximum)	S. 1991 ($5,600 maximum)	S. 1991 ($6,600 maximum)
1. 1965 annual payroll	$805,000	$805,000	$805,000
2. Col. 1—Total annual wages exceeding $3,000 for each employee	$515,000		
Col. 2—Total annual wages exceeding $5,600 for each employee		$329,000	
Col. 3—Wages exceeding $6,600			$259,000
3. Taxable payroll	$290,000	$476,000	$546,000
4. Current and proposed Federal Unemployment Compensation tax rates	0.004	0.0055	0.0055
5. Federal Unemployment Compensation tax	$1,160	$2,618	$2,803
6. State Unemployment Compensation tax rate:			
(a) With experience rating	0.004	0.004	0.004
(b) Without experience rating	0.027	0.027	0.027
7. State Unemployment Compensation tax:			
(a) With experience rating	$1,160	$1,904	$2,184
(b) Without experience rating	$7,830	$12,852	$14,742
8. Total Federal and State Unemployment Compensation tax:			
(a) With experience rating	$2,320	$4,522	$4,997
(b) Without experience rating	$8,990	$15,470	$17,545
9. Present Federal and State Unemployment Compensation tax	$2,320	$2,320	$2,320
10. Additional Unemployment Compensation tax if S. 1991 is enacted:			
(a) With experience rating		$2,202	$2,677
(b) Without experience rating	$6,670	$13,150	$15,225

93 employees.

EXHIBIT 4

Unemployment compensation analysis

PHOTOPRESS, INC., BROADVIEW, ILL.

	Present law ($3,000 maximum)	S. 1991, ($5,600 maximum)	S. 1991, ($6,600 maximum)
1. 1965 annual payroll	$3,115,609	$3,115,609	$3,115,609
2. Col. 1—Total annual wages exceeding $3,000 for each employee	$2,277,777		
Col. 2—Total annual wages exceeding $5,600 for each employee		$1,656,936	
Col. 3—Wages exceeding $6,600			$1,398,086
3. Taxable payroll	$837,832	$1,468,673	$1,717,52
4. Current and proposed Federal unemployment compensation tax rates	0.004	0.0055	0.0055
5. Federal unemployment compensation tax	$3,351	$8,023	$9,446
6. State unemployment compensation tax rate:			
(a) With experience rating	0.001	0.001	0.001
(b) Without experience rating	0.027	0.027	0.027
7. State unemployment compensation tax:			
(a) With experience rating	$838	$1,459	$1,717
(b) Without experience rating	$22,521	$39,384	$46,373
8. Total Federal and State unemployment compensation tax:			
(a) With experience rating	$4,189	$9,482	$11,16
(b) Without experience rating	$25,872	$47,107	$55,819
9. Present Federal and State unemployment compensation tax	$4,189	$4,189	$4,189
10. Additional unemployment compensation tax if S. 1991 is enacted:			
(a) With experience rating		$5,293	$6,96
(b) Without experience-rating	$21,682	$43,217	$51,630

275 employees.

EXHIBIT 5

Unemployment compensation analysis

KURT H. VOLK, INC., AND VOLK LITHO, INC., MILFORD, CONN.

	Present law ($3,000 maximum)	S. 1991 ($5,000 maximum)	S. 1991 ($6,600 maximum)
1. 1965 annual payroll	$1,276,024	$1,276,024	$1,276,024
2. Col. 1—Total annual wages exceeding $3,000 for each employee	$815,570		
Col. 2—Total annual wages exceeding $5,600 for each employee		$487,850	
Col. 3—Wages exceeding $6,600			$390,024
3. Taxable payroll	$460,454	$788,174	$886,000
4. Current and proposed Federal unemployment compensation tax rates	0.004	0.0055	0.0055
5. Federal unemployment compensation tax	$1,842	$4,335	$4,873
6. State unemployment compensation tax rate:			
(a) With experience rating	0.017	0.017	0.017
(b) Without experience rating	0.027	0.027	0.027
7. State unemployment compensation tax:			
(a) With experience rating	$8,131	$13,850	$15,062
(b) Without experience rating	$12,432	$21,281	$23,922
8. Total Federal and State unemployment compensation tax:			
(a) With experience rating	$9,973	$18,185	$19,935
(b) Without experience rating	$14,274	$25,616	$28,795
9. Present Federal and State unemployment compensation tax	$9,973	$9,973	$9,973
10. Additional unemployment compensation tax if S. 1991 is enacted:			
(a) With experience rating		$8,212	$9,962
(b) Without experience rating	$4,301	$15,643	$18,822

140 employees.

EXHIBIT 6

Unemployment compensation analysis

THE HERALD PRINTING, LOUISVILLE, KY.

	Present law ($3,000 maximum)	S. 1991 ($5,600 maximum)	S. 1991 ($6,600 maximum)
1. 1965 annual payroll	$652,269	$652,269	$652,269
2. Col. 1—Total annual wages exceeding $3,000 for each employee	$295,740		
Col. 2—Total annual wages exceeding $5,600 for each employee		$152,397	
Col. 3—Wages exceeding $6,600			$96,000
3. Taxable payroll	$356,528	$499,871	$556,269
4. Current and proposed Federal unemployment compensation tax rates	0.004	0.0055	0.0055
5. Federal unemployment compensation tax	$1,426	$2,749	$2,960
6. State unemployment compensation tax rate:			
(a) With experience rating	0	0	0
(b) Without experience rating	0.027	0.027	0.027
7. State unemployment compensation tax:			
(a) With experience rating	0	0	0
(b) Without experience rating	$9,525	$13,480	$14,904
8. Total Federal and State unemployment compensation tax:			
(a) With experience rating	$1,426	$2,749	$2,960
(b) Without experience rating	$10,951	$16,229	$17,864
9. Present Federal and State unemployment compensation tax		$1,426	$1,426
10. Additional unemployment compensation tax if S. 1991 is enacted:			
(a) With experience rating		$1,323	$1,534
(b) Without experience rating		$14,803	$16,438

110 employees.

EXHIBIT 7

Unemployment compensation analysis

DEMOCRAT PRINTING & LITHOGRAPHIC CO., LITTLE ROCK, ARK.

	Present law ($3,000 maximum)	S. 1991 ($5,600 maximum)	S. 1991 ($6,600 maximum)
1. 1965 annual payroll	$613,311	$613,311	$613,311
2. Col. 1—Total annual wages exceeding $3,000 for each employee	$324,718		
Col. 2—Total annual wages exceeding $5,600 for each employee		$148,892	
Col. 3—Wages exceeding $6,600			$102,892
3. Taxable payroll	$288,593	$464,419	$510,419
4. Current and proposed Federal unemployment compensation tax rates	0.004	0.0055	0.0055
5. Federal unemployment compensation tax	$1,154	$2,554	$2,807
6. State unemployment compensation tax rate:			
(a) With experience rating	0.005	0.005	0.005
(b) Without experience rating	0.027	0.027	0.027
7. State unemployment compensation tax:			
(a) With experience rating	$1,442	$2,332	$2,557
(b) Without experience rating	$7,792	$12,542	$13,780
8. Total Federal and State unemployment compensation tax:			
(a) With experience rating	$2,597	$4,876	$5,394
(b) Without experience rating	$10,389	$17,418	$19,174
9. Present Federal and State unemployment compensation tax		$2,597	$2,597
10. Additional unemployment compensation tax if S. 1991 is enacted:			
(a) With experience rating		$2,279	$2,787
(b) Without experience rating		$14,821	$16,587

95 employees.

EXHIBIT 8

Unemployment compensation analysis

CORNELIUS PRINTING CO., INDIANAPOLIS, IND.

	Present law ($3,000 maximum)	S. 1991 ($5,600 maximum)	S. 1991 ($6,600 maximum)
1. 1965 annual payroll	$1,640,000	$1,640,000	$1,640,000
2. Col. 1—Total annual wages exceeding $3,000 for each employee	$891,337		
Col. 2—Total annual wages exceeding $5,600 for each employee		$450,469	
Col. 3—Wages exceeding $6,600			$320,864
3. Taxable payroll	$783,663	$1,189,531	$1,319,136
4. Current and proposed Federal unemployment compensation tax rates	0.004	0.0055	0.0055
5. Federal unemployment compensation tax	$2,995	$6,542	$7,255
6. State unemployment compensation tax rate:			
(a) With experience rating	0.007	0.007	0.007
(b) Without experience rating	0.027	0.027	0.027
7. State unemployment compensation tax:			
(a) With experience rating	$5,485	$8,327	$9,134
(b) Without experience rating	$21,159	$32,117	$35,517
8. Total Federal and State unemployment compensation tax:			
(a) With experience rating	$8,480	$14,869	$16,399
(b) Without experience rating	$24,153	$38,659	$42,772
9. Present Federal and State unemployment compensation tax	$8,480	$8,480	$8,480
10. Additional unemployment compensation tax if S. 1991 is enacted:			
(a) With experience rating		$6,389	$7,919
(b) Without experience rating	$15,673	$30,179	$34,292

225 employees.

EXHIBIT 9

Unemployment compensation analysis

ROGERS TYPESETTING CO., INDIANAPOLIS, IND.

	Present law ($3,000 maximum)	S. 1991 ($5,600 maximum)	S. 1991 ($6,600 maximum)
1. 1965 annual payroll	$312,383	$312,383	$312,383
2. Col. 1—Total annual wages exceeding $3,000 for each employee	$181,321		
Col. 2—Total annual wages exceeding $5,600 for each employee		$94,519	
Col. 3—Wages exceeding $6,600			$68,805
3. Taxable payroll	$131,062	$217,864	$243,578
4. Current and proposed Federal unemployment compensation tax rates	0.004	0.0055	0.0055
5. Federal unemployment compensation tax	$524	$1,198	$1,340
6. State unemployment tax rate:			
(a) With experience rating	0.005	0.005	0.005
(b) Without experience rating	0.027	0.027	0.027
7. State unemployment compensation tax:			
(a) With experience rating	$655	$1,089	$1,218
(b) Without experience rating	$3,539	$5,882	$6,587
8. Total Federal and State unemployment compensation tax:			
(a) With experience rating	$1,179	$2,287	$2,558
(b) Without experience rating	$4,062	$7,080	$7,927
9. Present Federal and State unemployment compensation tax	$1,179	$1,179	$1,179
10. Additional unemployment compensation tax if S. 1991 is enacted:			
(a) With experience rating		$1,108	$1,379
(b) Without experience rating	$2,883	$5,901	$6,748

45 employees.

EXHIBIT 10

Unemployment compensation analysis

NEW ORLEANS ENGRAVING CO., NEW ORLEANS, LA.

	Present law ($3,000 maximum)	S. 1991 ($5,600 maximum)	S. 1991 ($6,600 maximum)
1. 1965 annual payroll	$78,000	$78,000	
2. Col. 1—Total annual wages exceeding $3,000 for each employee	$30,000		
Col. 2—Total annual wages exceeding $5,600 for each employee		$6,500	
Col. 3—Wages exceeding $6,600			
3. Taxable payroll	$48,000	$71,500	
4. Current and proposed Federal unemployment compensation tax rates	0.004	0.0055	
5. Federal unemployment compensation tax	$192	$643	
6. State unemployment compensation tax rate:			
(a) With experience rating	0.009	0.009	
(b) Without experience rating	0.027	0.027	
7. State unemployment compensation tax:			
(a) With experience rating	$432	$643	
(b) Without experience rating	$1,296	$1,929	
8. Total Federal and State unemployment compensation tax:			
(a) With experience rating	$624	$1,036	
(b) Without experience rating	$1,920	$2,965	
9. Present Federal and State unemployment compensation tax		$624	
10. Additional unemployment compensation tax if S. 1991 is enacted:			
(a) With experience rating		$412	
(b) Without experience rating		$2,553	

18 employees.

EXHIBIT 11

Unemployment compensation analysis

CENTURY PRINTING CO., NEW ORLEANS, LA.

	Present law ($3,000 maximum)	S. 1991 ($5,600 maximum)	S. 1991 ($6,600 maximum)
1. 1965 annual payroll	$689,203	$689,203	$689,203
2. Col. 1—Total annual wages exceeding $3,000 for each employee	$312,949		
Col. 2—Total annual wages exceeding $5,600 for each employee		$141,349	
Col. 3—Wages exceeding $6,600			
3. Taxable payroll	$376,254	$547,854	
4. Current and proposed Federal unemployment compensation tax rates	0.004	0.0055	
5. Federal unemployment compensation tax	$1,505	$3,013	
6. State unemployment compensation tax rate:			
(*a*) With experience rating	0.020	0.020	
(*b*) Without experience rating	0.027	0.027	
7. State unemployment compensation tax:			
(*a*) With experience rating	$7,525	$10,957	
(*b*) Without experience rating	$10,160	$14,793	
8. Total Federal and State unemployment compensation tax:			
(*a*) With experience rating	$9,030	$13,970	
(*b*) Without experience rating	$11,665	$17,810	
9. Present Federal and State unemployment compensation tax		$9,030	
10. Additional unemployment compensation tax if S. 1991 is enacted:			
(*a*) With experience rating		$4,940	
(*b*) Without experience rating		$8,780	

115 employees.

EXHIBIT 12

Unemployment compensation analysis

LEWIS BUSINESS FORMS, INC., JACKSONVILLE, FLA.

	Present law ($3,000 maximum)	S. 1991 ($5,600 maximum)	S. 1991 ($6,600 maximum)
1. 1965 annual payroll	$1,984,340	$1,984,340	
2. Col. 1—Total annual wages exceeding $3,000 for each employee	$1,008,834		
Col. 2—Total annual wages exceeding $5,600 for each employee		$476,123	
Col. 3—Wages exceeding $6,600			
3. Taxable payroll	$975,506	$1,508,217	
4. Current and proposed Federal unemployment compensation tax rates	0.004	0.0055	
5. Federal unemployment compensation tax	$3,902	$8,295	
6. State unemployment compensation tax rate:			
(*a*) With experience rating	0.00403	0.00403	
(*b*) Without experience rating	0.027	0.027	
7. State unemployment compensation tax:			
(*a*) With experience rating	$3,931	$6,078	
(*b*) Without experience rating	$26,339	$40,722	
8. Total Federal and State unemployment compensation tax:			
(*a*) With experience rating	$7,833	$14,373	
(*b*) Without experience rating	$30,240	$49,017	
9. Present Federal and State unemployment compensation tax	$7,833	$7,833	
10. Additional unemployment compensation tax if S. 1991 is enacted:			
(*a*) With experience rating		$6,540	
(*b*) Without experience rating	$22,407	$41,184	

330 employees.

EXHIBIT 13

Unemployment compensation analysis

McCORMICK-ARMSTRONG, WICHITA, KANS.

	Present law ($3,000 maximum)	S. 1991 ($5,600 maximum)	S. 1991 ($6,600 maximum)
1. 1965 annual payroll	$1,983,074	$1,983,074	
2. Col. 1—Total annual wages exceeding $3,000 for each employee	$1,211,268		
Col. 2—Total annual wages exceeding $5,600 for each employee		$736,421	
Col. 3—Wages exceeding $6 600			
3. Taxable payroll	$771,806	$1,246,653	
4. Current and proposed Federal unemployment compensation tax rates	0.004	0.0055	
5. Federal unemployment compensation tax	$3,087	$6,856	
6. State unemployment compensation tax rate:			
(a) With experience rating	0.0075	0.0075	
(b) Without experience rating	0.027	0.027	
7. State unemployment compensation tax:			
(a) With experience rating	$5,788	$9,349	
(b) Without experience rating	$20,879	$45,648	
8. Total Federal and State unemployment compensation tax:			
(a) With experience rating	$8,875	$16,205	
(b) Without experience rating	$23,966	$52,504	
9. Present Federal and State unemployment compensation tax		$8,875	
10. Additional unemployment compensation tax if S. 1991 is enacted:			
(a) With experience rating		$7,330	
(b) Without experience rating		$43,629	

316 employees.

Senator ANDERSON. Our main discussion ought to be on H.R. 15119. Your told us about S. 1991. Do you approve of H.R. 15119; is that correct?

Mr. SHIELDS. I did not understand your question.

Senator ANDERSON. Do you support that?

Mr. SHIELDS. Yes, sir. I said the exhibits showing the favorable experience rating prove that we have stable employment and we do support and hope that you will pass and report this bill as it is, H.R. 15119. I say in my statement, I quote it, for the same reasons they show why we favor the passage of H.R. 15119 which retains experience ratings.

Senator ANDERSON. Do you have any suggestions for its improvements?

Mr. SHIELDS. Well, sir, we did not go into that; no.

Senator ANDERSON. That is what confuses me a little bit. You know S. 1991 is in trouble and may not be passed. What about H.R. 15119, is there anything in it that you would change?

Mr. SHIELDS. We would be satisfied that this bill is a realistic approach to the problem, so that so far as—I am unprepared to testify on any changes that I would like to see in that bill. We have accepted the fact that it passed so nearly unanimously in the House, and that this, we can accept this bill, we think we can live with it.

Senator ANDERSON. Well, I was in the House when the House passed a very strong labor bill, and Senator Taft improved it in the Senate. It is not possible, then, you think, to improve S. 15119?

Mr. SHIELDS. Yes, sir; I am sure it is possible to improve it but I am not prepared to discuss it.

Senator ANDERSON. Does your experience in business indicate that there isn't anything that can be done to it?

Mr. SHIELDS. My experience shows strongly that we must have a bill retaining experience ratings, that is my main purpose.

Senator ANDERSON. As long as it has this, nothing else matters?

Mr. SHIELDS. Yes.

Senator ANDERSON. You have 400 employees. Do you have stable employment?

Mr. SHIELDS. Right.

Senator ANDERSON. Has it been stable for a long time?

Mr. SHIELDS. Except this one period which shows graphically how the experience rating helped us come back. We paid the price for a period of time and then we could look forward to coming back to a figure with which we could live.

Senator ANDERSON. I do not question what you have said. I think it is strange that some of the witnesses have had not had a single thing in the bill they could point to and say we would like for it to be changed. You just want us to take the House bill as is, and occasionally things do get improved by another House, changes at least.

Mr. SHIELDS. Many times we get accused of being accused of being against everything in business that I think perhaps when we felt we had a bill that we feel we could live with we should support it and not try to weaken our case and say we are against everything. We do not want any unemployment compensation which is not true. We do, I am sure, as Mr. Thrush pointed out, and if he wants to say something, we do feel that the abuses, there are abuses in unemployment compensation, and we would love to have these corrected.

Mr. THRUSH. I think that the comment I wanted to make, Senator, was this: That we are here really representing the graphic arts industry, and we recognize that perhaps there are provisions in H.R. 15119 that would increase the Federal tax, it applies to everybody, including ourselves, but we do not object to that because we do not think that the graphic arts should speak for the entire country, but we do think that we have a very substantial case about experience ratings and I personally would be quite upset if it was left as an optional thing in the bill. I think it should be left in there definitely that experience and the merit system continue. I think sometimes we fail to realize that when this body acts and it is then left at an option of the States that a great many forces are brought to bear which get beyond the control of sound practice, where people who are active and are able to impose their ideas on State organizations then permit the experience rating factor to be eliminated in spite of the fact that this committee might want to see it remain and, therefore, we would prefer to see it specifically retained and not, as the chairman has indicated, that it is left up, it is kind of an optional thing that States can or cannot have. I think it would be, this committee might be perhaps remiss to do that. I believe that this should be in there.

Here we have 35,000 very small businesses. The thing that the Small Business Committee of this Senate tries to encourage, and yet by permitting a lapse of merit rating could really be a severe blow to these people and perhaps in many cases put them out of business. You are talking about some very substantial money in very small people.

Senator ANDERSON. You think Judd & Detweiler with 400 employees is a very small business, do you?

Mr. THRUSH. Well, sir, I will say this, I have 30 employees, and I operate a very small business, and the average——

Senator ANDERSON. But you have 30 and they have 400 or 500, what does that say about their business?

Mr. THRUSH. It is larger than mine.

Senator ANDERSON. That is right. And larger than most.

Mr. THRUSH. It is larger than most in the printing industry; yes, sir.

Mr. REILLY. The average is 18.

Mr. THRUSH. The average is 18, and you are talking about people who would be very sensitive to this kind of a change in the system. Actually, I think that Mr. Shields' charts show this very dramatically. In one case somebody goes from paying $5,000 to $6,700 and it is not a big business. It is a relatively small business. I think if you look through the charts, Senator, you will see we are talking about small business. We have actually tried to select at random so you will get an idea of the impact it would have not in one particular area, but across the country and we have also selected different sizes of plants.

Senator ANDERSON. You say the printing business, the graphic arts is a more stable industry than most?

Mr. THRUSH. It is one of the most stable businesses in this country, sir.

Senator ANDERSON. That is my experience and, therefore, it is not typical of the country generally.

Mr. THRUSH. I would say it was not typical. I think that we are—the fact that we are not typical perhaps shows the soundness of what President Roosevelt asked for originally that he wanted stable employment. This is an insurance program, unemployment compensation insurance, and this is the kind of thing that is best, the most satisfactory arrangement that could possibly be if there were stable employment.

That is the end that the bill is intended to provide in my understanding.

Senator ANDERSON. I was only thinking that there might be other industries that are not quite as stable as the graphic arts industry and maybe they should have some help. You do not think that is possible?

Mr. THRUSH. I think it is possible to give them help without eliminating the merit system, sir.

Mr. SHIELDS. Should they be helped by the printing industry? I do not believe we have gone that far to the common mixing of everything, have we, at least I hope not.

Senator ANDERSON. Do you think a system which would deny the merit rating is what you are talking about?

Mr. SHIELDS. We would pay the same tax rate as some industry which had no stability, and, therefore, we would be paying their unemployment compensation. This I do not think is right at all.

Senator ANDERSON. I would hope that you would have felt there might be something in the bill that you could tell us just besides you want to take it as it stands. This committee has to do some work on it and maybe some writing about it. Could it be possible we might find something good, do you suppose, to put in there?

Mr. SHIELDS. I am not prepared at this point to represent the printing industry, are you, Don?

Mr. THRUSH. I do not think we can represent it, but we certainly can express our own views on it and I think the chairman, Senator Long expressed the idea of incentives and we certainly could not in good conscience oppose such things because this is something that we recognize that there are variables between different States and perhaps they need some kind of incentive and incentives are part of this system, the American system, and we certainly favor it, but we certainly can feel very strongly about the merit rating system, Senator. We feel this is a vitally important factor to continue.

The CHAIRMAN. I do not think there is any substantial disposition in the Senate—there was not any in the House—to discontinue the merit rating. I do have just one thought that occurs to me: I notice in the District of Columbia where you made your computation, stable industry has a minimum of 0.1 percent tax. Now in some States it goes down to zero. Can you see the wisdom of applying the insurance principal to the extent of saying, "Well, those who suffer no losses should at least make some contribution for the insurance to help cover the cost of those who, of those high loss customers that we have in this business, are not able to maintain that kind of stable employment." In other words, can you see the logic in saying, "Well, you ought to pay some tax for unemployment insurance, something."

Mr. SHIELDS. Yes, sir, I was really shocked when through this study we found out there were States, I think Kentucky, where there is no—they have an experience rating and so much money, is what the man told me, they have got enough in their fund, their individual fund, to cover their possible, I suppose it is actuarially computed liability for possible, unemployment compensation and they would pay no more funds. Now they have paid into that fund so they have—it is not taxed.

The CHAIRMAN. I personally question the desirability of letting it go down to zero.

Mr. THRUSH. I think in many of the States there is a minimum experience rating you can have.

The CHAIRMAN. For example, in South Dakota they have got 42 percent of their wages subject to a zero tax.

Here is West Virginia that has had a lot of unemployment, 32 percent of their wages subject to zero tax for unemployment insurance. Iowa has 25 percent subject to zero tax. It would seem to me that if a State had a substantial amount of unemployment that those who do not have any unemployment should contribute something to help carry the burden of the program rather than to just contribute zero to the State fund. I should think they would contribute some minimal amount.

Mr. THRUSH. I think perhaps the Senator misinterprets what we are getting at. We are not objecting to paying the tax and with the experience rating we will be increasing our tax considerably to the new basis but the difference between having an experience rating and not having an experience rating, take your—let's say in Kentucky, which is one of the worst situations, let's say that we can expose a zero experience rating, they would go from $1,500 to $60,000. From my intimate knowledge of the profit situation in this industry in many cases

this would make for real hardship and in many cases put some of these small employers who are sole proprietors in many cases out of business.

The CHAIRMAN. If you go from zero to one-tenth of 1 percent, that is not likely to wreck anybody, would it?

Mr. SHIELDS. This, I think, anybody could live with.

Mr. THRUSH. We certainly agree with that.

Mr. SHIELDS. However, I know the condition of the District of Columbia where the fund there, I think is in the neighborhood of $65 million, there is a lot of income; in other words, the fact you are not paying any rate this year if you have on deposit—I haven't any idea what it is, $50,000 is a sizable income from that money, I assume this is invested in Government securities or something so that you would be making a contribution even though you did not pay anything in this particular year if you had a sizable fund on deposit.

Mr. REILLY. Mr. Chairman, if I may venture a comment, I would like to point out that supporting the increase in the Federal unemployment tax in the House bill, the purpose of that, of course, is to go partly into this fund for an extended period of benefits during times of recession, and we have no objection to that even though we do not expect our industry to be severely affected even by a recession.

Senator ANDERSON. Let me go back to what Mr. Shields is saying again, this is what bothers me. At the bottom of the page you say if the District is compelled to abandon the merit rating plan, our bill for unemployment compensation would jump from $5,000 to $65,000. Do you know of a bill which compels the District to abandon it; if so, what bill is it?

Mr. SHIELDS. No bill compels, but it does make it possible.

Senator ANDERSON. Why do you say that?

Mr. SHIELDS. Who does the compelling, as you well know, and we all know, when something is, shall we say, sitting on the table, it becomes a plum to be picked by whoever can get there, and the pressures that would be brought to bear on the District or whoever decides whether or not the merit rating is continued, I am reasonably sure it would only be a matter of time until this experience rating was modified substantially if not done away with. This is why we are opposed to the fact that you make it optional with the States as far as the merit rating system. This should be built into the bill and protected because it helps the purpose for which the whole thing was established.

Senator ANDERSON. That is what makes it hard for me to understand your statement. You base it all on compulsion, if you abandon the merit rating program. As a matter of fact, the bill had an option and did not have compulsion and the Secretary, Mr. Wirtz, said he was withdrawing that. So what are you fighting? Isn't it a completely empty bag? Nobody is advocating that, are they?

Mr. SHIELDS. I think they are.

Senator ANDERSON. Who?

Mr. SHIELDS. I think that there are many in this country who would like to see this funding up to the maximum in the amount in there because the people will spend it. This has been proven in the District of Columbia.

Senator ANDERSON. I heard testimony a while ago that there were women who were talking about having a temperance act. This was

during the Volstead period. The fact that they recommend that, does that mean we are going to have that sort of thing established?

Mr. THRUSH. But it is part of the bill, Senator, isn't that part of S. 1991?

Senator ANDERSON. No; a permission to do it there, but no compulsion. He says if the District is compelled to abandon the merit system. Who has suggested that they be compelled, anybody?

Mr. THRUSH. I think we are suggesting——

Senator ANDERSON. No, no; who has tried to compel it?

Mr. SHIELDS. I hope no one; I do not know anybody who has compelled.

Senator ANDERSON. What is your statement about?

Mr. THRUSH. We want to prevent the compulsion of the District.

The CHAIRMAN. May I say this, Senator Anderson, the Secretary testified that the Labor Department had originally recommended the provision that these gentlemen are testifying against but that the House turned it down, and he was not asking for it any longer. But I assume that those representing the printing industry just wanted to be sure that in the event that someone suggested it from the committee, when they met, that they were against it.

Senator ANDERSON. I do not know a single member of the Finance Committee that is in favor of this. Why did you come in and tell us that?

Mr. SHIELDS. Because I do not know whether you are for it or against it, sir. You have not voted on it so far as I know.

Senator ANDERSON. The House has not.

Mr. SHIELDS. No; the Senate has not yet had a chance. I do not know who is for it or who is against it if it is mandatory.

Senator ANDERSON. Who is advocating it?

Mr. THRUSH. It is in the bill.

Mr. REILLY. It is in the McCarthy bill. If you add together all the provisions of the McCarthy bill and the administration bill, it is calculated to induce the States to adopt a pool fund system; otherwise it would be virtually impossible to finance the provisions of that bill, except by abandoning the merit rating system, and that is why that provision is in there, which allows the States to do it. That is the point of our testimony.

Senator ANDERSON. I thought Secretary Wirtz had withdrawn the suggestion made. I administered the unemployment administration in the beginning of it. I never heard anybody make the suggestion to me. I like the merit rating system. But the whole testimony has been about how awful this is. Someone bats his fists against the posts and says he sees a ghost.

Mr. REILLY. No; Senator Anderson, because the bill is actually pending here.

Senator ANDERSON. That is why I would have liked to get suggestions, Mr. Reilly, as to how to improve it, but not as to provisions which do not exist so far as this committee is concerned.

The CHAIRMAN. We will adjourn until 10 o'clock tomorrow morning at which time we will hold an executive meeting.

Thank you very much.

(By direction of the chairman, the following is made a part of the record:)

NATIONAL INDUSTRIAL DISTRIBUTORS' ASSOCIATION,
Philadelphia, Pa., June 13, 1966.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
U.S. Senate, Washington, D.C.

MY DEAR MR. SENATOR: I understand your Committee has under consideration Bill S. 1991 which would tend to federalize the States' Unemployment Compensation Systems.

Enclosed is a resolution unanimously adopted at our 61st Annual Meeting in New York City opposing passage of this bill.

Our Association represents 533 distributors of industrial supplies and equipment including the largest in the country and we hope you will keep our views in mind when considering this legislation.

Yours very truly,

ROBERT G. CLIFTON,
Executive Secretary.

Whereas, Congressional bills H.R. 8282 and S. 1991 would establish Federal control over the State Unemployment Compensation Systems thereby adding to centralization of governmental authority, and

Whereas, this proposed legislation would drastically increase employers' unemployment compensation taxes, require large increases in state unemployment benefits, encourage states to eliminate experience ratings from their unemployment compensation tax structures, require states to establish a minimum of 26 weeks entitlement for benefits and cause many other detrimental effects, and

Whereas, hearings on H.R. 8282 will be scheduled in the near future by the House of Representatives' Ways and Means Committee, therefore be it

Resolved, by Members of the National Industrial Distributors' Association in Convention assembled this 25th day of May, 1966, that we hereby express our firm opposition to the purposes of this legislation, direct that copies of this Resolution be officially forwarded to Congress and urge Members to express their individual views on these bills to their Senators and Representatives.

NATIONAL INDUSTRIAL DISTRIBUTORS' ASSOCIATION,
Philadelphia Pa., June 27, 1966.

Hon. RUSSELL LONG,
Senate Office Building,
Washington, D.C.

MY DEAR SENATOR LONG: Thank you very much for your letter of the 21st requesting our opinion of legislation that may be introduced in the Senate similar to H.R. 15119.

Although I understand H.R. 15119 was adopted by the House of Representatives by a substantial majority, it is the opinion of our Members that any extension of Federal control of the States' Unemployment Compensation Systems is unnecessary and unwise.

For this reason, we remain opposed to H.R. 15119 as we did the original Bill, H.R. 8282.

Your consideration of our views will be sincerely appreciated.

Yours very truly,

ROBERT G. CLIFTON,
Executive Secretary.

AMERICAN TEXTILE MANUFACTURERS INSTITUTE, INC.,
Washington, D.C., July 7, 1966.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
New Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: It is our understanding that the Senate Finance Committee will begin hearings on the House-passed Unemployment Insurance Bill, H.R. 15119, on Wednesday, July 13, 1966.

The textile industry, one of the nation's larger employers of people, always has been vitally interested in the maintenance of a strong and sound Unemployment Compensation system, one that gives adequate protection to the rights of employees and, at same time, helps stabilize employment.

When hearings were held on the House side, a witness for this organization appeared and presented testimony setting forth the position of our industry.

This position in many respect paralleled the Bill which finally was reported by the House Ways and Means Committee, later to become enacted so overwhelmingly by the House. In view of the foregoing, it does not seem indicated that we should request an appearance before your busy Committee to reiterate our position. Rather, we employ this means to go on record in support of H.R. 15119 as passed by the House, without amendment.

We shall appreciate your making this letter a part of the record of the hearings.

Respectfully,

J. BURTON FRIERSON, *President.*

SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION,
Columbia, S.C., July 7, 1966.

Mr. TOM VAIL,
Chief Counsel, Senate Finance Committee, New Senate Office Building, Washington, D.C.

DEAR MR. VAIL: The South Carolina Employment Security Commission has carefully reviewed the provisions of H.R. 15119, The Unemployment Insurance Amendments of 1966, and wishes to go on record as favoring the enactment of this Bill without amendments.

Sincerely yours,

B. F. GODFREY,
Executive Director.

AMERICAN HOSPITAL ASSOCIATION,
WASHINGTON SERVICE BUREAU,
Washington, D.C., July 8, 1966.

Hon. RUSSELL B. LONG,
Chairman, Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: This statement is sent to you to express the views of the American Hospital Association in respect to H.R. 15119, "a bill to extend and improve the federal-state unemployment compensation program."

We have at various times, on behalf of the great majority of the hospitals of the nation, expressed our opposition to the compulsory inclusion of nonprofit hospitals under the unemployment compensation law. The reasons for this position are that operation of the nation's hospitals produces only a negligible risk of unemployment for hospital employees. This risk of unemployment does not justify adding millions of dollars in unemployment compensation payments to the public's annual hospital bill. The hospital insurance program enacted in Public Law 89-97 creates a federal financial responsibility for at least 25 percent of all hospital bills. The cost of hospital care to these medicare patients will be increased by the legislation before you. We believe that hospital employees would be better served by directing such sums, derived from government as well as from all other sources of patient revenue, towards salary improvement.

We believe H.R. 15119 is a definite improvement over previous legislative proposals in that it relieves hospitals from contributing to unemployment taxes to pay for unemployment in other industries and, further, in that the states are prohibited from imposing their regular rate of tax upon nonprofit hospitals. Nevertheless, there are still aspects of this bill that will contribute unjustifiably towards increased hospital costs which we wish to bring to your attention.

An examination of the turnover and unemployment situation in nonprofit hospitals reveals a high rate of voluntary separation of employees and a rather low level of involuntary departures. (See attached charts.) We fear that many of the voluntary separations would, in a number of states, qualify for unemployment compensation benefits either immediately or after a waiting period. The administration of unemployment compensation programs varies from state to state. We believe that in some states a separation because of pregnancy would entitle an employee to unemployment benefits, as would quitting to marry, to leave the state, to obtain a better job, or for other rather personal reasons.

In the area of involuntary separations, which average about 7 percent of total personnel, there are a number of reasons for discharging an employee which hospital management would consider to be just cause and not meriting any un-

employment compensation benefits. Yet, in many states, we understand that discharge for dishonesty, drunkeness on the job, disregarding hospital rules, behavior which endangers others and similar causes would not prevent the discharged employee from obtaining compensation. It is these variable aspects of the administration of the program which perturb the hospital field.

We feel that hospitals will be obligated to pay for unemployment compensation benefits in many instances when the employee is discharged in order to protect the health and safety of patients or where the employee chooses to leave for his own personal desires. Thus, even a self-insured program can prove to be unjustifiably expensive to hospitals and to those who pay for hospitalization. We trust the committee will bear in mind this concern of hospitals as employers.

We appreciate the opportunity of bringing the views of the American Hospital Association to your committee and request that this statement be made a part of the record of the hearings on this legislation.

Sincerely yours,

KENNETH WILLIAMSON,
Associate Director.

CHART A

Percent of all voluntary separations [1]

Cause for voluntary separation:	
Marital obligations	16.6
Sought better job	16.8
Returned to school	10.3
Pregnancy	9.5
Left without cause	8.9
Reasons of health	7.6
Dissatisfied with job	5.2
Left to marry	4.1
Transportation difficulties	1.8
All other reasons	19.2
Total voluntary causes	[1] 100.0

[1] All voluntary separations constitute 37.98 percent of total personnel. These are percentages of that figure. Statistics are for the year 1962.

CHART B

Percent of all involuntary causes [1]

Causes of involuntary separation:	
Unsatisfactory job performance	37.8
Excessive absenteeism	28.2
Disregarded rules	9.4
Emotionally unsuitable	4.8
Criminal conviction	1.0
Dishonesty	2.1
Drunk on job	2.8
Position abolished	4.6
Temporary layoff	2.4
Dangerous to others	.6
All other involuntary causes	11.3
Total involuntary causes	[1] 100.0

[1] All involuntary separations constitute 7.88 percent of total personnel. These are percentages of that figure. Statistics are for the year 1962.

STATEMENT OF GEORGE S. BULLEN, LEGISLATIVE DIRECTOR, NATIONAL FEDERATION OF INDEPENDENT BUSINESS

The National Federation of Independent Business is a national organization composed of more than 217,000 independents in all phases of commercial enter-

prise and the professions throughout the 50 States. As you probably know, our policies are determined by direct poll of the members—the majority vote on each issue being the deciding factor.

Our membership is a representative cross section of the Nation's entire business community at the retail, wholesale, manufacturing, servicing, and professional occupation levels. The majority position of this large membership, distributed in all the States and so representative by type or trade of all the Nation's 4.7 million small businesses should carry extra weight inasmuch as it no doubt fairly accurately reflects the opinion of all independents. The independents or small businesses account for more than 30 million employees. They are vitally concerned over the legislation before you.

In addition to policy-setting polls, we conduct yearly fact-finding surveys and, at the request of Members of Congress or Commitees, special surveys. In one section of last year's fact-finding survey ("Small Business—The Nation's Largest Employer") our members were asked if they had expanded during the past twelve months, and how many (if any) new job openings resulted. 70,700 responses were received. We all know small business is an essential vibrant part of our economy and that one of our prime national goals is the production of new job openings for our growing population and to reduce unemployment. In this connection, studies of our survey show that during the past year, projecting our representative rates to the entire American small business community, as many as 1.5 million smaller businesses created over 3 million new job openings. Obviously, anything that would affect the opportunity climate enjoyed by small business, such as the burdensome cost upon employers of increased tax rates, increased wage base and increased coverage for unemployment compensation, would ultimately affect our national economy and its goals.

From the time of our founding in 1943, the Federation has polled its members on fifteen separate occasions on "amending the Federal Unemployment Statutes" concept or closely allied issues. Each time, our members, by very large majorities, have either opposed expanding the Federal-State unemployment system or *voted that employees should pay a share of unemployment compensation payroll taxes.* While we have not taken a policy-setting Mandate poll on H.R. 15119, a poll was conducted in Mandate No. 308 on H.R. 8282, introduced by Mr. Mills of Arkansas (Expand the Federal-State Unemployment Compensation System). In this poll we stated the issue as follows:

5. H.R. 8282. A bill to expand the Federal-State unemployment compensation system. (Cong. Mills, Ark.).

Under this, about 5 million more workers would come under the law. The States would pay benefits for 26 weeks, and the Fed'l Gov't could continue payments for another 26 weeks. Firms with one or more workers would be brought into the system.

☐ For ☐ Against

Following are brief arguments "FOR" and "AGAINST", which our members were asked to read before voting:

5. Argument for H.R. 8282: Supporters of this bill say revisions are necessary "to meet the changed needs of a changed economy." The original law was aimed to cope with short-term unemployment, whereas in an economy experiencing rapid technological change, increasing skill demands and constant shifting of work requirements, long-term unemployment becomes a more dangerous risk. Thus, long-term unemployment should be covered by insurance at least as fully as short-term joblessness. Moreover, existing benefits are far too low, in many cases, to meet essential living costs.

5. Argument against H.R. 8282: This bill would double employers Fed'l and State unemployment taxes and increase the present taxable wage base from $3,000 to $6,600 by 1971. Every State would have to pay at least 26 weeks benefits for no more than 20 weeks work . . . and pay 26 weeks more benefits directly directly from Fed'l funds. The bill would compensate not only workers who lost jobs, but those who voluntarily quit, those properly discharged for misconduct and those who refuse to accept suitable reemployment. This was not the aim of unemployment compensation as original proposed.

Voting on the bill was as follows:

[Percent]

	For	Against	No vote
5. H.R. 8282. Expand Federal-State unemployment compensation system...	11	87	2

Now, as to the bill before you—there is no question that the small businessmen of this country, who are the Nation's largest employer, are greatly concerned over the proposed increases in tax rate, wage base and coverage. They are alarmed that passage of the bill could trigger a reverse in the trend of small business to provide jobs. The proposed tax constitutes a definite deterrent to the hiring of new employees, and to the establishment of new businesses. At the same time it could prove an insurmountable added burden upon those businesses which are finding it difficult to survive. We believe that too liberal unemployment compensation benefits tend to foster unemployment, and would lessen the incentive to seek, obtain, and retain employment. We feel that it is far more desirable to provide employment to promote self-respect and independence in the employee group than to encourage idleness by increasing unemployment benefits.

We can see no reason to federalize, to a greater extent, State programs that have been doing an adequate job. Finally, it seems to us that the bill is out of keeping with our traditional relationship between States and the Federal Government.

While we feel H.R. 15119 is less objectionable than H.R. 8282, we remain opposed to any expansion of the Federal-State unemployment compensation system.

If an overhauling of the unemployment insurance system is required, our members have voted in favor of Congress requiring workers to pay a fair share of the taxes. Unemployment compensation is a benefit for employees—it protects them against want while they are out of jobs looking for work. It is only right then that they should at least pay part of the taxes that support the program, in the same manner as for their insurance programs. Furthermore, by paying part of this tax, they would gain a greater sense of responsibility in their own jobs and in discouraging "free loaders" who try to ride unemployment compensation as long as possible.

STATE ADVISORY COUNCIL
ON EMPLOYMENT AND UNEMPLOYMENT INSURANCE,
DEPARTMENT OF LABOR,
New York, N.Y., July 8, 1966.

TOM VAIL, Esq.,
Chief Counsel, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. VAIL: I wish this letter to be considered as a written statement for inclusion in the printed record of the hearings on H.R. 15119 in lieu of my personal appearance as a witness at the hearings.

The New York State Advisory Council is a statutory body composed of nine members, appointed by the Governor of New York for 6-year staggered terms. The Advisory Council, under statutory mandate, reports annually its recommendations and findings to the Governor and the Legislature of New York State, and it advises the New York State Labor Department on legislative and administrative matters in connection with the employment security program. Three of the members represent labor; three, management; and three, the public. Among the public members are the President of St. Lawrence University, a

woman business executive active in civic affairs, and the Impartial Chairman of major components of the garment industry; the three labor members include the President of the New York State AFL–CIO and two other union officials; the three management representatives include officials of McKesson and Robbins, Niagara Mohawk Power Corporation, and a former New York State Commissioner of Commerce now serving as a management consultant. The Advisory Council has been in existence since the adoption of the unemployment insurance program in New York State in May 1935. Among the nine original members of the Advisory Council were Marion B. Folsom, former Secretary of Health, Education, and Welfare, and George Meany, now President of the AFL–CIO.

(*A*) *Coverage of employees of nonprofit organizations*

The Council unanimously supports the coverage of employees of nonprofit organizations as embodied in H.R. 15119.

As far back as 1939, the New York State Advisory Council on Employment and Unemployment Insurance said:

"Another situation under the present law which gives us much concern is the exclusion of employees working for nonprofitmaking charitable and educational organizations. This problem presents distinctive aspects which must be carefully considered before sound measures can be taken. These exempted institutions do not have the ability to pass tax burdens on to the consumer in the same way that business enterprises generally can. In almost all cases they would have to absorb the added charges themselves and that might create a serious situation, particularly when so many of them are already having difficulty in balancing their budgets. Then, too, these institutions, not being industrial undertakings, do not present the same pattern of employment and turnover which prevails in industry generally. Conceivably, therefore, principles which may be used satisfactorily in dealing with industrial unemployment may in their case prove to be neither correct nor equitable.

"It is the plan of the Council to call together representatives of the managing boards of the exempted institutions, as well as of their employees, for the purposes of considering this problem together in the hope that some acceptable solution can be found."

Over the years, the New York State Advisory Council has studied this problem carefully. It has recognized that the nonprofit organizations are engaged in rendering public services which government, in the main, would be compelled to furnish if these institutions have their funds seriously depeleted by these proposed new taxes or were to go out of existence. The funds of the nonprofit agencies are totally dedicated to these services. No individual derives a personal profit from their operations.

When New York State and the Federal government in recent years enacted legislation to provide unemployment insurance coverage for their employees on a cost basis, the Advisory Council came to the conclusion that a similar special financing arrangement was the answer for the nonprofit organization.

After meeting with a cross-section of the State's nonprofit organizations, the Advisory Council drafted a standby bill which embodied the option plan as its key provision. The bill received the support of the Association of Colleges and Universities of the State of New York, State Association of Councils and Chests, New York State Catholic Welfare Committee, Federation of Jewish Philanthropies and New York State AFL–CIO. The New York State Legislature passed the Advisory Council's "nonprofit organization" bill and it was signed by Governor Rockefeller on July 2, 1965.

The New York plan allows the nonprofit organizations the option of either reimbursing the unemployment insurance fund for the amount paid out in benefits to their employees or of contributing to the fund on the same basis as employers in private industry. The nonprofit organizations with little or no turnover would consequently be put to little or no cost. Those with high labor turnover would have no greater cost than borne by private industry. In addition, the New York plan does not contemplate the imposition of the Federal unemployment tax on nonprofit organizations.

It appears that the authors of H.R. 15119 have recognized the benefits that accrue to all interested parties under the New York nonprofit organization plan and have adopted its two principal features.

Therefore, the New York State Advisory Council fully supports the coverage of employees of nonprofit organizations as embodied in H.R. 15119. (A copy of the New York law on this subject is attached for your information as Appendix C.)

(B) Judicial review

H.R. 15119 includes a provision for judicial review of decisions of the Secretary of Labor.

In its 1962 Annual Report, the Council detailed the necessity for "Judicial Review of Federal Determinations on the Conformity of the State Unemployment Insurance Systems." The Council believes that the passage of four years has only strengthened its position on the necessity for judicial review. (A copy of the pertinent section of the Council's 1962 Annual Report is attached hereto as Appendix A.)

The Advisory Council unanimously recommends that the provision for judicial review set forth in H.R. 15119 be enacted into law.

Sincerely yours,

GEORGE J. MINTZER, *Chairman.*

APPENDIX A

JUDICIAL REVIEW OF FEDERAL DETERMINATIONS ON THE CONFORMITY OF STATE UNEMPLOYMENT INSURANCE SYSTEMS [1]

The right of the States to obtain review in the courts of Federal administrative rulings affecting their unemployment insurance systems remains unresolved. The question is of major concern to the employers whose contributions finance the State systems and to the employees for whose benefit they exist.

The Federal Unemployment Tax Act imposes a levy of 3 per cent on the payrolls of employers coming within the purview of that statute. To the extent of 90 per cent of this tax, employers are given a credit for contributions made by them to a State system of unemployment insurance. This credit, however, is allowed only if the State system meets the conditions specified in the Federal act. To the United States Secretary of Labor is given the authority of determining whether the conditions have been met. A ruling by him that a State system is not in compliance would lead to the loss of the credit for the employers of that State. The result would be double taxation for them—the imposition of the Federal tax in full and the continuation of their contributions to the State.

There would be a second result. The cost of administering the State unemployment insurance systems is at present met through Federal grants. A ruling that a State system was not in compliance with the federally presented conditions would stop the grant and the State system would be left without the money needed to operate.

Obviously, the Secretary, busy with his manifold other duties, cannot give this matter detailed personal attention. Necessarily the work is done and the judgments made by his staff. These determinations, so vital to States, actually lie in the hands of some anonymous, subordinate officials whose recommendations he follows.

Apparently it is the view of the Federal authorities that the rulings on the question of conformity made in the name of the Secretary are beyond the reach of judicial review. If that really be so, the situation is potentially too injurious to be continued. The view of subordinate officials in the Federal labor department—that action which a given State proposes to take in the further development of its unemployment insurance system is out of conformity—surely ought not to be the final judgment on matters of such importance to the people of each State, when the issue may involve complex questions of interpretation as to which reasonable minds may sharply differ. Whatever be the views of the officials of the labor department, whether their position be reasonable or arbitrary, whether their differences with the State reflect essentially a varying philosophy or a picayune technicality, the State in the absence of judicial review must bow. The injury done by being held out of conformity is too great to be endured. Its employers would be subjected to a double tax burden and the operation of its law would be halted.[2]

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[1] Annual Report of the State Advisory Council on Employment and Unemployment Insurance, 1962, Department of Labor, State of New York, p. 38.

[2] An illustration is to be found in the Advisory Council's recommendation for extending unemployment insurance to the employers of nonprofit organizations by relieving these organizations of the contributions imposed on other employers and requiring them to pay only the actual cost of the benefits to their employees. In the view of the Advisory Council this is not only socially sound but the only practical way of speedily achieving the objective. Serious consideration of this proposal by the Legislature has been prevented by a highly questionable Federal ruling that the enactment of the proposal would throw the New York act out of conformity.

Such absolute power in the hands of an administrative officer is not in the tradition of American public law and practice. It would, in fact, be impossible to find a single other area in which administrative determinations of such major consequence are made without the right given to those adversely affected to have review by the courts. We in America look to judicial review as one means for the preservation of democratic practices in the conduct of government.

Unless resolved, the issue is likely to grow even more acute. There is a strong movement, supported by the present administration in Washington, for the enactment of a Federal code of minimum standards which all State unemployment insurance systems would be required to meet. Such a code, if enacted, would substantially increase both the number and complexity of the conditions with which the States would be compelled to comply to preserve tax credits for their employers and to obtain administrative grants for themselves. In consequence, the determinations as to compliance, to be made by the Federal administrative authorities, would enter into and affect much wider areas of thorny policy and the results of an adverse ruling would be the more damaging. The resultant increase in uncontrolled administrative power would be intolerable.

In all likelihood the authority vested in the Secretary of Labor to pass upon the conformity of State laws is not as absolute as claimed. The Federal Administrative Procedures Act by its Section 10 declares that any person adversely affected by any administrative action shall be entitled to judicial review and that every such action which is final and for which there is no other adequate remedy in a court shall be subject to such review. It would be difficult to deny that a State or any of its employers could, under the provisions of the Federal Administrative Procedure Act, challenge a ruling that a provision of the State's law is out of conformity and compel justification of that ruling before the courts.[8]

It is most undesirable to litigate the question of whether judicial review is not already available. Yet, the continued uncertainty leaves the States in an intolerably vulnerable position and is hampering the progressive development of their unemployment insurance systems. There should be speedy clarification and protection.

A proposed bill which would expressly establish the right of judicial review has for some years been under discussion between members of the Federal labor department and representatives of the Interstate Conference of the administrators of the State unemployment insurance agencies. The Federal officials profess themselves in favor of establishing judicial review but they seem unable to reach agreement with the State administrators on the specifics.

The matters in dispute cannot be of such moment as to warrant further delay.

We urge that the Legislature memorialize Congress to enact promptly an appropriate provision for judicial review.

APPENDIX B

Estimates of noncovered employment in nonprofit organizations in New York State[1]

Total employment	480,000
Covered under present law	110,000
Not covered under present law	370,000
Excluded under provisions of bill (doctors, ministers, teachers, etc.)	70,000
Additional coverage under bill (midmonth)	300,000
Additional coverage (annual)	350,000

[1] Source: Division of Employment.

[8] This is the conclusion reached in a study of the question, Appendix C to the Minutes of the National Executive Committee, Interstate Conference of Employment Security Agencies, meeting of March 15–17, 1960.

APPENDIX C

STATE OF NEW YORK

Print 3056, 6717 Intro. 3038

IN ASSEMBLY

FEBRUARY 24, 1965

Introduced by Mr. ABRAMS—read once and referred to the Committee on Labor and Industries—Rules Committee discharged, bill amended, ordered reprinted as amended and recommitted to the Committee on Rules

AN ACT To amend the labor law, in relation to the coverage of nonprofit organizations under the unemployment insurance law

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Statement of intent. The unemployment insurance law of this state now excludes from its protection workers who are employed by certain tax-exempt non-profit organizations. Rights to unemployment benefits are derived from employment with employers who are required to finance these benefits by payments which cannot be used for any other purpose and which are distinguished not only by their designation as contributions but also by their characteristics from taxes levied for the revenues of the state. Therefore, the obligations of tax-exempt non-profit organizations established by this act under the unemployment insurance law do not constitute in fact and shall not for any purpose be construed as representing a deviation from the time-honored exemption of such organizations from general taxation.

§ 2. The labor law is hereby amended by adding thereto a new section, to be section five hundred sixty-three, to read as follows:

§ 563. Non-profit organizations. 1. Definition. A "non-profit organization" shall mean any corporation, unincorporated association, community chest, fund, or foundation organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

2. Exclusions. In addition to services not included pursuant to the provisions of section five hundred eleven, the following shall apply: (a) The term "employment" does not include services rendered for a non-profit organization by

(1) a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry, by a member of a religious order in the exercise of duties required by such order, or by a lay member elected or appointed to an office within the discipline of a bona fide church and engaged in religious functions;

(2) a person employed at a place of religious worship as a caretaker or for the performance of duties of a religious nature, or both;

(3) a person serving as a volunteer or performing work which is incidental to or in return for charitable aid;

(4) a person who participates in and receives rehabilitative or therapeutic services in a sheltered workshop or whose capacity to perform the work for which he is engaged is substantially impaired by physical or mental deficiency or injury;

(5) a person engaged in a professional capacity in scientific research work;

(6) a person employed as a physician, surgeon, dentist or medical intern.

(b) The term "employment" also does not include services rendered for a non-profit educational organization, including institutions of learning operated by religious organizations, by

(1) a person engaged to a teaching or other professional capacity;

(2) a person in regular attendance as a student in such an organization, or the spouse of such a student employed by that organization.

3. Coverage. Not withstanding the provisions of sections five hundred sixty and five hundred and sixty-two, a non-profit organization

(a) shall become liable for contributions under this article if it has paid cash remuneration of one thousand dollars or more in any calendar

quarter and such liability shall commence on the first day of such quarter and

(b) shall cease to be liable for contributions as of the first day of a calendar quarter next following the filing of a written application to this effect provided the commissioner finds that it has not paid cash remuneration of one thousand dollars or more in any of the four calendar quarters preceding such day.

4. Election of payments in lieu of contributions. A non-profit organization which is liable for contributions under this article may elect to become liable for payments in lieu of contributions as of the first day of any calendar year by filing with the commissioner a written notice to this effect before the beginning of such year.

5. Obligations upon election. A non-profit organization which is liable for payments in lieu of contributions shall pay into the fund an amount equal to the amount of benefits paid to claimants and charged to its employer's account in accordance with the provisions of paragraph (c) of subdivision one of section five hundred eighty-one on the basis of weeks of employment which began on or after the date on which such liability became effective. The amount of payments so required shall be determined by the commissioner as soon as practicable after the end of each calendar quarter or any other period. Such amount shall be payable at such times and in such manner as the commissioner may prescribe and, when paid, the employer's account of the non-profit organization shall be discharged accordingly.

6. Termination of election, (a) a non-profit organization may terminate its election to become liable for payments in lieu of contributions as of the first day of any calendar year by filing a written notice to this effect with the commissioner before the beginning of such year.

(b) The commissioner may cancel at any time such election of a non-profit organization which has failed to make any of the payments required thereunder within thirty days after the commissioner has noticed it of the liability for and the amount of such payment.

(c) If such election is terminated by a non-profit organization or cancelled by the commissioner, the non-profit organization shall remain liable for payments in lieu of contributions with respect to all benefits charged to its account on the basis of weeks of employment which began before the date on which such termination or cancellation took effect.

7. Assessment and collection of payments in lieu of contributions. The amount of payments in lieu of contributions due hereunder but not paid upon notice shall be assessed and collected by the commissioner, together with interest and penalties, if any, in the same manner and subject to the same conditions in which contributions due from other employers may be assessed and collected under the provisions of this article.

8. Conditions. The provisions of this section shall not be operative until the first day of the calendar year which first begins more than sixty days after the date on which the secretary of labor of the United States has certified that they conform to the requirements of the federal unemployment tax act. On and after such day, the provisions of subdivision four of section five hundred sixty and subdivision five of section five hundred sixty-one shall no longer apply to non-profit organizations.

§ 3. This act shall take effect immediately.

COUNCIL OF JEWISH FEDERATIONS AND WELFARE FUNDS, INC.,
New York, N.Y., June 27, 1966.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: I am writing to you in connection with the consideration now being given by your Committee to the bill to broaden the unemployment insurance system.

Our Board of Directors has noted the provisions in the bill passed by the House of Representatives (HR 15119), as contrasted with the Administration's recommendations for broader coverage and greater benefits for recipients of unemployment compensation, benefits for the long-term unemployed, uniform disqualification penalties, and the increase in the Federal portion of the tax rate.

Our Board had previously endorsed the principle of extension of coverage of employees of non-profit agencies conditional on insurance rates being set to reflect and not exceed the actual expenses incurred in providing the benefits. We note that the House bill has provided such coverage with, however, the exclusion of certain categories of employees. *It is our belief that unemployment compensation should be extended to all employees in nonprofit agencies.*

Furthermore, we hope your Committee will consider favorably other recommendations providing for Federal standards, to wit:

Broader Coverage: Extension of the unemployment system to five million workers not now protected. The House bill provides expansion of coverage of about three-and-one-half million persons. It excludes coverage of the nation's 700,000 farm workers, as the President had also requested, though it does cover 200,000 workers in specified types of food processing plants.

If to this number are added other workers with a regular employee relationship as proposed by the Administration, unemployment insurance would cover about 85 percent of all wage and salaried employees.

Added Weekly Benefits: a nationwide standard requiring all states to pay weekly benefits of 50 percent of the average weekly wages received by a worker before he became jobless, up to one-half of a state's average weekly wage.

Adjustment Benefits for the Long-Term Unemployed: additional payments for 26 weeks from a Federal fund beginning with the 27th week of unemployment.

Uniform Disqualification Penalties: states to be allowed to withhold benefits up to six weeks in cases where the worker quits voluntarily, was dismissed for misconduct or refused suitable work. Local employment offices would continue to have discretion to withhold benefits for a longer period where there was evidence that a worker was unavailable or unwilling to work.

To Pay For The Long-Term Adjustment in Benefits: a small increase in the tax rate—$^{15}/_{100}$ths of 1 percent—and an equivalent amount provided from general revenues; an increase in the taxable wage base (not adjusted since 1939); allow grants to states with abnormally high benefit costs; allow states to adjust tax rates on the experience rating principle, or by other methods.

It is our firm conviction that broadened coverage and increased benefits will constitute one of the most effective means for preventing an increase in the number of people falling into poverty. This is consistent with the whole thrust of the government's commitment to prevent and overcome poverty. We respectfully urge your favorable action in providing these Federal standards.

Sincerely yours,

LEWIS H. WEINSTEIN, *President.*

STATEMENT OF JOHN H. TODD FOR THE NATIONAL COTTON COUNCIL, NATIONAL COTTON COMPRESS AND COTTON WAREHOUSE ASSOCIATION AND BELTWIDE COTTON WAREHOUSE COMMITTEE

Identification

My name is John H. Todd. I live in Memphis, Tennessee and am Executive Vice President and General Counsel for the National Cotton Compress and Cotton Warehouse Association and acting staff head for Beltwide Cotton Warehouse Committee.

Representation

The combined membership of National Cotton Compress & Cotton Warehouse Association and Beltwide Cotton Warehouse Committee includes the owners and operators of the great majority of public cotton warehouses at interior locations throughout the cotton-growing states. Except for transportation, their members perform all of the physical bale-handling, servicing and storing services involved in the marketing and distribution of the U.S. cotton crop from the time it leaves the gin until the time it reaches the spinning mill.

National Cotton Council, the central organization of the raw cotton industry, is a delegate body of cotton producers, ginners, warehousemen, merchants, cooperatives, spinners and cottonseed processors throughout the cotton-producing states.

The cooperative segment of the membership of National Cotton Council is engaged in farming, ginning, cottonseed processing, warehousing and merchandising. It is, therefore, not given separate treatment in this statement. We do not deal herein with the effects on the cotton spinning segment because it has

already registered its views with your committee through American Textile Manufacturers Institute.

The economic condition of the raw cotton industry is such that it cannot afford the increased costs which would be created by either proposal

Due to the effects of inflation, the competition of synthetic fibers and foreign-grown cottons and the application of minimum wage and price support legislation, cotton merchants, cottonseed processors, cotton warehousemen, cotton ginners, and cotton farmers are unable to bear increased costs. In fact, they are all urgently seeking means of reducing current costs.

Merchants

The New Orleans Cotton Exchange is completely closed and the New York Cotton Exchange for some years has been existing on a "shoestring" basis because of the great proportion of total cotton supply which has been and is being "carried" by Commodity Credit Corporation rather than cotton merchants. For this reason, plus the inroads of synthetic fibers and foreign-grown cottons and lack of competitive pricing of U.S. cotton in foreign markets, many small and medium-sized and some previously large cotton merchant firms have closed their doors. Even the very largest of the cotton merchandising firms have sharply curtailed and consolidated their cotton merchandising operations. For several years few have realized a reasonable profit.

Cottonseed processors

Broadly speaking, the same conditions exist among cottonseed processors, especially those not equipped with solvent extraction plants and so located as to have available substantial volumes of soya beans as well as cotton seed.

Some 20 years ago there were approximately 360 cottonseed oil mills in operation in the U.S. The number of active mills today varies between 160 and 165. Some of such mills are active only four months a year while others, especially the larger plants equipped with solvent extraction machinery and having soya beans available as well as cottonseed, may in some years be active for as many as 11 months per year.

Cottonseed processors have never had an exemption from the Federal minimum wage. They have always had a complete exemption from the overtime penalty requirement. The House-passed bill now pending in the Senate Labor Committee would repeal that exemption, and leave in its stead only the possibility of a limited partial exemption of relatively little value. A substantial increase in labor costs would result—increasing, in turn, the cost impact of either of the bills here under discussion.

Profitable operation is already difficult. The reduction in cottonseed production which will result from recent farm legislation (at least 13 to 20% will make it increasingly difficult.

Warehousemen

There are some 1200 public cotton warehouses in the cotton-growing states. Approximately 200 of these are equipped with compress machinery to reduce the size of the bale for economy in storage and transportation.

In a thorough-going, well-designed and well-conducted cost study based on the 1959 crop year the U.S. Department of Agriculture found that 38% of public cotton warehousemen were operating at a loss or at no profit. Since that time the statutory minimum wage has been increased by 25% and personnel costs (which account for 50% or more of total operating costs) have increased by approximately the same figure. H.R. 13712 now before the Senate Labor Committee would stretch that increase from 25% to 75%, and would repeal virtually all of the exemption provision which now ameliorate to some extent the effects of the law on operating costs.

During the same period Commodity Credit Corporation has reduced the storage rates paid on government-controlled cotton by approximately 24%. CCC fixes the storage rates on the vast bulk of cotton in public storage. As of the end of April, 1966 Commodity Credit Corporation controlled more than 88% of all cotton in public storage. Although data are not yet available, that proportion is almost certain to increase before the end of the crop year, August 1, 1966. Thus (in addition to the factors which also bear upon other segments of the raw cotton industry) one branch of the Federal Government has drastically reduced the per-bale income on the great preponderance of cotton available for public storage, while another branch of the Government has made an equally

drastic increase in personnel costs; and now proposes an even more drastic additional increase.

Despite the large volumes of cotton on hand in storage, these conditions make it virtually impossible for many warehousemen to receive enough revenues to cover their fully allocated cost of operation and return anything approaching a reasonable profit on their investment.

This industry is certainly in no position to absorb additional costs, either in the form of minimum wage and overtime, or in the form of unemployment compensation costs. Each of such proposed cost increases naturally and inevitably compounds the other.

Cotton Gins

Since 1943 the number of active cotton gins in the U.S. has shrunk from more than 10,000 to less than 5,000. The estimated average investment in a cotton gin establishment in 1943 was approximately $20,000. The modern super-capacity cotton gin often represents an investment in excess of $300,000, and in some cases more than $400,000. Such expensive establishments require annual volumes ranging upward from 6,000 bales in order to recover operating costs.

While cotton gins have not in the past been subjected to the full impact of the Fair Labor Standards Act, their labor costs have continuously mounted over the years in which the minimum wage was increased to the present $1.25 level. The bill now before the Senate Labor Committee would repeal the gins' current exemption from the minimum wage and would increase that minimum wage from $1.25 to $1.60 per hour.

I estimate that the passage of the wage-hour bill will increase the cotton ginner's labor costs by amounts ranging from 40% to 60%, even with no reduction in ginning volume. Beginning with the 1966 crop, however, gins will be subjected to a substantial reduction in the volume of cotton available for ginning. The recently enacted cotton price support legislation promises to reduce the volume of cotton for ginning by at least 13 to 20% in 1966, and the proportion of reduction may well be greater, due to unfavorable weather conditions.

Cotton gins have traditionally operated on a quite narrow margin of profit for ginning services. They are in no position to assume or absorb increased costs of unemployment compensation. This present exemption should be continued.

Directly or indirectly, the cotton farmer bears the costs—and will bear any increase in the costs—of ginning, warehousing, and seed processing.

DISCUSSION OF H.R. 15119

Court review provision should be approved

The provision of Federal court review of determinations made by the Secretary of Labor is a wholesome and long overdue improvement. We urge its approval.

Neither the tax rate nor the wage base should be increased

For the reasons given above, the raw cotton industry is in no position to absorb the increased costs which would result from increasing the Federal tax rate from 0.4% to 0.6% or from increasing the taxable wage base from $3,000 to $3,900 in 1969 and to $4,200 in 1972. Of the two, the increase in the taxable wage base would be the more onerous because the increase in the base would bear not only the increased amount of Federal tax but also the full amount of the state tax. In Tennessee and Arkansas the state tax rate is 4%. In other cotton-growing states it is 2.7%.

Unemployment compensation should not be extended to the smallest employers

We urge the committee to delete the provision which would extend unemployment tax coverage to employers of one or more persons (or employers with a payroll of $1,500 or more per calendar quarter). Although some states already voluntarily do this, it is a matter which should be left to the discretion of each individual state in the light of employment conditions in that particular state. In a number of the cotton-growing states the administrative cost, both to the state unemployment compensation administration and to the employer, would be grossly out of proportion to the additional tax revenue.

The benefit period should not be extended

There are numbers of people who, in effect, have "lived" on state and Federal benefit payments in preference to regular gainful employment. This practice should be discouraged, rather than encouraged, as would be done by extension of the benefit period.

DISCUSSION OF S. 1991

The foregoing discussion has dealt exclusively with the proposals of H.R. 15119. We understand that S. 1991 (identical with the original H.R. 8282) in whole or in part will be advocated by the Department of Labor as the basis for amendment of H.R. 15119.

After careful consideration, the House Committee on Ways & Means and the House itself decisively and overwhelmingly rejected the proposals of S. 1991 (H.R. 8282). For the specific reasons set forth below, we urge that your committee do likewise:

Cotton farmers

S. 1991 proposes to apply the unemployment compensation program (for the first time) to any cotton farmer who during any calendar quarter of a taxable year employs 300 or more man-days of hired farm labor. A similar proposal is included in the Wage-Hour Bill now before the Senate Labor Committee which, for the first time, would apply the minimum wage to all hired farm workers employed for not more than 12 weeks per year, and also to other hired farm workers of any farmer who during one of the last four calendar quarters employed as many as 500 man-days of hired farm labor. That bill fixes the minimum for hired farm workers at $1.30 per hour.

It appears that S. 1991 and the wage-hour bill would apply their respective provisions to all farmers who produce more than perhaps 25 to 30 bales of cotton per year. That is to say, both bills would apply to the farmers who grow the overwhelming preponderance of the U.S. cotton crop. This figure is computed on the basis of hand-harvesting; but certainly there are few farm operations sufficiently large to utilize mechanical harvesters which will not meet the 500 man-days per quarter employment requirement.

In this connection, the Cotton Council's professional staff has developed some staggering figures (see table attached) on the impact of applying the $1.30 minimum wage to a cotton farmer who harvests his crop by hand. They figure that the average minimum cost per bale for hand-hoeing and hand-harvesting, alone, would be increased by the $1.30 minimum wage to a figure ranging from $137.80 to $163.80 per bale of cotton produced. These figures do not include the costs of land and equipment ownership and maintenance, land preparation, planting, application of insecticides, fertilizer, and other costs.

The average support price for cotton of the 1966 crop will range from $143.55 to $170.40, depending on the extent of acreage reduction. Thus it is obvious that the application of such a minimum wage to cotton farming would be disastrous. Extension of the unemployment compensation program to farmers would increase those and other labor costs by an additional amount ranging at the very least from 3.25% to 4.8%, and probably more.

In addition to these factors: Cotton price supports in 1964 were reduced by 2½¢ per pound. Another reduction of 1¢ per pound was effected in 1965. For many farmers this means a 30 to 40% reduction in net income. A further reduction in net income for many farmers may well result from the recently enacted farm legislation.

U.S. cotton economy in general

Approximately nine million people in this country, directly or indirectly, are dependent upon cotton for their livelihood. Our domestic spinners are not compelled to spin cotton. They have a wide variety of synthetic fibers from which to choose. Their choice will be based primarily on price. The other segments of the U.S. raw cotton industry are already in a precarious economic situation. For their continued welfare, if not indeed their continued existence, it is essential that the price of cotton to domestic spinners be competitive with the price of synthetic fibers, and that the price to foreign spinners be competitive both with synthetic fibers and with foreign-grown cottons. Farmers, ginners, cottonseed

processors, warehousemen and merchants are under the cold hand of compulsion to reduce costs in every possible way in the effort to make and keep U.S. cotton competitive in both domestic and foreign markets. Every item of additional cost, however small, inhibits their ability to accomplish this result.

Our cotton economy is in financial peril as it is. Any added burden will inhibit our efforts to improve the situation—perhaps even our efforts to survive.

Contrary to claims of proponents of S. 1991, the UC system has more than kept pace with the times

Proponents of the changes embodied in S. 1991 contend that the unemployment compensation system has not kept pace with the times; and that no major improvements have been made since its original enactment 31 years ago. What are the facts?

As illustrated in the table set forth below, which covers 14 major cotton-growing states, the maximum number of weeks of benefit payments in 1939 ranged from 12 to 22. With one exception where the maximum weeks are still 22, all cotton-growing states provide at least 26 weeks of payments, and four provide for 28, 30, 34 and 39.

As also shown in the table below, the maximum amount of benefits for the maximum number of benefit weeks in the 14 cotton-growing states has in every instance increased by more than 100% in 1964 dollars compared with 1939 dollars. If the amounts in 1939 dollars are converted to 1965 dollars, this table shows that the maximum benefits for the maximum benefit period *in terms of actual buying power* has been increased by amounts ranging from 23.3% to 156.8%, with an average of 85.4%.

There is a similar situation in the national average weekly unemployment compensation benefits paid. In current dollars such average of weekly benefits is reported as $10.66 for 1939 and $35.06 for 1964. In terms of current dollars, this is an increase of 237%. The Consumers Price Index for 1939 was 100 and for 1964, 224.9. If the average of weekly benefits for 1939 is converted to 1964 dollars it becomes $23.98, compared with the weekly average benefit for 1964 of $35.06. This represents an increase of 50% *in actual buying power* of the national average of weekly U.S. benefits.

S. 1991 would greatly increase unemployment tax costs throughout the cotton-growing States

We do not have adequate data for a comprehensive analysis of the cost impact of S. 1991, either on the cotton-growing states or on the various segments of the cotton industry within those states.

Among other things, we have requested from each cotton state an analysis by its unemployment compensation administrative agency on the effects of the bill on employers in the state. Such estimates have been received from only three states, Ga., Texas and Ark. Except for columnar charts included in the Ark. and Texas estimates, those estimates have been reproduced and are attached for reference.

The Georgia estimate indicates that by 1971 the bill will double the average cost of unemployment compensation per $1,000 (of covered wages).

The Texas estimate indicates that by 1975 the bill will increase Federal UC taxes by 198% above what they would be under the present law, and by 231.8% above what they actually will be in 1966 under the present law. It further indicates that by 1975 the total benefit costs and state taxes will be increased by 67.0% above what they would be under the existing law, and 101.1% above the actual benefit costs for 1966 under the present law. The Texas estimate further indicates that combined state and Federal taxes under H.R. 8282 by 1975 will be increased by 100.5% above what they would be under the present law, and 136.6% above what they would be in 1966 under the present law.

Increases in maximum benefits and maximum duration of benefits in cotton growing States (1965 compared with 1939)

State	Maximum weeks of benefit payments		Maximum benefits for maximum benefit period			Increase in buying power (percent)
			1939		1965	
	1939	1965	In 1939 dollars	In 1964 dollars		
Alabama	20	26	300	675.00	[1] $832	23.3
Arizona	14	26	210	472.50	1,118	136.6
Arkansas	16	26	240	540.00	[1] 936	73.3
California	20	26	300	675.00	[1] 1,430	111.9
Georgia	16	26	240	540.00	910	68.5
Louisiana	18	28	324	729.00	1,120	53.6
Mississippi	14	26	210	742.50	780	65.1
Missouri	12	26	180	405.00	[1] 1,040	156.8
New Mexico	16	30	240	540.00	1,080	100.0
North Carolina	16	26-34	240	540.00	[1] 919	68.5
Oklahoma	16	39	240	540.00	1,248	131.1
South Carolina	22	22	240	540.00	[1] 836	84.8
Tennessee	16	26	240	540.00	[1] 936	73.3
Texas	16	26	240	540.00	962	78.1
Average						86.4

[1] Unofficial data indicate a still higher figure.

In Arkansas the average state tax rate is higher than in most of the other cottongrowing states. The Arkansas estimate indicates that by 1975 Federal taxes under H.R. 8282 (S. 1991) would be increased 190.7% above what they would be under the present law and 260.3% above what they would be in 1966 under the present law. It further indicates that by 1975 state taxes (and bnefit costs) under H.R. 8282 will be 29.6% above what they would be under the present law, and 60.7% above what they would be in 1966 under the present law. It further indicates that the combined state and Federal taxes under S. 1991 in 1975 will represent an incrase of 59.1% above what would accrue under the present law and 97.2% above the taxes that would accrue in 1966 under the present law.

Generally speaking, cotton farmers, cotton ginners, cotton warehousemen and cottonseed processors draw their labor from a common pool of unskilled workers. Because of the marked seasonal character of all of these operations, the great majority of unemployment compensation claimants fall and would fall in this category. The average weekly wage naturally is below the statewide average which is based on all covered workers, including top executives.

Let us take an example of the lowest paid cotton warehouse worker. Assuming that he is paid the minimum wage for 40 hours per week for 38 weeks of the year, and for 48 hours during 14 weeks of the year, and that no overtime premium is involved. His present average weekly wage would be $52.69 (an annual rate of $2,740). Under the present $3,000 limitation his taxable annual wages for full time employment would be $2,709.69 which, at a present combined rate of 3.1% would produce a tax of $83.94. Under this basis the worker's weekly benefit amount would be $26.35.

Assuming the same wage rates and work schedules, but applying an increase of 116.9% to the combined rate of state and federal taxes (the average of the Ark. and Texas estimates), the combined rate of tax becomes 6.5287% and the increased tax amount on an annual basis becomes $178.89. This is an increase of 113.1% above the present combined taxes.

Assuming the same work schedule, and making recomputations on basis of the $1.60 minimum wage now pending, the average weekly wage becomes $67.44 and the annual rate $3,507.20.

The weekly benefit amount then becomes $33.72, an increase of 27.9%. Applying the same average increase of 116.9 in the combined tax rates, or a combined increased rate of 6.5287%, and the increased base, the increased tax on an annual basis becomes $228.97. This is an increase of 172.78% above the presently effective combined taxes.

So far as we can determine from data we have been able to assemble, 2.7% is the typical effective state tax rate in all cotton-growing states except Arkansas and Tennessee where the typical rate applicable to cotton warehouse employees is 4%.

Because of the seasonality of operations and employment, it is unlikely that any cotton ginner, cotton warehouseman, or cottonseed processor currently receives any benefit from the "experience rating" provisions under the state laws. It is equally unlikely that cotton farmers would receive any "experience rating" benefit. Nevertheless, we feel that the proposals of S. 1991 which would tend to discourage continuation of "experience rating" are unwise and undesirable, and that continued use of "experience rating" should be strongly encouraged. Employers should be given every feasible incentive to stabilize employment and minimize the need for unemployment compensation payments.

Seasonality of employment in the raw cotton industry

There is relatively little seasonal employment in cotton spinning and cotton merchandising, although some cotton merchants may still add to their staffs during the harvesting or ginning season a number of temporary junior clerks. So long as the bulk of cotton sales are merchandised from government-owned stocks, such seasonal employment will be minimal.

Cotton Gins: Generally speaking, the only employee of a *cotton gin* who works the year around is the manager. Other employees are employed only for the active cotton ginning season, which varies from time to time and from area to area, and generally will average between 12 and 18 weeks, but due to unfavorable weather may sometimes extend to 22 weeks or more. During the dormant season it is customary for the gin plant and machinery to have an annual overhaul. This may be done with seasonal gin employees, or by engaging independent contractors.

Cottonseed Processors: The typical small cottonseed processing plant which does not process soya beans will employ approximately 20 workers during the busy season and approximately 8 workers for the remainder of the year. The larger plants, especially those with solvent extraction equipment and which have available soya beans for processing, may employ up to 200 workers during the busy season and approximately 25 workers during the remainder of the year. For cottonseed processing, the busy season extends for at least the cotton-harvesting and ginning period (ranging normally from 12 to 18 weeks). It varies widely. In the case of some of the larger mills processing both cottonseed and soya beans, the active season may extend to as many as 11 months of the year.

Cotton warehouse and compress-warehouse plants: In quite a number of the smaller cotton warehouses in the southeastern states (capacity less than 5,000 bales) employment is constant, year round and from year to year. In the larger capacity warehouses throughout the cotton belt, except for the very largest compress-warehouse plants, peak employment usually extends for 12 to 18 weeks per year and the number of workers is reduced by approximately 70% for the remainder of the year. Such average figures, of course, hide wide variations. Some cotton warehouse plants maintain 75% of peak employment throughout the slack season, others 50%, some less than 20%.

Cotton Farmers: Cotton farmers experience three annual periods of high employment. First is the planting season in the spring. Second is the "thinning" of cotton plants and removal of weeds and grass during the summer. The greatest labor demand occurs during the harvest period in the fall, and this is particularly acute where the crop is harvested by hand.

The peak period for cotton farm employment coincides with the peak period for cotton ginning, cotton warehousing and cottonseed processing, which quite often results in a shortage of workers for some or all of those operations.

Except for the year-round employees at cotton warehouse and compress-warehouse plants and cottonseed oil mills and the relatively small number of year-round workers on cotton farms, many workers alternate between these employments during the various periods of the year.

Great care should be used to avoid penalizing these and other employers who provide substantial employment for seasonal workers but require them for only a portion of the year. Five of the cotton-growing states (Ark., Ariz., La., N. C. and S. C.) provide some amelioration for these conditions. The improvement and extension of such provisions should be encouraged.

Unemployment compensation should remain a State function

There are too many variations in the need for benefits, and in the effect of U.C. provisions for such a program to be prescribed by the Federal Government. Program details as well as administration should be left to the state governments and state officials who are closest to and most familiar with the pertinent circumstances.

The extension of Federal unemployment assistance benefits is unnecessary

In the cotton-growing states at least, and we believe in most if not all states, the period of benefit payments provided under state law is adequate and sometimes more than adequate. The extension of Federal benefits for a second 26 weeks, we believe, is both unnecessary and unwise. In lieu of such a program we suggest that provision be made for emergency benefit payments in the event of recession or depression. We urge, however, that any such provisions be so drawn as to be made applicable only to the states, areas, or labor markets where such emergency conditions prevail, and subject to administration at the state level.

The state legislatures and administrative officials have been and doubtless will be responsive to needs within their respective states. The Congress and Federal officials cannot hope to be sufficiently familiar with state and local economic conditions to provide for the necessary and inevitable variations.

The Federal Government should not extend the program to employers of one or more

Such application would produce undue hardships on small employers. In addition, the difficulties and expense of administration would likely outweigh possible benefits.

Cancellation of State bases for disqualification, combined with other features of this bill, would further increase an already existing great social danger

We strongly believe that unemployment compensation benefits should be restricted to those workers who are unemployed through no fault of their own and who are able, available, and willing to perform suitable work.

The easier the qualification, the larger the benefit, the longer the period of benefits, the greater is the destructive effect on the inclination and the incentive for steady work.

Several features of S. 1991 undoubtedly would tend to broaden and encourage this destructive effect. These include increase in the amount of benefit payments and extension of the period of benefit payments. Perhaps the worst feature of all is the proposal to convert to a mere six weeks delay the existing state bases of disqualification for benefit payments. This would make benefit payments available to workers who voluntarily quit their jobs, to workers who are discharged for misconduct on the job, and to persons who are unwilling to accept suitable employment when it is offered to them. This would be the clearest possible invitation to prostitution of the unemployment compensation program.

Selected data on cotton for Midsouth area (Arkansas, Louisiana, Mississippi, Missouri, and west Tennessee)

	12½ percent acreage diversion	35 percent acreage diversion
Support price (per bale, average of crop) 1965	$143.55	$176.40
Average minimum cost per bale of hand hoeing (at minimum wage and a bale an acre average yield) per hour		1.30
Normal year (35 to 40 hours) [1]		45.50-52.00
Wet year (50 to 55 hours)		65.00-71.50
Average minimum cost per bale of hand picking (at minimum wage, 175 pounds of seed cotton picked in 9-hour day, and 1,375 pounds of seed cotton per bale, or 71 hours) [1]		92.30
Average minimum cost per bale of hand hoeing and hand picking:		
Normal year		137.80-144.30
Wet year		157.30-163.80

[1] USDA farm management records.

ARKANSAS EMPLOYMENT SECURITY DIVISION ESTIMATED EFFECTS OF H.R. 8282

Proposed Employment Security Amendments of 1965 on Unemployment Taxes and Benefit Costs

Provisions of the proposed Employment Security Amendments of 1965 would produce the statutory changes set out below:

Law and date effective	Taxable wage base	Maximum benefit amount (as percent of average weekly wage)	Federal unemployment tax (excluding the 2.7 percent State tax credit)
		Percent	*Percent*
Present State and Federal law (1965)	$3,000	50	0.40
Proposed Federal provisions:			
1966 (July 1)			[1].55
1967	5,600		[1].55
1967 (July 1)	5,600	50	[1].55
1969 (July 1)	5,600	60	[1].55
1971	6,600	60	[1].55
1971 (July 1)	6,600	66⅔	[1].55

[1] May be reduced to 0.5 percent depending upon Federal adjustment account fund balance.

These amendments also provide for matching Federal grants equal to ⅔ of benefit costs exceeding 2% of a state's total wages.

The following three tables present estimates of the effects of this bill. Table 1 shows the comparison of Federal taxes under the present law and under the proposed Federal standards; table 2 compares state taxes and table 3 combines the Federal and state taxes to show the total tax load to be borne by employers. The estimates are a projection of taxes for the years 1966–1975 taking into account the different effective dates of the several provisions in the bill.

TABLE 1.—*Estimated taxes under proposed Federal standards bill*

ARKANSAS

[Dollars in thousands]

Year	Under present law	Under proposed Federal standards	Increase	Percent increase
1966	$3,117.6	$3,580.5	$462.9	11.5
1967	3,197.2	7,437.1	4,239.9	132.6
1968	3,282.4	7,815.0	4,532.6	138.1
1969	3,368.8	8,203.3	4,834.5	143.5
1970	3,445.2	8,600.4	5,155.2	149.6
1971	3,535.2	9,431.0	5,895.8	166.8
1972	3,615.2	9,881.3	6,266.1	173.3
1973	3,697.6	10,312.5	6,614.9	178.9
1974	3,782.8	10,767.4	6,984.6	184.6
1975	3,864.4	11,232.7	7,368.3	190.7

TABLE 2.—*Estimated State taxes under proposed Federal standards bill*

ARKANSAS

Year	Under present law	Under proposed Federal standards	Increase	Percent increase
1966	$13,918.5	$13,918.5	$0	0
1967	14,274.0	18,356.4	4,082.4	28.6
1968	14,653.5	17,844.4	3,190.9	21.8
1969	15,039.0	18,313.8	3,274.8	21.8
1970	15,381.0	18,730.3	3,349.3	21.8
1971	15,781.5	20,458.3	4,676.8	29.6
1972	16,138.5	20,921.1	4,782.6	29.6
1973	16,507.5	21,399.5	4,892.0	29.6
1974	16,887.0	21,891.4	5,004.4	29.6
1975	17,251.5	22,363.9	5,112.4	29.6

TABLE 3.—*Estimated State and Federal taxes under proposed Federal standards bill*

ARKANSAS

Year	Under present law	Under proposed Federal standards	Increase	Percent increase
1966	$17,036.1	$17,499.0	$462.9	27.2
1967	17,471.2	25,793.5	8,322.3	47.6
1968	17,935.9	25,659.4	7,723.5	43.1
1969	18,407.8	26,517.1	8,109.3	44.1
1970	18,826.2	27,330.7	8,504.5	45.2
1971	19,316.7	29,889.3	10,572.6	54.7
1972	19,753.7	30,802.4	11,048.7	55.9
1973	20,205.1	31,712.0	11,506.9	57.0
1974	20,669.8	32,658.8	11,959.0	57.8
1975	21,115.9	33,596.6	12,480.7	59.1

EFFECTS ON EMPLOYERS (ARKANSAS)

A firm with an assigned tax rate of 1.7% in 1964 paid a tax of $51 per full-time employee who earned the state average weekly wage of $74.57.

If the tax base had been $5,600 or higher, he would have paid $66 the first year the tax went into effect but during following years (assuming his cost rate remains unchanged) his tax would average $51 per employee because of the workings of the experience rating system.

A firm with an assigned tax rate of 0.5% (the minimum) in 1964 paid a tax of $15 per employee who earned an average of $74.57 per week.

If the tax base had been $5,600, or higher, he would have paid $19 per employee who earned an average of $74.57 per week. His tax in following years would rise as the average weekly wage rose provided his cost rate remains unchanged. In 1967, he would pay $21 per employee and by 1971 this would rise to approximately $23. This employer would not be affected by the workings of the experience rating system as long as he is assigned the minimum tax rate. His tax rate would be lowered only if the stabilization rates triggered out.

A firm with the maximum assigned tax rate of 3.1% in 1964 paid a tax of $93.00 per employee who earned an average of $74.57 per week.

If the tax base had been $5,600, or higher, he would have paid $120 per employee with average earnings of $74.57 per week. His tax in following years would rise as the average weekly wage rose. In 1967, he would pay $129 per employee and by 1971 this would rise to about $144. Unless the stabilization rate triggered out and/or until his contributions exceeded his benefit costs to the extent that his tax rate would be lowered by the experience rating system, this employer would continue to pay a higher tax per employee as wages rose.

Under the cost/tax relationship, it might be reasonable to assume that stabilization rates would remain in effect.

INCREASED FEDERAL TAX (ARKANSAS)

The table below summarizes the effects of the increased Federal tax on an employer. It shows the amount of tax which he would pay on an employee who earned the state average annual wage during the particular year cited:

	1964	1966	1967	1971
Tax per average employee:				
Proposed law	$12	$14.25	$22.88	$25.45
Present law	12	12.00	12.00	12.00
Increase		2.25	10.88	13.45

The proposed tax would be levied on *all* covered employers with one or more employees. Presently, only those with four or more employees pay this tax.

MATCHING GRANTS

Federal matching grants would be made to states in years when their benefit costs exceeded 2% of total wages. The amount would equal two-thirds of the cost in excess of 2%.

Benefits costs in Arkansas totaled $13,199,000, or 1.1% of total wages in 1964. They would have had to exceed $25,111,000 before the state could have qualified for matching grants. During the 26 year history of the agency, costs equaled or exceeded 2% of wages in only one year. In 1940, they equaled 2.4%. It appears that this provision will be of little benefit to this state. This would be particularly true if other provisions of the Act were passed and in view of the state's own tax structure.

Effects of raising tax base on 6 selected firms

ARKANSAS

	1964		Contributions			Tax rate
	Average employment	Average weekly wage	$3,000 base	$5,600 base	$6,600 base	
1. Lumber manufacturing	25	$48.91	$1,982.57	$2,098.06	$2,098.06	3.3
2. Concrete products	27	75.20	2,364.61	2,865.02	2,894.02	2.9
3. Construction	29	53.50	1,293.01	1,356.34	1,371.64	1.7
4. Retail trade	26	143.74	225.17	369.94	408.96	.3
5. Food manufacturing	20	88.41	171.51	230.05	239.05	.3
6. Printing and publishing	30	74.62	253.39	318.51	333.51	.3

Estimate (State) benefits costs under proposed Federal Standards bill

ARKANSAS

[Dollars in thousands]

Year	Under present law	Under Federal standards	Increase	Percent increase
1966	$14,919.0	$14,919.0		
1967	16,144.5	16,628.5	+$484.0	3.0
1968	16,677.1	17,164.9	+487.8	2.9
1969	17,326.9	18,062.8	+735.9	4.2
1970	17,849.7	19,047.4	+1,197.7	6.7
1971	18,364.8	19,694.4	+1,329.6	7.2
1972	18,878.0	20,356.5	+1,478.5	7.8
1973	19,395.2	20,869.4	+1,474.2	7.6
1974	19,903.4	21,336.6	+1,433.2	7.2
1975	20,422.3	21,805.1	+1,382.8	6.8

GEORGIA EMPLOYMENT SECURITY AGENCY ESTIMATED EFFECTS OF H.R. 8282

(Transmitted by the Office of the Governor)

In 1971 the average cost of unemployment compensation will increase from $2.25 per $1,000.00 to $4.50 per $1,000.00. This is due to the fact that the federal tax rate and base is increased under this Bill.

By 1971 there will be five billion dollars of wages in the State of Georgia covered. This will give us an increase in unemployment tax of $11,250,000.00 per year. At present there is three and three-fourts billion dollars worth of wages covered. The state rate will increase, based on just three thousand dollar wage base; to $20.00 per worker, and we are working at the present time approximately 900,000 people. It is safe to say that by 1971 we will have one million people. This will be an increase by 1971 in the state tax of $20,000,000.00, making a total cost for federal and state of $31,250,000.00 under this Bill.

TEXAS EMPLOYMENT COMMISSION ESTIMATED EFFECTS OF H.R. 8282

It is estimated that the annual increased cost to employers of the State of Texas will be somewhere between $80 and $100 million over and above the average present taxes of approximately $75 million. Attached is a chart showing an estimate of these increased costs by various categories as well as the total increased cost.

Summary—Estimated State and Federal taxes under proposed Federal standards bill

[Dollars in millions]

Year	Under present law	Under Federal standards	Percent increase
1966	$84.5	$90.4	7.0
1967	86.2	137.8	59.9
1968	88.0	156.2	77.5
1969	89.8	163.2	81.7
1970	91.5	170.6	86.4
1971	93.1	180.6	94.0
1972	94.7	186.2	96.6
1973	96.3	190.7	98.0
1974	97.9	195.3	99.5
1975	99.7	199.9	100.5

TABLE I.—*Texas: Estimated Federal taxes under proposed Federal standards bill*

[Dollars in millions]

Year	Under present law	Total, under Federal standards	Increase	Percent increase	Breakdown of additional costs							
					Added 0.0015 on present coverage from July 1, 1966	$5,600 tax base, present coverage at 0.0055	$6,600 tax base, present coverage at 0.0055	Coverage, 1 or more workers	Coverage, nonprofit organizations	Coverage, agricultural workers	Coverage, agricultural processing workers	Coverage, commission agents
1966	$22.9	$28.8	$5.9	$25.8	$2.7			$1.9	$0.8	$0.3	$0.1	$0.1
1967	23.2	55.6	32.4	139.7		$25.4		4.1	1.8	.5	.3	.3
1968	23.6	57.6	34.0	144.1		26.9		4.2	1.8	.5	.3	.3
1969	24.0	59.7	35.7	148.8		28.4		4.3	1.9	.5	.3	.3
1970	24.3	61.5	37.2	153.1		29.8		4.3	1.9	.6	.3	.3
1971	24.5	67.9	43.4	177.1			$35.5	4.7	2.0	.6	.3	.3
1972	24.7	69.8	45.1	182.6			37.1	4.7	2.1	.6	.3	.3
1973	24.9	71.9	47.0	188.8			38.9	4.8	2.1	.6	.3	.3
1974	25.1	73.9	48.8	194.4			40.7	4.8	2.1	.6	.3	.3
1975	25.5	76.0	50.5	[1] 198.0			42.3	4.9	2.1	.6	.3	.3

[1] Or 231.8 percent above 1966 tax.

TABLE II—*Texas: Estimated benefit costs (State tax) under proposed Federal standards bill*

[Dollars in millions]

Year	Under present law	Total cost under Federal standards	Increase	Percent increase	Breakdown of additional costs					
					Added cost with present coverage	1 or more	Nonprofit	Agricultural workers	Agriculture processing workers	Commission agents
1966	$61.6	$61.6	0	0	0					
1967	63.0	82.2	$19.2	30.5	$8.9	$6.1	$2.7	$0.7	$0.4	$0.4
1968	64.4	98.6	34.2	53.1	22.1	7.2	3.1	.8	.5	.5
1969	65.8	103.5	37.7	57.3	25.3	7.4	3.2	.8	.5	.5
1970	67.2	109.1	41.9	62.4	29.0	7.7	3.3	.9	.5	.5
1971	68.6	112.7	44.1	64.3	31.0	7.8	3.4	.9	.5	.5
1972	70.0	116.4	46.4	66.3	33.2	7.9	3.4	.9	.5	.5
1973	71.4	118.8	47.4	66.4	34.2	7.9	3.4	.9	.5	.5
1974	72.8	121.4	48.6	66.7	35.2	8.0	3.5	.9	.5	.5
1975	74.2	123.9	49.7	67.0	36.3	8.0	3.5	.9	.5	.5

NOTE:—It is assumed that State taxes will equal benefit expenditures. Added coverage was effective July 1, 1966. No benefit expenditures for this coverage was estimated until after July 1, 1967, as this coverage would not have had base period wages prior to this time. In some instances, there could be benefits payable prior to this date, but the amount would be negligible.

STATEMENT OF ARTHUR J. PACKARD, CHAIRMAN, GOVERNMENTAL AFFAIRS COMMITTEE, AMERICAN HOTEL & MOTEL ASSOCIATION

Mr. Chairman and gentlemen of the committee, I am Arthur J. Packard, president of the Packard Hotels Company, which is a chain of small hotels and motels. I am also chairman of the Governmental Affairs Committee of the American Hotel & Motel Association. The association is a federation of state associations having a membership in excess of 6,000 hotels and motels located in all sections of the country; it maintains offices at 221 West 57th Street, New York City and at 777--14th Street, N.W., Washington, D.C. I welcome this opportunity to present the association's views on S. 1991 and H.R. 15119—legislation which proposes to alter the currently-existing Unemployment Insurance system.

S. 1991

S. 1991 would change the Federal Unemployment Compensation rate from .40% to .55%. This appears to be a minor increase. However, this change would add over $2 million to the cost of payroll taxes and employee benefits in the hotel-motel industry. These benefits presently add 10% to the cost of labor in the industry and have increased nearly 60% since 1957. This is but one of the many rising costs of operation over which innkeepers have little control in an industry which is presently recording the poorest average return on investment in over 20 years.

Secretary of Labor, W. Willard Wirtz, in his statement last year in explanation of H.R. 8282 (the House bill corresponding to S. 1991), remarked that "long-term unemployment even more than shorter periods stem from the impact of national decision affecting the economy, and the effect of technological and other structural changes stimulated by national policy." I am certain that it is apparant to all that this "long-term unemployment" is felt by the relatively unskilled, elderly citizen or by the unskilled youth recently made a part of the labor force. 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 increased taxes and, for example, a Federal minimum wage. These very companies who will be forced to cut back to meet proposed Federal minimum wage legislation would be charged with unemployment insurance benefits paid to the same people they were forced to lay off in order to stay in business, thus increasing their unemployment insurance rate and total operation cost.

(For example, the head of a moderate-sized hotel-motel chain has informed the association that his company, not unlike others in the industry, employs many marginal and unskilled employees. He has stated that, if the industry is covered by the Minimum Wage and Hour Law as it was originally proposed in the 89th Congress, it would be necessary for him to terminate the employment of in excess of 1,000 employees in his chain. Despite this saving, he would have to pay a higher contribution rate on an increased wage base—a cost not anticipated in his original work force reduction estimate.)

The two-fold effect of the proposed legislation, that is: the substantial immediate increase in cost, and the reduction in the source of available labor, will place a severe burden upon an industry already faced with almost insurmountable problems. The accommodations industry receives each year a smaller portion of the national income; this proposed legislation can only cause further deterioration to an industry which is vital to our economy.

Long-term unemployment has reportedly become more serious in recent years. This long-term unemployment is the highest, however, among the unskilled members of the labor force. But with the advent of the Manpower Development and Training Act of 1962, its successor program and other similar training programs designed to improve the skills of our labor force, we believe there is less reason today for a *permanent* extended benefit program than there was in 1958 and again in 1961, when the Congress enacted *temporary* extended benefit programs. This is borne out by the recent steady decline in long-term unemployment, as measured by the number of claimants who exhausted their benefits rights, from 2.37 million in 1961, to 1.64 million in 1962, to 1.57 million in 1963, to 1.37 million in 1964, and to 1.08 million in 1965.

Today all states except two pay benefits for a half a year (26 weeks) or more. S. 1991 would require these two states to increase their benefit period to 26 weeks. Of far greater significance, however, is the fact that many states now require

more than 20 weeks of prior employment for a worker to receive 26 weeks of benefits. Under S. 1991, every state would be required to pay 26 weeks of benefits for no more than 20 weeks of prior employment.

S. 1991 would establish a permanent program of Federal benefits—termed Federal Unemployment Adjustment Benefits—for another six months (26 weeks) for those who exhaust their 26 weeks of state benefits and who had so-called "substantial" prior employment. This period of "substantial employment" means no more than 78 weeks of work in the preceding three years. At the same time, however, that some people with only this limited amount of work are drawing a full year of benefits, others with even more total employment, but differently distributed, will be ineligible. There will most certainly arise a cry for removal of this discrimination among claimants—leading to an extension of eligibility for a full year of the Federal benefits to practically everyone with a limited record of employment in the three prior years.

The unfortunate part of the whole Unemployment Compensation system is that it is in no way dependent on whether a company makes a profit. This type of tax puts a substantial additional burden on a property operating in the red. It is also a deterrent to the investment of new capital. We believe that if improvements in this system take place, the first and most important improvement is that the employee who stands to benefit should pay at least a portion of the cost.

For the reasons stated above, the American Hotel & Motel Association is unalterably opposed to S. 1991 and urges its rejection by the Committee.

H.R. 15119

H.R. 15119—the House-passed bill—represents a major departure from the proposed changes to the Unemployment Insurance system, as originally considered in the 89th Congress by the House of Representatives (H.R. 8282 and its Senate counterpart, S. 1991). In many respects H.R. 15119 is preferable legislation if indeed this Congress is to alter the present Unemployment Insurance system.

H.R. 15119 is a vast improvement over S. 1991 in that it (1) *eliminates* the proposed *Federal extended benefits* (Federal Unemployment Adjustment Benefits) *and proposes*, in lieu thereof, reasonable *"recession benefit" provisions;* (2) *eliminates* the proposed *Federal standards* for state unemployment insurance eligibility, benefit duration, and the amount of weekly benefits; (3) *eliminates* the proposed *disqualification standards* that would have required every state to pay benefits to everyone who: quit voluntarily without good cause, or was fired for willful misconduct, or refused to take suitable work while drawing benefits; (4) *eliminates* the proposed altering of the *"experience-rating"* concept; (5) *eliminates* the proposed *Federal* matching grants, i.e., *subsidy*, for excess" benefit costs; (6) substantially *reduces* the *proposed* increase in the *taxable wage base;* and, (7) *provides* for Federal *court review* of adverse unemployment insurance decisions by the U.S. Secretary of Labor.

In the final analysis H.R. 15119 is a marked improvement over S. 1991 in that it rejects, in both principle and substance, the far-reaching and potentially damaging provisions of S. 1991.

Although H.R. 15119 is to be preferred over S. 1991, the American Hotel & Motel Association cannot support the former *in toto*.

H.R. 15119 proposes to increase both the Federal Unemployment Insurance tax rate from 0.4% to 0.6% and the taxable wage base to $4200. As a result, some 45 states will most likely raise their wage base accordingly with employers in those states having their state (UC) tax liability computed on this stated above in our discussion of S. 1991, this immediate increase in cost—higher base. In consequence, many an employer will have larger taxes. And as stated above in our discussion of S. 1991, this immediate increase is cost—small percentage-wise but large dollar-wise—will place a severe burden upon our industry which is already faced with almost insurmountable problems.

In summary, we believe that the present Federal-State Unemployment Insurance System has operated with a great deal of success during difficult periods of our economic history. We are convinced that the system can continue to meet the needs of the economy if there is a degree of restrain on the part of the Federal authorities. This restraint can be best exercised if the unemployment insurance system remains in the hands of the several state administrators with changes therein to be accomplished on a state-by-state basis as the need arises.

STATEMENT OF DR. THOMAS K. HITCH, CHAIRMAN, HAWAII UNEMPLOYMENT COMPENSATION STUDY COMMITTEE

I am Dr. Thomas K. Hitch. I am Vice President and Director of Economic Research for the First National Bank of Hawaii, but I am appearing here in my capacity as Chairman of the Hawaii Unemployment Compensation Study Committee which was organized in 1955 and has studied this field intensively ever since. I am speaking for the following organizations which have representatives on this committee:

Chamber of Commerce of Honolulu
General Contractors Association of Hawaii
Hawaii Employers Council
Hawaii State Chamber of Commerce
Hawaiian Electric Company, Inc.
Hawaiian Sugar Planters' Association
Hawaiian Telephone Company
Honolulu Gas Company
Pineapple Growers Association of Hawaii

In addition, the Chinese Chamber of Commerce of Hawaii and the Honolulu Japanese Chamber of Commerce have asked me to inform you that they concur with the views I will express.

The organizations and companies I represent encompass practically the entirety of all business, industry, and agriculture in the State of Hawaii.

I might add that for most of my professional life I have considered myself as being primarily a labor economist, and that I served in that capacity on the staff of the President's Council of Economic Advisers in the Truman administration. I am currently a member of the tripartite advisory committee to the Hawaii State Department of Labor and Industrial Relations.

RE H.R. 15119

I strongly support the passage by the Senate of H.R. 15119 in precisely the form in which it passed the House of Representatives by an overwhelming vote.

H.R. 15119 is a compromise bill that was written after the most penetrating hearings on the subject of unemployment insurance that the Congress has held since the passage of the original act in the mid-1930's. It makes a large number of improvements in the unemployment insurance program which were needed to meet conditions existing today, while at the same time maintaining the fundamentally sound federal-state partnership in the program. It also puts this partnership on a more equitable footing by providing for judicial review of conformity decisions by the Secretary of Labor.

RE S. 1991

I strongly oppose the enactment of S. 1991 for reasons which are detailed in the remainder of this statement. I should preface these remarks by saying that the bulk of my remaining testimony will be confined to the subject of agricultural coverage since (1) Hawaii is the only state that covers agriculture and therefore its experience with this subject is unique, and (2) I participated closely in the drafting of the original bill to cover agriculture back in 1957 and I have followed developments in this field very closely ever since.

I. Agricultural coverage

A. *Agriculture in Hawaii.*—First, a few facts about Hawaii's agriculture. Agriculture has, historically, been the foundation of the Hawaiian economy and is still the biggest activity in the private sector. The two biggest agricultural industries are sugar, where our 1,100,000 tons per year represents 18.5 per cent of U.S. production and 12.2 per cent of U.S. consumption, and pineapple where our 18,000,000 cases of solid fruit and 12,000,000 cases of juice represents 50 per cent and 75 per cent respectively of world production. Other agricultural products are beef, milk, poultry, eggs, coffee, macadamia nuts, papaya, and a broad range of truck crops. Most of these latter activities are excluded from coverage because of their small size (we cover only employers with 20 or more employees), so I will confine my remarks to our experience with sugar and pineapple coverage.

B. *The lesson from sugar coverage.*—The lesson from sugar coverage is instructive in that sugar in Hawaii differs markedly from practically all temperate

zone Mainland agriculture, and therefore the fact that its employees have been covered by the employment security law at very little cost to the companies and at no cost to the reserve fund should not lead you to think that the same results would be obtained if coverage were extended to Mainland agriculture. The reason for this is, of course, that sugar in Hawaii is not seasonal. Sugar in Hawaii is generally two years from planting to harvest and generally some six years from planting to replanting; the harvesting season is generally some nine months in duration; the growing of cane and the milling of cane is an integrated activity under one management and with one work force; and during the few months of the year that cane is not being harvested and milled, there is plenty of work to be done (planting, care of crops, mill overhaul and repair, etc.) to keep the work force employed. Consequently, about the only unemployment compensation beneficiaries originating in the sugar industry are retirees, dischargees, voluntary quits, and an occasional layoff from a reduction in work force brought about by some labor-saving development.

C. *The lesson from pineapple coverage.*—Pineapple is much more like Mainland agriculture in that it is somewhat seasonal in its growing habits. I say "somewhat seasonal" because it is far less seasonal than most Mainland agriculture that I am familiar with. After all, Hawaii's climate is summer the year round, and pineapple (like sugar) is about two years from planting to harvest and from four to five years from planting to replanting. It is not like growing corn in my home state of Missouri where the fields are prepared and planted in the spring, the crop is taken off in the late summer, and the farm is battened down against the winter from November to March.

Nevertheless the pineapple that ripens in the summer when the sun is a bit warmer is better pineapple than the fall, winter, or spring crops, and hence the companies tend to peak their harvesting season in the June to September period. About two-thirds of the total crop is picked and canned in these months, with about one-third being harvested during the rest of the year. However, very little planting takes place during the summer harvesting season, so that the planting season (which varies between fall, winter, and spring by the different companies' varying cultural practices) tends to balance out to some extent this seasonality. Since all that the canneries do is to can the harvested pineapple, seasonality is somewhat greater there than on the plantations.

Hawaii's pineapple plantations have a regular full-time, year-round work force of about 2,000 which is augmented during the summer harvesting season by some 4,000 seasonal employees and which is augmented during the planting season by about 1,000 seasonal employees. The canneries have a regular year-round work force of something in excess of 1,000 people, with an additional 10,000 or more seasonals being hired during the summer harvesting season, of whom some 2,500 will work intermittently during the rest of the year when the canneries are operating on their reduced, off-season schedules. Practically all these cannery seasonal employees are women; most males in the group are high school or college students working during their vacation.

Since pineapple is about the only major activity in Hawaii with a seasonal pattern, it provides temporary jobs that otherwise would not be available to housewives, casual workers, and to summer vacation students.

With this background out of the way, let me now make a few points.

You can see that there are three rather distinct classes of workers in pineapple—the true seasonal worker who works only in the summer season and who rarely has any significant work experience outside of the season, the casual or intermittent worker who not only works during the harvesting and canning season in the summer but works intermittently and sporadically on the plantation or in the cannery during the period of reduced activity that we call the off-season, and finally the regular full-time, year-round work force. The pattern of employment for each is quite stable, season after season and year after year. If these seasonal and casual workers wanted full-time employment, they would have little difficulty in getting it in Hawaii where the rate of unemployment has never been as high as 5 per cent in the last decade and has frequently been at and even below 3 percent.

If our employment security law presumed that these seasonal and casual workers were in fact unemployed actively seeking work when they are not working in the fields or in the canneries, the cost of the program would be astronomical. The law therefore provides that *seasonal workers* in a *seasonal industry* (and both are specifically defined) are entitled to full benefits but these benefits are allocated between the seasonal period and the off-season

period in accordance with the worker's seasonal and nonseasonal work pattern in his base period. Thus, if a seasonal worker in pineapple worked only during the season (with no off-season earnings), he could only draw benefits during the next season. If, on the other hand, he had worked 15 weeks during the pineapple season and then had other work for 15 weeks during the off-season, half his total benefit entitlement could be drawn during the next season and half during the next off-season.

I mentioned earlier that without such a seasonality provision the cost of covering a seasonal agricultural industry like pineapple would be astronomical. We have a pretty good measure of what such costs would be as a result of studies conducted both by the industry and by the State Department of Labor and Industrial Relations two years ago. These two studies resulted in the same disturbing conclusion: that the elimination of the seasonality provision could cause benefits paid to pineapple workers alone (4 per cent of our civilian work force) to rise to such an extent that the cost of our entire unemployment insurance program would be increased by 45 per cent.

This causes us to be very seriously concerned with S. 1991 which, according to information I have from the Bureau of Employment Security, would result (inadvertently, I hope) in our seasonality provision being out of conformity. This result stems from the requirement (which I think is most inappropriate in any case) that any person who meets the maximum qualifying requirement (20 weeks of work or base-period earnings of five times the state weekly average wage) must be assured entitlement to 26 weeks of benefits. Also, it is likely that the proposed requirement that disqualifications be limited to a six-week postponement period (which again I think is most inappropriate) would result in seasonality provisions being out of conformity.

My conclusion is a very simple one: If the Federal Congress forces the repeal of Hawaii's seasonality provision, the increase in benefit payouts in Hawaii will be tremendous, and these payouts will be made to seasonal and casual workers who are not really unemployed when they are not working. Temperate zone Mainland agriculture is even more seasonal than is Hawaii's pineapple agriculture. I believe that any extension of coverage to agriculture should clearly and explicitly make it certain that each state has the right to enact seasonality provisions in keeping with the seasonal characteristics of its own agriculture and the processing of its agricultural products. Unless some realistic provision is made for recognizing the seasonal characteristics of agricultural activities which are governed by the seasons in widely varying areas, the costs of unemployment insurance would skyrocket without any relationship to the facts of real unemployment.

D. *A final comment.*—To round out my description of Hawaii's experience with agricultural coverage, I should mention that in our law we have recognized the need for keeping these costs as low as possible while still providing benefits identical to those provided under industrial coverage. We consequently permitted stable agricultural employers to provide benefits (through BES administration) on a pay-as-you-go basis—a reimbursable plan much like that which applies to federal, state, and local governments. This results in very sizable cost savings to the sugar and pineapple companies since they do not have to build up large reserves in the fund with respect to their agricultural payrolls. Six years' experience with this arrangement has shown that it works very satisfactorily from the viewpoint of the employer, the employee, and the government.

II. Need for modernization of qualifying standards and disqualification provisions

There is a pressing need that has been largely overlooked in these hearings for modernizing many of the unemployment compensation laws of the country. This need stems from changes that have taken place in the last quarter of a century in the labor force, in labor force attitudes, and in the unemployment compensation system itself.

The labor force is a much more fluid body than it was thirty years ago, with an immense increase in secondary workers, particularly women, who are from time to time in the labor force and from time to time out of the labor force. For example, 83.2 million people in the U.S. worked at one time or another in 1963, but according to the U.S. Department of Labor, only 57 million of these were full-time workers and the remaining 26.2 million were part-time workers or people who worked only intermittently. Of the 32.2 million women who were in the labor force at one time or another in 1963, almost half were part-time, intermittent, or temporary workers. This means that at any one time there are

an immense number of people with some recent work experience who are no longer in the labor force, but who can qualify for benefits if qualifying standards are set very low. S. 1991 says that no state can set a base period monetary qualifying standard higher than five times the average weekly wage in covered employment, which for Hawaii would be $472.85. Both of my teen-age daughters made more money than that last summer in vacation jobs. The average worker in Hawaii will, by definition, make that much in five weeks. To limit qualifying wage requirements to this amount automatically opens the unemployment compensation door to very large numbers of secondary workers who from time to time enter and then withdraw from the labor force.

Changes in labor force attitudes over the years make this situation much worse than it would otherwise be. Our thousands of housewives and students who work in our pineapple canneries every summer during the season never used to think of themselves as unemployed when the season was over, but now they have no compunction whatsoever in drawing whatever unemployment compensation benefits their brief and temporary work experience entitles them to. Equally, when casual workers work a short work week during the off-season, they expect a supplemental unemployment compensation check—which is always handled by mail to avoid the inconvenience of appearing in person at the Labor Department Building. After all, the benefit is a *right* if you meet the qualifying and other requirements.

I might add that in Hawaii—as perhaps in other resort areas of the country—we see this in extremes. We have nearly half a million visitors from the Mainland every year, and a great many of these visitors are entitled to benefits if the State Employment Service cannot locate suitable work for them. Under S. 1991 even the refusal of suitable work could carry only a six-week postponement of benefits.

Changes, primarily in coverage, in the unemployment insurance system itself have an important bearing on qualifying standards. In the beginning, coverage was severely restricted to the industrial core of the labor force—employers with eight or more employees, no public employment, no agricultural employment, etc. On the theory that many claimants would have much more *total* work experience than *covered* work experience, qualifying standards (which relate only to covered work experience) were purposely set very low. At this time when coverage is approaching totality, this reason for low qualifying standards has ceased to exist.

I therefore strongly oppose the limitations on qualifying standards contained in S. 1991. For similar reasons, I strongly oppose the limitations on disqualifications contained in S. 1991.

III. Need for modernization of benefit provisions

Whatever the need for modernization of the benefit provisions in the employment security laws around the country is (and certainly the need does not exist in Hawaii where we have one of the most liberal sets of benefit provisions in the country), I must strongly object to the proposal that the Federal government mandate the states to increase benefits. Everyone knows that state unemployment compensation legislation is a give-and-take proposition involving labor and business and that given a fair balance of political influence, labor has to permit the plugging of some loopholes in order to get improvements in benefits and vice versa. For the Congress to mandate a vast range of improvements in benefits and place a tight lid on matters like disqualifications (as S. 1991 would do) would guarantee that the situation that exists today in so many states whereby many persons with very little attachment to the labor force can draw benefits would get dramatically worse and would, I believe, lead to the eventual discrediting of the entire unemployment insurance system—which none of the people I speak for want to see come about.

IV. Federal unemployment adjustment benefits

I do not agree with the proposal for FUAB. As a temporary measure in times of high unemployment, there may well be some justification for such a program. But with unemployment of the regular work force at fairly minimal levels (not much over 3 per cent of the total work force in Hawaii now) exhaustees are largely people who need training or retraining or change of work attitude, or people who no longer have any attachment to the labor force (retirees, secondary workers who, having worked for a while, have quit for an indefinite period). The former need training, retraining, or a change of attitude rather than another twenty-six weeks of benefits, and the latter never should have been drawing benefits in the first place.

V. Benefit requirements

S. 1991 goes much too far in establishing benefit standards. To require that a person whose twelve-month base period total earnings are only five times the average weekly wage in covered employment (which for a person with average weekly earnings would represent only five weeks of work) must absolutely be entitled to twenty-six weeks of benefits is most improper, particularly with the large numbers of intermittent and secondary workers in the labor force. Such a requirement would effectively ban variable duration, and the logic of variable duration is well established in a vast majority of the states. It is, simply put, that the question of attachment to the labor force is for all persons other than full-time, year-round employees, a matter of degree. In short, attachment to the labor force is, for many people, not a black or white issue, but rather one of varying shades of grey. Entitlement to benefits based on this attachment is therefore not an all-or-nothing thing, but should be variable depending upon the degree of attachment.

VI. Disqualifications

Equally bad, in my opinion, is the proposal that disqualifications (except for fraud, labor dispute, and crime) cannot be more than a six-week postponement. Who can argue that a person who has voluntarily quit a job for no cause and who while drawing benefits is offered thoroughly suitable work but who refuses to accept that work should be entitled to draw a full fifty-two weeks of benefits after only a six-week postponement? We all know that because of the way many state laws are written, it is possible for many people to make drawing unemployment compensation benefits a perfectly legal but thoroughly immoral way of life. Why should the Congress mandate state governments to encourage such immorality?

Actually, the subject of disqualification is a very complicated one which few people have given adequate thought to. Employment security laws list a large number of disqualifying acts—fraud, labor dispute, criminal acts against the employer, voluntary quits, pregnancy, misconduct, absenteeism, retirement, drawing other social security benefits, etc., etc. Our problem is the ancient one of making the punishment fit the crime, and there is no more reason to have a single uniform disqualification penalty under employment security laws than to have a single uniform penalty for all crimes under criminal law. Would anyone argue for a $50 fine and a week in jail for every crime committed—whether it be exceeding the parking time limit, murder, rape, or shoplifting?

Aside from the areas of fraud and labor dispute, disqualifying acts properly (for employment security purposes) should be grouped into three categories—with the penalty for the three types being quite different. The first group of disqualifying acts consists of those that demonstrate that the person has quit the labor market and does not want to work—such as when a person drawing benefits is offered suitable work and refuses it or when a person voluntarily quits a job for no good cause. Surely there should in this case be no entitlement to benefits until that person has shown by his action that he is in fact back in the labor market. The second category should include persons whose status indicates they are really not available for work, such as those who quit for such reasons as pregnancy, marital reasons, etc. Surely they should not be entitled to benefits until these reasons for not working have disappeared. A third category consists of acts which carry no implication of withdrawals from the labor force—such as job misconduct, criminal act against the employer, etc. The penalty here should simply be one that would discourage such acts. A final separate category is that of retirement. This is a difficult one to devise fair and proper laws to cover, but it has become such a common practice (in Hawaii at least) for all persons who retire to start their retirement with twenty-six weeks of unemployment benefits (S. 1991 would extend this to fifty-two weeks) and this has become such a major drain on our fund that we should certainly have freedom in legislating reasonable means to cope with it.

VII. Experience rating

Two provisions of the bill are a direct threat to experience rating, and as such contain the inherent possibilities of great increases in costs over time. They are the provisions that (1) would permit reduced rates for pooled funds for any reason—even reasons unrelated to the employer's experience with unemployment—and that (2) would have the Federal government pick up two-thirds of the cost of all state programs above 2 per cent. Why worry about program cost if the Federal government will pay for most of it? Why worry about costs if savings are not reflected in reduced rates?

VIII. Tax base

Raising taxable wages and leaving maximum tax rates the same puts all the financial burden of increased taxes on those industries which employ higher paid employees. Some industries could have their taxes doubled, others would have practically no increase. This is obviously inequitable.

INTERNATIONAL ASSOCIATION OF MARBLE, SLATE & STONE POLISHERS, RUBBERS & SAWYERS, TILE HELPERS & FINISHERS, MARBLE SETTERS HELPERS, MARBLE MOSAIC & TERRAZZO WORKERS HELPERS,
Washington, D.C., July 14, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: This International Union is vitally interested in S. 1991, hearings on which are being conducted before your Committee at the present time.

We believe that it is necessary to set minimum federal standards in the nation's unemployment compensation system if unemployed workers and their families are to be protected. The movement of industry from one area to another and rapid automation have created many new adjustment problems for workers and their families. When the family breadwinner loses his job, unemployment benefits are the main source of support. However, jobless benefits in most states are inadequate even for short periods.

That is why we support President Johnson's proposals to amend the law to include broader coverage, fair weekly benefits, adjustment benefits for the long-term unemployed, uniform disqualification penalties, and modernized financing.

I respectfully request that this statement be printed in the record of the Committee hearing.

Sincerely yours,

WILLIAM PEITLER,
General President.

BROTHERHOOD OF PAINTERS, DECORATORS & PAPERHANGERS OF AMERICA, AFL–CIO,
Washington, D.C., July 14, 1966.

Re S. 1991.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: It is regrettable on my part that I cannot arrange to be at the hearing July 25th when the Senate Committee on Finance considers Unemployment Compensation Bill S. 1991. I am however, including herewith my position on Senator McCarthy's pending bill and I respectfully *request that this letter be made part of the minutes of the hearing.*

The 205,000 members of our International Union have expressed their desires and aspirations on the subject of a modernized unemployment compensation federal standard. They have indicated the real need for a much better coverage. More than four million American workers are not now protected and should be brought under the coverage of the law. Also, our people are in real need of more equitable weekly benefits under the law. The present amount of benefit is completely out of line with the present day economy and then there is the real major problem of long-term unemployment and this long-term idleness presents a real and actual problem for many of our people who are the victims when jobs are either automated or when plants or places of employment are transferred.

Surely, Senator, there are far-reaching needs for federal standards which would include a modern type of financing.

Thank you and the members of your committee in advance for your kind consideration of this statement which I am hopeful will be made a part of the record.

Very truly yours,

S. FRANK RAFTERY,
General President.

PRINCETON UNIVERSITY,
INDUSTRIAL RELATIONS SECTION,
Princeton, N.J., July 13, 1966.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: Enclosed is a statement signed by 38 academic specialists in the field of social insurance and labor markets with respect to policies they recommend in connection with revision of the Federal-State program of unemployment insurance.

This statement was developed by a group here at Princeton with the assistance of colleagues at other institutions last July. It was prepared in anticipation of legislation during this session of the Congress. A total of 42 persons were invited to sign the statement. Replies were received from 39, of whom 38 signed and one declined to sign because of disagreement with some parts of the statement.

On behalf of the group I am requesting that the statement with the list of signers be inserted in the current Hearings being held by the Senate Finance Committee with respect to revision of the Social Security Act as it relates to unemployment compensation.

Sincerely yours,

RICHARD A. LESTER,
Professor of Economics.

STATEMENT OF ACADEMIC SPECIALISTS IN SOCIAL INSURANCE AND LABOR MARKETS WITH RESPECT TO UNEMPLOYMENT INSURANCE

The Federal-State program of unemployment insurance was initiated 30 years ago with the passage of the Social Security Act. Since then significant changes have occurred in the composition of the labor force, in the character of unemployment, in wages and working conditions, and in the structure and technology of the economy. The unemployment insurance program, however, has not been properly adjusted to meet the present and prospective needs and problems in its field. It has steadily decreased in effectiveness as a means of stabilizing the economy and compensating jobless workers for part of their wage losses.

Congressional hearings are scheduled on bills aimed at revision of those parts of the Social Security Act dealing with unemployment insurance, so as to correct significant weaknesses revealed by experience. This statement indicates the kinds of changes that are needed in order to meet today's unemployment problem without upsetting the Federal-State structure of the program. The undersigned make the statement as individuals who have studied the role of unemployment in our economy and not in support of the detailed provisions of particular bills under consideration.

If the unemployment insurance program is to serve its intended purposes, at least four improvements in the law are needed.

First, employment under the Federal Tax Act should be expanded to include many sections of the nation's labor force already covered by the Federal Old-Age, Survivors' and Disability Insurance program. This means at least the inclusion of firms with one or more workers and many of the industries now exempt from unemployment insurance coverage.

Second, one or more standards with respect to State unemployment benefit levels should be included in the Social Security Act. Individual States need an indication of Congressional intent with respect to jobless benefit levels and also some protection against the competition of other States for industry in terms of depressingly low benefit levels. Since 1935, the average weekly earnings of workers have increased fivefold, yet the weekly benefit maximums or ceilings in State laws have, on the average, risen only threefold. The result is that the ceilings curtail the benefits of about half of all insured claimants; whereas in 1939 only 2 States had a maximum weekly benefit amounting to less than half the State's average weekly wage, that unfortunate condition applied to 38 States in 1964. In the case of States where a Federal benefit standard or standards would result in especially heavy unemployment insurance costs for a period of time, arrangements for Federal sharing of such extraordinary burdens would serve to support the achievement and continued maintenance of adequate State benefit levels.

Third, advances in the economy since the 1930's have made the wage base for the Federal Unemployment Tax obsolete. From 1936 to 1939 the tax base was the total yearly earnings of the person, but in 1939 it was restricted to the first $3,000 in order to conform to the tax base under Federal Old-Age and Survivors' Insurance. Since 1939 the Old-Age and Survivors' tax base has been raised four times, and pending legislation would make it apply next year to the first $5,600 a person earns per annum. Even a $5,600 base would be a smaller fraction of total covered payroll now than $3,000 was in 1939. Clearly the wage base for financing unemployment insurance should be adjusted to take account of the great increase in weekly earnings since 1939. Failure to make such adjustment has meant a growing separation between the benefit base and the tax base and has had some unfortunate consequences for the program as well as the general economy.

Fourth, a means must be provided to supply cash incomes for persons with long attachment to the labor force who suffer a long period of unemployment. Such persons are often victims of technological change, occupational obsolescence, or geographical shifts of industry, and their number has grown large. There is need for a limited additional period of compensation beyond the normal State maximum of 26 weeks while determination is being made of such jobless worker's need to shift his occupation, his residence, or the general character of the work he should seek, and while he is being counseled or is actually making necessary adjustments. Such longer-term provision of income seems logically to be a national responsibility, related to training, transfer, early retirement, and other national programs. The Federal-State unemployment insurance program was designed to compensate for short-term joblessness under insurance benefits provided as a matter of right. The program of longer-term provision should be planned and administered on a continuing basis so that individual workers can make definite plans and the program can serve its intended objectives.

In addition to these four improvements in the Social Security Act, the unemployment compensation program needs to increase the effectiveness of its operations. In general, the program suffers from high staff turnover, insufficient analysis and research, and an inability to attract and hold capable persons with professional aims and interests. Recent experience has clearly shown the need for more staff training, more attractive promotion possibilities, and more research to improve both the substantive effectiveness and the administrative efficiency of the program.

Remedial action along the lines we recommend has been long overdo. Failure to adopt these measures earlier has already had serious consequencies. Given the lag between Federal enactment and full results at the State and local levels, further delay would be most unfortunate.

Signed:

Leonard P. Adams, Professor and Director of Research and Publications, New York State School of Industrial and Labor Relations, Cornell University.

Charles W. Anrod, Professor of Economics, Loyola University.

E. Wight Bakke, Professor of Economics, Yale University.

Monroe Berkowitz, Professor of Economics, Rutgers—The State University.

Philip Booth, Lecturer in Social Work, School of Social Work, University of Michigan.

Douglass V. Brown, Professor of Industrial Management, Massachusetts Institute of Technology.

J. Douglas Brown, Professor of Economics and Dean of the Faculty, Princeton University.

Everett J. Burtt, Jr., Professor of Economics, Boston University.

John J. Corson, Professor of Public and International Affairs, Princeton University.

Frank T. de Vyver, Professor of Economics and Vice Provost, Duke University.

John T. Dunlop, Professor of Economics, Harvard University.

F. F. Fauri, Dean, School of Social Work, University of Michigan.

Robert R. France, Professor of Economics, University of Rochester.

Margaret S. Gordon, Associate Director, Institute of Industrial Relations, University of California, Berkeley.

William Harber, Professor of Economics and Dean of College of Literature, Science and Arts, University of Michigan.

Frederick H. Harbison, Professor of Economics and Director of Industrial Relations Section, Princeton University.

Seymour E. Harris, Professor of Economics, University of California, San Diego.

Jacob J. Kaufman, Professor of Economics and Director of Institute for Research on Human Resources, Pennsylvania State University.

Charles C. Killingsworth, Professor of Economics, Michigan State University.

Robert J. Lampman, Professor of Economics, University of Wisconsin.

Richard A. Lester, Professor of Economics, Princeton University.

John W. McConnell, President, University of New Hampshire.

William H. Miernyk, Professor of Economics and Director of the Bureau of Economic Research, University of Colorado.

Signed—Continued
Charles A. Myers, Professor of Industrial Relations and Director of Industrial Relations Section, Massachusetts Institute of Technology.
Herbert S. Parnes, Professor of Economics, Ohio State University.
Frank C. Pierson, Professor of Economics, Swarthmore College.
Albert Rees, Professor of Economics, University of Chicago.
Fred Slavick, Associate Professor, New York State School of Industrial and Labor Relations, Cornell University.
Herman M. Somers, Professor of Politics and Public Affairs, Princeton University.
Sidney C. Sufrin, Professor of Economics, Syracuse University.
Howard M. Teaf, Jr., Professor of Economics, Haverford College.
John G. Turnbull, Professor of Economics and Associate Dean of the College of Liberal Arts, University of Minnesota.
Lloyd Ulman, Professor of Economics and Director of Institute of Industrial Relations, University of California, Berkeley.
Dale Yoder, Professor of Industrial Relations and Director of Division of Industrial Relations, Graduate School of Business, Stanford University.
Neil W. Chamberlain, Professor of Economics, Yale University.[1]
Edwin Young, Dean, College of Letters and Science, University of Wisconsin.[1]

STATEMENT OF THE GIRL SCOUTS OF THE UNITED STATES OF AMERICA, PRESENTED BY MRS. HOLTON R. PRICE, JR., PRESIDENT

RECOMMENDATIONS

Girl Scouts of the United States of America recognizes the social and economic objectives of H.R. 15119 in regard to extending unemployment insurance to employees of non-profit organizations. We appreciate the consideration given by the House Ways and Means Committee to the recommendations made by this and other non-profit organizations. Section 104 of H.R. 15119 will make it possible for an organization like ours to fulfill its responsibilities as an employer in respect to unemployment insurance but in a manner that would not draw unnecessarily upon the funds and resources which have been contributed to Girl Scouting to carry out its program. We hope that the Senate Finance Committee will retain Section 104 of the bill in its present form. We particularly recommend retention of the following provisions made available to nonprofit organizations by H.R. 15119:

1. That non-profit organizations be allowed the option of either reimbursing the State for unemployment compensation attributable to service for them or paying the State unemployment insurance contributions.
2. That non-profit organizations not be required to pay the Federal portion of the unemployment tax.

FACTS SUPPORTING RECOMMENDATIONS

Our organization has three reasons for supporting optional statewide reimbursable financing rather than a payroll tax. We believe these same reasons justify exemption from the Federal portion of the unemployment tax:

1. Increased costs

Our organization, like other non-profit organizations, cannot readily pass on tax burdens to either its members or the donors who contribute to its financial support.

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[1] Signatures received after statement was released to press on July 26, 1965.

We estimate that for the calendar year 1967 a 3.3 percent payroll tax on a $3,900 base rate would cost the 499 local Girl Scout Councils $550,000; the National Organization would have to pay $116,500. The resulting added expense of $666,500 represents almost two percent of operating budgets. This high percentage is accounted for by the fact that in a service organization such as ours salaries are the major expense item on the budget. These payroll tax contributions would be significantly in excess of the claimant requirements for our employees and would add considerably to the difficulties of financing a non-profit organization.

2. Few claimants

Unemploment insurance payments on a tax basis would impose upon the Girl Scout National Organization and Girl Scout councils throughout the country, as well as many other organizations like them, an inequitable share of total insurance cost. According to 1961 Bureau of Employment Security figures, non-profit organizations are responsible for only 1 percent of total unemployment. This is the lowest percentage of any covered or non-covered industry.

The relationship of low turnover and low claimant benefits to tax payments by non-profit organizations is illustrated by experiences in Washington, D.C., Colorado, and Hawaii. According to recent Bureau of Employment Security figures, the contribution of non-profit organizations to insurance funds far exceeds the payments made to claimants. For example, in 1964, Washington, D.C. charged non-profit organizations $676,000 and paid claimants $268,000. Also in 1964, Colorado collected $461,000 from non-profit organizations and paid $181,000 to non-profit organization claimants. In 1960, payments by non-profit organizations to the insurance fund of Hawaii were $76,000, while claimants from these organizations were paid $53,000.

3. Nature of organization

Girl Scout employees are providing service designed, like public service, to assist in promoting the general welfare. Their specific objective is to help prepare girls for their citizenship responsibilities. The United States Government has acknowledged, by its recent actions and public statements, that organizations such as ours are necessary partners if the total potential resources of the nation are to be brought to bear upon its social needs. It would seem, therefore, that Federal tax exemptions applicable for State and local governments could properly be extended to non-profit organizations, and that methods similar to Federal reimbursement of the states could be made available to them for their claimants.

SUMMARY

Our presentation to this Committee is based upon our desire to meet the proposed bill's objective of extending unemployment protection to more employees who need it but, at the same time, to insure as fully as possible that the maximum amount of contributed funds and resources can be directed to serving the youth of our nation.

STATEMENT OF RUSSELL W. LAXSON, TREASURER FOR HONEYWELL INC., MINNEAPOLIS, MINNESOTA

This statement by Honeywell Inc., Minneapolis, Minnesota, is submitted in support of H.R. 15119.

SUMMARY

Careful weighing of the provisions of H.R. 15119 leads us to the conclusion that it is the most reasonable proposal possible. H.R. 15119 provides for several necessary changes in the Federal unemployment compensation law which we

support. It also contains a number of provisions about which we have some reservations. However, it is a carefully balanced proposal which, if enacted in its present form would make necessary improvements in the federal unemployment compensation law and would be in the public interest.

We support:

1. The provision for federal court review of the decisions of the U.S. Secretary of Labor concerning question of state conformity to federal statutes.
2. The provisions for extended benefits during periods of higher than normal unemployment.
3. The exclusion of major federal standards which would prohibit the individual states from developing and adapting state laws suitable for their own needs and circumstances.
4. The exclusion of provisions which would jeopardize individual company experience rating.

We would oppose:

1. Legislation which would establish federal benefit and eligibility standards and which would otherwise deny states discretion in adapting their state unemployment compensation laws to meet their own circumstances and needs.

STATEMENT

Honeywell is vitally interested in the unemployment compensation system, its financing, its benefits and its administration. We have some employees in every state and jurisdiction in the United States, and pay unemployment taxes in all of these jurisdictions. We believe that the unemployment compensation program serves a most useful function in our industrial society and that the program needs to be reviewed from time to time in order to assure that it meets the needs for which it was established. We believe that in most of the states, the laws are more than meeting the objectives of the unemployment compensation program as it was originally conceived.

Benefits today are generally much more liberal in both absolute and relative terms than those provided by standards originally established. Our broad experience with unemployment compensation also indicates the clear need for states to retain discretion in establishing benefits, qualification and financing standards. The diversity of conditions between states, and even within states, clearly shows that federal standards will not be equitable or workable in terms of a sound system of unemployment compensation.

IMPROVEMENTS PROPOSED IN BILL H.R. 15119

The provision for federal court review of state conformity decision of the U.S. Secretary of Labor has been urgently needed for many years. This will give states some avenue for appealing decisions striking down state provisions which the states have deemed necessary to sound fair and equitable administration of their unemployment benefit systems. The resolution of such conflicts between the states and the Secretary through the federal courts should increase respect for the unemployment benefit system and help increase public acceptance and respect for the system.

Past experience during recessionary periods has shown the desirability of developing a permanent system of extended benefits for recessionary periods of high unemployment. The provisions establishing this system of extended benefits also appear to be flexible enough to allow some experimentation by states in seeking a system of extended benefits which is fair and equitable and will meet the needs of those persons to whom very long term unemployment is a problem.

We believe that H.R. 15119 has sufficient merit that it ought to be enacted even though there are numerous provisions about which we feel some reservations. We recognize that H.R. 15119 is a finely balanced proposal arrived at after long and careful study by the House Ways and Means Committee, the Interstate Conference of Employment Security Administrators. In total H.R. 15119 will improve the unemployment benefit program. In its present for it balances the interests of all groups and is in the public interest. Amendments are likely to destroy the careful balancing of interests which has been achieved in H.R. 15119 and ought to be avoided.

STATEMENT OF IRA H. NUNN, WASHINGTON COUNSEL, NATIONAL RESTAURANT ASSOCIATION

Mr. Chairman and Members of the Committee:

My name is Ira H. Nunn. I am the Washington Counsel of the National Restaurant Association.

I appear today on behalf of the National Restaurant Association to present the objections of the food service industry to S. 1991 and to H.R. 15119. The National Restaurant Association is the trade association of the food service industry. With almost 12,000 direct members and through affiliation with 135 state and local restaurant associations, my association speaks for over 110,000 food service establishments in every state in the union.

STATEMENT OF POSITION

The food service industry is opposed to both S. 1991 and to H.R. 15119 and recommends against the enactment of either bill.

A bill identical to S. 1991 was the subject of extensive analysis by those who earlier have appeared before this Committee and before the House Ways and Means Committee. Its ramifications both technical and practical have been made clear. The bill reflects the philosophy of the current Administration that only increased federal control and expanded welfare benefits at the national level can solve the Nation's problems. This legislative proposal was rejected by the House Ways and Means Committee.

Further analysis is not needed for us to state categorically that we disagree with both the philosophy underlying the bill, S. 1991, and the approach to the problem of unemployment made by this bill.

This bill is complex and offers several far reaching projects but its fundamental defect to us is that it does nothing to solve the problem of unemployment. It does not seek to relieve or reduce unemployment. It seeks only to soften the blow of unemployment. This is a laudable goal, but S. 1991 would achieve it at such a high price to employers as to militate against the creation of new jobs and this is the only real answer to the unemployment problem.

Several points of objection have already been made with which we agree. I believe they are worthy of brief repetition.

We do not support the use of "average weekly wage" as a criterion for measuring adequate benefits. Such an average is deceptive because it includes the weekly pay of executives who rarely are unemployed. Although all averages are somewhat deceptive, we believe a fairer measure would be average weekly wages of claimants.

We believe that reducing the disqualification period and severaly limiting reasons for disqualification can only serve to encourage some workers to leave the work force for purposes of collecting unemployment benefits. We can see no reasonable justification for so rigidly restraining the states' ability to deal with qualification for benefits.

We believe that providing unemployment compensation to trainees is wrong. Those preparing for work should be compensated—in cases where compensation is justified or desirable—out of funds set aside exactly and solely for that purpose. Such trainees are not of an unemployed group the Unemployment Compensation Act was designed to handle.

S. 1991 IS NOT NEEDED

Many valid objections have been raised to the various provisions of S. 1991 as well as to its original House counterpart, H.R. 8282, but foremost and fundamentally S. 1991 is objectionable because it is not needed. The President has based his case on a claimed need. He said simply, "The system has not kept pace with the times. No major improvements have been made since its original enactment 30 years ago." The implication is that changes are needed because changes have not been made recently.

To us, the case has not been made; the issue has not been proved. Certainly, there has been considerable evidence offered by those who claim there is no current need for this legislation. Witness the remarks of Father Joseph M. Becker, S.J., "The states have experienced reasonable success in conducting their own programs, while increasing the real protection afforded the unemployed by about 100 per cent. As compared with those who received benefits in 1938, the first year in which benefits were paid, the beneficiary in 1960 received his benefits sooner, for a longer time and could buy more real goods with what he received."

S. 1991 VIOLATES THE PHILOSOPHY OF THE ORIGINAL ACT

The purpose of the Unemployment Compensation Act of 1935 was to provide a base, a minimum standard beneath which the states could not go in establishing unemployment benefits, tax rates and qualifying conditions and retain 90 per cent of the federal tax to be assessed. The federal power to levy and collect taxes was used and it was used sparingly.

This tax is a tax on employment levied only on employers. It is a cost of doing business but more accurately, a price to be paid in order to do business. S. 1991 would raise that tax to an intolerable level by raising the tax rate and drastically raising the taxable wage base.

S. 1991 would no longer permit the federal act to serve as a base or guideline to the states. Its requirements are too stringent for this. It would impose federal requirements almost completely and would leave the states almost no latitude. The states could impose only more rigorous or more costly requirements than the already overly burdensome requirements of S. 1991.

THE ERROR OF UPSETTING EXPERIENCE RATINGS

Federal law now permits and the states have adopted a provision which taxes at a lower rate employers whose workers have not been subjected to high or normal unemployment. It is true that S. 1991 would not directly affect this "experience rating" practice but it is also true, in our opinion, that the failure to require the states to adopt an "experience ratings" requirement as is the case with S. 1991, will result in the abandonment of "experience ratings" by the states.

The unions oppose "experience ratings" in our opinion because the desire to protect a good rating leads many employers to challenge claims for compensation. Employers who do not benefit by the reduced rate because of a poor rating show little zeal for preserving experience ratings. The likelihood then is that the states will be pressured to abandon experience ratings for a one-rate-for-all system of taxation or a tax rate established on an industry basis.

The latter plan would be quite harmful to many restaurant operators. Ours is an industry with a considerable labor turnover. The liberalizing aspects of other provisions of S. 1991 would cause many restaurant employees who leave their employment to qualify for benefits. On this point, consider the experience of one major restaurant chain, one by the way whose experience rating is excellent in states where it operates. Of those who left work and filed claims, 86 per cent were not qualified for immediate benefits. 23 percent had been discharged for misconduct and 63 percent had quit voluntarily. Only 14 percent of its claims were justifiable. Thus, the nature of our industry, it being one with an especially high percentage of unskilled workers, is such that it might not qualify for a favorable unemployment tax rate if judged on an industry basis.

Yet this would be unfair to many of our large chain operations, which through use of such fringe benefits as profit sharing and pension plans, have been able to develop a very stable work force. These chains stand to suffer most. They have the most employees and often the best experience ratings. Lumping them on either an industry or a statewide basis is unfair. The experience ratings system is a good one. It should be preserved and it can only be preserved by the federal statute.

HIGH TAXES DISCOURAGE EMPLOYMENT

S. 1991 provides a tax on employment. Whatever social need is filled thereby, the fact remains that this tax is going to be a high one. When coupled with the new high tax rates adopted to finance the Medicare law, we find that employers will be paying up to $537.90 per employee per year in payroll taxes. And this assumes no further increase in Social Security taxes.

We are faced with a per employee charge of $10 per week, a charge from which the employer derives no benefit. This $10 per week charge can only be controlled by not hiring new workers. Instead, the employer who provides overtime pay to current employees is able to avoid these extra taxes. When the other benefits employees receive are taken into consideration, it becomes profitable to provide overtime.

The answer is not to add to the penalty rate for overtime. The answer is not to add further to the cost of hiring employees. Such legislation as this and the proposal to extend and raise the minimum wage can only operate to accelerate

the trend to automation. The answer is to permit business a reasonable amount of freedom to deal with the problem of unemployment by itself without further encumbering business with higher taxes or penalty pay rates.

OUR OPPOSITION TO H.R. 15119

It must be conceded that many of the objections which can be raised to S. 1991 do not apply to H.R. 15119. To the extent that this is true, H.R. 15119 is a better bill but, we believe it is still not good legislation. We oppose the enactment of H.R. 15119 as well.

S. 1991 would lead to the elimination of experience ratings and H.R. 15119 is better, but no law is needed to preserve experience ratings.

S. 1991 would impose federal standards with respect to eligibility for benefits, amount and duration of benefits, as well as limiting the rights of the states to disqualify claimants. H.R. 15119 largely eliminates the federal standards requirements but again, this merely preserves the status quo and no new law is needed to do this. Also, H.R. 15119 does not interfere with the rights of the states to control requirements for disqualification from benefits.

The extended benefits provisions of H.R. 15119 are far superior to S. 1991. The "trigger" based either on a national or state recession is a good and a fair one and the principle of using such a trigger is especially sound. However, these provisions do not justify new legislation at this time, because we recently experienced a new law in unemployment and our economy is continuing in a prosperity of unprecedented length. We may one day need such recession benefits, though we hope we do not. In any event, there is no need for recession benefits at this time, so this provision of H.R. 15119 doe not justify new legislation.

A desirable feature of H.R. 15119 not contained in S. 1991 is that providing for judicial review of determinations of non-conformity of state laws by the Secretary of Labor. We recognize the desirability of such a provision but it is not of such importance as to overcome the other undesirable features of H.R. 15119.

S. 1991 would extend coverage to virtually every employer in the country. H.R. 15119, too, would extend coverage. While the extension of coverage under H.R. 15119 would be great, it would not be as broad as S. 1991. But extended coverage is not sufficient justification for new legislation. Half of our jurisdictions now cover more employers than required by the federal law.

In our testimony before the House Committee on Ways and Means, we argued that H.R. 8282 was not needed because the states had responded on their own initiative to meet changing needs in the field of unemployment compensation. All fifty one jurisdictions have at least doubled their maximum weekly benefits payments. Thirty of them made changes in 1965 alone. The states have not abandoned their responsibility in this area. They each have acted to meet the special needs of their people. Since the states are doing what is necessary, there is no need for the federal government to interfere either through S. 1991 or through H.R. 15119.

SUMMARY

By approving H.R. 15119 by a vote of 374–10, the House overwhelmingly rejected an increased federalization of the field of unemployment compensation. We urge the Senate Finance Committee and the Senate itself to reject any further federalization of the field. Further, we ask the Senate Finance Committee to recommend that the Senate do nothing in the field of unemployment compensation at this time.

The advantages of H.R. 15119 are not sufficient to justify its enactment at this time. Further, it must be recognized that while H.R. 15119 would not be as costly to employers as S. 1991, it would still be expensive. At present, the maximum tax under the federal law is $93 per worker per year. Under H.R. 15119, it would be $138.60. This is significantly below the maximum tax of $214.50 which would be required under S. 1991, but the maximum per employee tax under H.R. 15119 is still fifty per cent above that required by existing law.

Neither S. 1991 or H.R. 15119 is needed. Both are expensive to employers. We respectfully request the Senate Finance Committee to recommend to the Senate that neither be enacted into law.

AMERICAN FEDERATION OF LABOR AND
CONGRESS OF INDUSTRIAL ORGANIZATIONS,
AGRICULTURAL WORKERS ORGANIZING COMMITTEE,
Stockton, Calif., July 15, 1966.

Hon. RUSSELL B. LONG,
Chairman of the U.S. Senate Committee on Finance,
Washington, D.C.

Mr. Chairman and members of your Committee, as Director of the Agriculture Workers Organizing Committee, AFL–CIO, I urge you to support an amendment to include farm workers under the Unemployment Insurance System.

Governor Brown on numerous occasions has asked the California State Legislature to extend coverage to farm workers under the Unemployment Insurance laws of the State of California. Unfortunately, the State Legislature has failed to enact legislation incorporating the Governor's recommendations.

Many reasons are set forth by agribusiness and the commercial and industrial interests in California why agribusiness should be excluded from coverage in the Unemployment Insurance program. Primarily, however, two reasons are given more often than others: the first is that if agricultural labor is covered, it would place the State's agricultural industry in a disadvantageous, competitive position with the agricultural industry in other states. The second reason given is that the non-farming industries in California would have to help underwrite the program for the farming industry, and they would thereby be placed in a disadvantageous, competitive position with the non-farming industries in other states.

We believe the inclusion of farm labor as proposed by President Johnson in HR 8282 would fully answer the competitive issue faced by California farmers. And secondly, we believe the provision in the President's proposal for federal reimbursement of excessive benefits costs would lessen, if not totally wipe out, the fear of non-agricultural employers that sharing the cost of insuring agribusiness in California would result in a loss of business to competitors in other states.

No segment of the working force is more deprived. Farm labor is poorly paid and as Secretary Wirtz found out, if he did not already know, poorly housed.

In spite of the fact that farm labor produces the food for the best fed nation in the world, they are still economically the least secure in our nation's work force.

Unemployment insurance as a system to protect the unemployed against the disasters of unemployment, has proved itself. Both political parties, the Federal government and all State governments recognize that unemployment insurance is here to stay. Because it has proved favorable in support of the nation's economy, we ask that the thousands of farm workers be included within its scope. We urge it not only because farm workers, as a matter of right merit the protection, but we believe as a counterpart business in the farming communities especially, and the nation as a whole, would benefit from a more stabilized purchasing power.

Therefore, Mr. Chairman, on behalf of our members and all who work on farms, we urge you to include farm labor within the Unemployment Insurance System.

Very truly yours,

C. AL GREEN, *Director.*

ALABAMA LABOR COUNCIL, AFL–CIO,
Birmingham, Ala., July 15, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: We sincerely hope you and your committee will report out and recommend a strong unemployment compensation bill along the lines of the McCarthy bill, containing uniform federal standards for the amount of benefits and length of benefits plus a maximum of 26 weeks of extended federal unemployment compensation benefits.

The unemployed worker in Alabama is far worse off under the law than he was 28 years ago. In 1938 an unemployed worker could draw maximum benefits up to 92% of the state's average weekly wage. But in 1965 an unemployed worker drawing *maximum* benefits was entitled to only 42% of the state's average weekly wage.

Bad as the above picture is, the real picture is worse—a large percentage of workers are *barred from any benefits* because of unreasonable disqualifications under the law, such as:

1. Employees of small firms are not covered under the law.
2. Unreasonably high qualifying amounts bar still more workers.
3. Total disqualification for voluntary quits. A worker who voluntarily quits his job to better himself at another job and then gets laid off or discharged before he has earned the high qualifying amount at the new job is totally disqualified.
4. A female Alabama worker who is given an unusually long pregnancy leave by her employer (many are arbitrarily given 6 months to a year, but told to report back whenever they are able) is barred from any benefits for the total duration of the leave if no job is available, even though she is ready, willing and able to work.
5. Average *actual benefits paid* in 1965 was only $25.73.
6. Benefits were exhausted for more than 30% of the workers, who then drew nothing. For women, the rate was even higher.
7. More than 10% of unemployed covered workers in Alabama were disqualified from any benefits because of unreasonable disqualifications written into the law.
8. Those laid off workers who had earned vacation pay or severance pay are barred from unemployment compensation benefits until this money (earned by them) is exhausted.
9. Alabama's tax base is too low and unrealistic and has not been revised in line with pay scales in this generation.
10. The tax rate is too low to support an adequate unemployment compensation program.
11. Workers in only three states in the nation—Alabama, Alaska and New Jersey—are themselves taxed to help support the program—yet Alabama benefits to the worker do not reflect this.

In view of the above brief highlights of just a few of the glaring shortcomings of the Alabama law—many of which are faced by workers in other states—I am sure you can agree with us that the need for reform is imperative.

Won't you give us and workers throughout this country the protection they are entitled to when unemployed? We respectfully urge you and your committee to give us a strong bill—providing uniform standards and amounts, plus extended durations.

We also hope and request that you will have this statement printed in the record of committee hearings.

Sincerely,

BARNEY WEEKS, *President.*

NORTH CAROLINA STATE AFL-CIO,
Raleigh, N.C., July 14, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finances, U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: I am writing you requesting that you do everything possible to get your Committee to make a favorable report of Senate Bill 1991.

The reason I feel so strongly about this particular bill is because of my experience with the North Carolina General Assembly each time we request an improvement in our Unemployment Compensation Law of North Carolina.

When this law was originally enacted in North Carolina, it called for the payment of unemployment insurance of approximately two-thirds of a worker's weekly wage, however, since the original enactment of this law, not only has the General Assembly of this state failed to improve it in accordance with the increase in industrial wages of North Carolina, but they have on several occasions enacted what we commonly call "crippling amendments".

To give you an example or two: When the law was originally enacted, a worker was required to earn only $250 a year to draw unemployment insurance providing he met the other qualifications of the act. In 1955 the General Assembly doubled this amount which is estimated denied something like 40,000 seasonal workers of this state unemployment insurance because they earned less than $500 per year.

During the 1959 session of the General Assembly, they added $50 to this amount with a stipulation that this $550 must be earned in two different quarters. This again denied many people the right to draw unemployment insurance.

The 1961 session of the General Assembly enacted what we call the "labor disputes" amendment which specifically states that anyone unemployed due to a labor dispute within the corporation for which they work will be ineligible for unemployment insurance regardless of the state in which the dispute exists and also regardless of the fact that they are not involved in this labor dispute. During the Eastern Air Lines pilot's strike in 1961 or 1962, it is my understanding that North Carolina is the only state in which Eastern operates that denied the employees of Eastern unemployment insurance, however, they did not draw it in North Carolina because of the amendment enacted in 1961 although they tested this in the courts.

The conservative General Assembly of North Carolina was not satisfied with these crippling amendments or with their failure to keep the unemployment insurance law abreast of the rising cost of living and during the 1965 session of the General Assembly, they amended the law further crippling the act by stipulating at least "20% of the $550 base year earning must be earned in other than the high quarter".

Senator Long, I could continue with a great deal more of the inadequacies of the North Carolina Unemployment Compensation Act and why Senate Bill 1991 should be enacted in its entirety. However, I have given you some of the main reasons as to why we need Senate Bill 1991 and will not burden you with a lot of other statistics.

Let me close this letter by saying that in each effort to improve our state act we are constantly told that "you are better off than the surrounding states, why don't you let well enough alone?" In simple language, the states are competing with one another in their efforts to improve the act as little as possible.

Therefore, we say to you that Federal Minimum Standards are most necessary if we hope to see the citizens of the individual states treated like human beings instead of a commodity to bargain with.

I sincerely hope and trust you will grant this request to use your greatest influence in behalf of Senate Bill 1991.

With best personal wishes to you, I remain

Sincerely yours,

W. M. BARBEE, *President.*

P.S. Senator Long I respectfully request that you have this printed in the record of the Committee hearings.

MANUFACTURING CHEMISTS' ASSOCIATION, INC.,
Washington, D.C., July 15, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The purpose of this letter is to present the views of the Manufacturing Chemists' Association (MCA) concerning proposed legislation on Unemployment Compensation pending before your Committee. For your information, MCA is a non-profit trade association with 192 U.S. member companies, large and small, which together account for more than 90% of the productive capacity of the chemical industry in the United States.

We believe the present system of state-developed and state-administered unemployment compensation programs should be continued. In our judgment Congress acted with great wisdom in leaving to each state the authority to determine the amount of benefits, duration of benefits, and benefit eligibility and disqualification. These are matters which, in our opinion, must be adjusted to conditions within each state.

We have studied in detail H.R. 15119, as passed by the House of Representatives, and it is our considered opinion that it embodies improvements in the Federal law on Unemployment Compensation while preserving those fundamental principles we believe to be important.

As you are aware, H.R. 15119 replaced H.R. 8282 which is similar to S. 1991 also pending before your committee. At the time H.R. 8282 was being considered, our Association and other interested groups raised a number of objections to provisions in the bill which it was felt would have had the effect of "federalizing" the State unemployment compensation programs. The House Ways and Means Committee carefully considered all comments received including the advice and counsel in executive sessions of the administra-

tors of state agencies on employment security, and arrived at the provisions embodied in H.R. 15119.

Although H.R. 15119 is not fully in accord with all of the recommendations made by the Manufacturing Chemists' Association, we view it as constructive legislation and in the public interest. We therefore urge that your Committee consider prompt and favorable action on this bill which is the product of such long and careful study.

We appreciate very much the opportunity of bringing these views to the attention of the Senate Finance Committee and respectfully request that this letter be made part of the record of the hearings on this legislation.

Sincerely yours,

M. F. CRASS, Jr.

INTERNATIONAL ASSOCIATION OF MACHINISTS,
Washington, D.C., July 15, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: On behalf of the membership of the International Association of Machinists and Aerospace Workers, AFL–CIO, please accept this statement for the record of your hearings in support of S. 1991, the long-overdue amendments to up-date and correct inequities in unemployment compensation.

Uniform Federal standards in both the weekly benefits and duration of benefits are sorely needed, particularly because of today's high cost of living and rapid automation which causes sporadic unemployment.

With best wishes, I remain

Sincerely yours,

P. L. SIEMILLER,
International President.

THE DETROIT EDISON CO.,
Detroit, Mich., July 18, 1966.

Re H.R. 15119, Unemployment Insurance Amendments of 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of The Detroit Edison Company I submit herein, in lieu of personal appearance, a statement for the record in support of H.R. 15119. An additional 50 copies are enclosed for distribution to Committee members, staff, and other interested persons.

Our Company is a regulated public utility engaged primarily in the generation, transmission, distribution, and sale of electrical energy in the highly-industrialized Detroit and Southeastern Michigan area; it has about 9,800 employes and serves approximately 1.4 million customers in a service area containing nearly 4 million people. Since its earliest days the Company has conscientiously attempted to provide a high degree of stability of employment for its workers. As a result, our employment experience has been very favorable, and layoffs have been the exception rather than the rule.

We support the enactment of H.R. 15119 in its present form because we believe that this Bill, as passed by the House, accomplishes reforms in a manner which generally is consistent with the basic philosophy and objectives of the unemployment compensation system as a whole. Any changes in present law should be made under concepts which are fundamental to the social purposes which such a system is to serve. These concepts include continuation of insurance principles in establishing amounts of employer contributions and employe benefits, the preservation of State administration and control in areas of unemployment compensation which are essentially and properly State responsibilities, and the maintaining of proper incentives for employers and employes so that funds contributed to unemployment plans will be conserved for the vast majority of workers whose needs are genuine.

The extended benefit provisions of H.R. 15119 are much more realistic than those originally proposed in H.R. 8282. Since the maximum 13 weeks of additional benefits would be paid only during recession periods, it represents protection to workers during periods of unemployment which may be largely uncontrollable by their employers because of general economic conditions. The

philosophy of this Section of the Bill is consistent with previous action taken by the Congress in 1958 and again in 1961 during periods of widespread unemployment. The sharing of costs of the plan between Federal and State funds is in line with the partnership status of the two levels of Government in the unemployment compensation system as it now exists. It will conserve employers' contributions for periods of genuine need, in contrast to H.R. 8282, which would have allowed extended benefits to workers regardless of general level of business activity.

H.R. 15119 does not attempt to impose the Federal benefit standards which were proposed in H.R. 8282. The establishing of benefit standards is a matter which is particularly appropriate to State regulation. The Legislatures of the several States are better informed as to local conditions and needs and best situated to introduce improvements and innovations in this area. This is especially so in Michigan, where benefits were increased about 20% last year and whose benefit schedule includes the family allotment concept. To institute rigid Federal controls over benefit standards would damage seriously the present flexible and responsive powers of the States to deal with local problems.

We particularly support Part C of Title I of H.R. 15119, which provides for judicial review of the findings of the Secretary of Labor in connection with his review of State laws or administration of State unemployment insurance plans. It is essential to principles of justice and fair play that the States be given an opportunity to contest any adverse determinations made by the Secretary as to actions which have been undertaken in good faith by the States. Present law provides no means of appeal from such unilateral adverse decisions, and reform in this area has been long overdue.

Of special interest to our Company is a change which is not included in H.R. 15119 but which was proposed in H.R. 8282 and in the latter Bill's Senate counterpart, S. 1991. Section 208 of H.R. 8282 would amend Section 3303(a)(1) of the Internal Revenue Code to the effect that State experience rating requirements would be made permissive rather than mandatory as under present law. The Company was concerned with this proposal to the extent that a formal statement expressing our opposition to the amendment was filed with the Committee on Ways and Means of the House of Representatives in August 1965 while its public hearings on H.R. 8282 were in progress. We enclose a copy of that statement with this letter and hereby incorporate it by reference. We remain unalterably opposed to any amendment which would modify or eliminate employer experience rating in the determination of rates of contribution to State plans. As demonstrated in the accompanying statement, elimination of experience rating would intensify the inequities presently existing between stable employers and those in other industries: it would destroy an important incentive to stabilize employment, and it would abrogate the insurance principle which has been a fundamental concept of the unemployment compensation system for 30 years.

In conclusion, we believe that H.R. 15119 accomplishes necessary and desirable changes in the unemployment compensation system in a manner which is consistent with the fundamental concepts and objectives of the system as originally established. It is a realistic approach to needed reforms, and represents a proper balancing of the equities as between worker and employer. We therefore respectfully urge that their bill be enacted in its present form.

DONALD F. KIGAR, *President.*

THE DETROIT EDISON CO.,
Detroit, Mich., August 10, 1965.

Re: H.R. 8282, Employment Security Amendments of 1965.

The Honorable WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. MILLS: I hereby submit on behalf of the Detroit Edison Company three copies of the following statement in opposition to H.R. 8282. An additional 60 copies are enclosed for distribution to Committee members, staff, etc.

The Company is a regulated public utility primarily engaged in the generation and sale of electrical energy in the highly-industrialized Detroit and Southeastern Michigan area; it has about 9,500 employes and serves approximately 1,366,000 customers in a service area containing nearly 4 million people. The Company has provided a high level of continuity of employment for its workers, and layoffs are the exception rather than the rule.

This statement is limited to Section 208 of the Bill, which would amend Section 3303(a)(1) of the Internal Revenue Code to read as follows:

"a reduced rate of contributions is permitted to a pooled fund;"

The proposed amendment would have the effect of making State experience rating plans permissive rather than mandatory as under present law. The proposed amendment should not be enacted because:

1. Elimination of experience rating requirements is contrary to the philosophy and objectives of original unemployment compensation legislation.
2. Elimination of experience rating requirements results in an inequitable apportionment of aggregate unemployment costs among employers regardless of individual unemployment experience.

CONTRADICTION OF ORIGINAL PHILISOPHY AND OBJECTIVES

When Federal unemployment compensation legislation was under consideration during the mid-1930's, the insurance concept of such a program was established as a fundamental principle. A fund was to be established from the contributions of employers in each State, to be used for the payment of benefits to unemployed persons, which would provide at least some protection against the economic impact resulting from loss of employment. Under principles analogous to those used in workmen's compensation insurance, Federal law was constructed so that no employer could get the benefit of the additional credit against the Federal unemployment tax under present Section 3302(b) IRC unless his State law provided for reduced rates of contribution solely on the basis of experience with respect to unemployment, as under present Section 3303(a)(1).

Accordingly, employers are classified under State law according to unemployment risk. If an employer has favorable unemployment experience, he will receive the benefit of a reduced rate of contribution. He is given an incentive to maintain stable employment. He is encouraged to prevent layoffs whenever possible and to shorten the period of layoffs which cannot be avoided. If a longer range contraction in his working force is indicated, an employer who accomplishes the reduction through normal attrition rather than immediate layoff will receive the benefit of a continuing favorable experience rating.

The proposed amendment to Section 3303(a)(1) would allow employers the additional credit against the Federal unemployment tax without the requirement that reduced rates of contribution to State funds be dependent upon favorable unemployment experience. It would enable the various States to adopt a method of employer contributions which could be based on a flat rate reflecting the unemployment experience of all employers in the State. The favorable employment experience of individual employers would no longer be recognized, since all unemployment risks would be combined in one rate. The employer who maintains stability of employment would no longer have the incentive of a reduced rate of contribution.

The variation in unemployment risk among typical Michigan industry groups is shown in the following table, summarized from data of the Michigan Employment Security Commission:

Industry group	Percent of benefits charged to taxable wages for experience year ended June 30—			
	1962	1963	1964	1965
Construction	8.79	9.04	6.19	4.13
abricated metal products	6.32	2.96	2.05	1.31
ransportation equipment	6.60	2.25	1.08	.87
ood and kindred products	2.56	2.34	2.16	1.55
hemical processing	1.17	.87	.64	.45
lectric and gas utilities	.18	.19	.15	.09

It is thus apparent that even in years of good economic conditions (such as 1964–65) there are very substantial variations in unemployment experience among the various industrial classifications. To permit the combining of such widely varying risks in one overall rate of contribution would be a total departure from the insurance concept. The principle of experience rating is essential for preservation of funds established for unemployment purposes, for effective administration of State unemployment laws, and for the continuance of incentives to employers to maintain stable employment.

An important corollary of the insurance principle is the concept that unemployment costs should be properly allocated to industries or employers in relation to their risk experience. The inherent characteristics of certain industries are such that, of necessity, employment therein will contain a certain element of instability: for example, the construction trades, producers of capital goods, and seasonal employers. In the long run, the product pricing of such industries should reflect the unemployment risk attributable to their operations, resulting in a proper allocation of economic cost. Under experience rating methods, fluctuating employment is recognized by assigning higher rates of contribution to high-risk employers. These higher contributions become part of the cost of product and should be so included just as any other elements of cost which are specifically assignable to a given industry's operations.

Particularly in the case of a regulated public utility, there is a close relationship between operating costs and the prices charged to consumers. There is no logical justification for requiring utility customers to pay more for electrical energy because of the unemployment benefit costs of high-risk employers. Adoption of a statewide flat rate method could lead to such a result since, as shown by the preceding data, utility unemployment experience is substantially better than average experience in the State. As will be demonstrated in the following section, the Company has, even under an experience rating method, made substantial contributions to the general solvency of the Michigan unemployment fund. It is difficult to justify a further subsidy to other industries, be it for unemployment contributions or any other element of economic cost which enters into product pricing.

INEQUITABLE APPORTIONMENT OF UNEMPLOYMENT COSTS

Even under the experience rating provisions of the Michigan Act, Detroit Edison has contributed amounts which are far in excess of benefits charged to its rating account. From the inception of the State plan in 1936 to December 31, 1964, the Company has made contributions of $8,921,009, while benefits received by our employes have amounted to only $1,182,395. As a result, 87% of our contributions have been utilized for the benefit of employes of others. The disparity has increased to 92% for the 5-year period ended on December 31, 1964, as shown by the following table:

Year	Contributions		Benefits charged	Excess of contributions over benefits
	Rate (percent)	Amount		
1960	1.0	$308,686	$33,327	$275,359
1961	1.0	302,430	54,222	248,208
1962	1.0	293,319	16,860	276,459
1963	1.0	348,107	10,556	337,551
1964	.6	207,645	8,302	199,343
Total		1,460,187	123,267	1,336,920

Source: Experience rating reports of the Detroit Edison Co. as computed by Michigan Employment Security Commission.

The Company's present contributions at the rate of 0.6% are being paid entirely into the State general solvency account; none of the contributions are being credited to our individual rating account. In addition, the Company has made substantial contributions to the financing of emergency unemployment benefits through the additions to the Federal unemployment tax rate paid by all Michigan employers in connection with Reid Bill and TUC advances.

If Michigan were to discontinue experience rating methods and instead adopt a statewide flat rate method, the inequity would become even more severe. We estimate that, over a period of years, the average statewide rate would be about 3% on a base of $3,600 taxable wages. (The estimate is based on the ratio of actual Michigan benefits to a $3,600 taxable wage base during the 7-year period 1958–64, adjusted to recognize a 20% increase in benefits recently enacted.) A 3% statewide rate would increase our present rate of 0.6% by 400% and our annual contributions from the present $210,000 to $1,050,000. The latter amount is 37 times the average annual benefits received by our employes over the last 7 years. Finally, assuming continuation of our favorable unemployment experi-

ence, all of our contributions would be used to subsidize the layoff costs of other employers. Such discrimination should not be encouraged by the Congress.

Detroit Edison has diligently worked to increase the efficiency of its operations. Because of the Company's success in reducing costs, rates charged consumers have not been increased since 1948; rather, rates have been reduced three times since 1959, with the most recent reduction becoming effective early in 1965.

We have conscientiously attempted to minimize the impact of job reduction arising from increased efficiency of operations. We have followed the express policy that employment continuity be maintained by retaining affected employes through:

1. Permanent placement in another job of the same grade,
2. Temporary placement without reduction in pay in a lower level job pending permanent placement elsewhere in the Company, or
3. Providing training opportunities in order to qualify for other work at the same level.

As a result, most displaced employes have been placed in other jobs made available by normal attrition. The highly favorable unemployment experience, as shown by previous data, bears witness to the success of our efforts in this area, and we have had the benefit of reduced rate of contributions to the Michigan unemployment fund. Elimination of experience rating would in turn eliminate the incentive given to encourage employers to maintan stability of employment and would result in all employers sharing the unemployment costs of those who feel no obligation to their workers.

CONCLUSION

If our national policy is now to be misdirected against experience rating and in favor of some flat rate method, it will result in abrogation of the insurance concept, which has been a fundamental principle of unemployment compensation for 30 years. The product prices of stable employers will be increased to include the unemployment costs of others. Elimination of experience rating will intensify the inequities presently existing between stable employers and those in other industries, and will result in loss of an important incentive to maintain continuity of employment. It is respectfully urged that experience rating methods be continued as a requirement for the granting of reduced rates of contributions to State plans and that Section 208 of the Bill proposing to amend Section 3303 (a) (1) of the Internal Revenue Code be deleted.

DONALD F. KIGAR, *President.*

SUMMARY OF COMMENTS AND RECOMMENDATIONS OF THE DETROIT EDISON COMPANY RE H.R. 15119, UNEMPLOYMENT INSURANCE AMENDMENTS OF 1966

(Submitted in connection with written statement transmitted to the Committee on Finance of the United States Senate under date of July 18, 1966 in lieu of personal appearance.)

The Company supports enactment of H.R. 15119 without further amendment because this Bill in its present form accomplishes reforms in a manner generally consistent with the basic philosophy and objectives of the unemployment compensation system as a whole. This legislation will continue the fundamental concepts of use of insurance principles in establishing amounts of employer contributions and employe benefits, the preservation of State discretion in areas which are essentially and properly State responsibilities, and the maintaining of proper incentives for employers and employes so that funds contributed under unemployment plans will be conserved for the vast majority of workers whose needs are genuine.

The extended benefit provisions of H.R. 15119 are much more realistic than those proposed in H.R. 8282. Since the extended benefits would be paid during recession periods only, the philosophy of this Section of the Bill is consistent with action taken by the Congress in 1958 and 1961 during periods of widespread unemployment. The sharing of costs and administration of the plan between Federal and State levels of Government is in line with the present partnership status existing in the unemployment compensation system.

H.R. 15119 properly does not attempt to impose Federal benefit standards. The establishing of benefit standards is a matter which is particularly appropriate to State action, since the Legislatures of the several States are better informed as to local conditions and needs and best situated to introduce improve-

ments and innovations. Federal control of benefit standards would eliminate the flexible and responsive powers of the States to deal with local problems.

The Company particularly supports Part C of Title I of the Bill, which provides for judicial review of the findings of the Secretary of Labor when reviewing State laws or administration of State unemployment compensation plans. Justice and fair play require that the States be given an opportunity to contest any adverse determinations as to actions which have been undertaken in good faith. Reform in this area has been long overdue.

Of special interest to the Company is an amendment to the Internal Revenue Code which was included in H.R. 8282 (and its Senate counterpart, S. 1991), but which is not proposed in H.R. 15119. This amendment would have had the effect of making State experience rating requirements permissive rather than mandatory as under present law when determining rates of contribution to State unemployment plans. We remain unalterably opposed to any such amendment. Elimination of experience rating would intensify the inequities presently existing between stable employers and those in other industries; it would destroy an important incentive to stabilize employment; and it would abrogate the insurance principle which has been a fundamental concept of the unemployment compensation system for 30 years.

INTERNATIONAL BROTHERHOOD OF BOILERMAKERS,
IRON SHIP BUILDERS,
BLACKSMITHS, FORGERS & HELPERS,
Kansas City, Kans., July 19, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: As President of the International Brotherhood of Boilermakers, Iron Shipbuilders, Blacksmiths, Forgers & Helpers, AFL-CIO, representing 135,000 members, I wish to advise our organization and our members endorse and fully support the unemployment compensation reform as set forth in McCarthy Bill, S. 1991. The need is long overdue for a proper adjustment to correct the inequities in the unemployment insurance system and to update and equalize the entire unemployment program, commensurate with present day economic conditions.

There are few that recognize or realize the inequities and inadequate coverage of our unemployment system as do the many members of this International Brotherhood who are employed in the construction industry, where the very nature of following the work of our trade requires they be mobile and transitory. They will be employed anywhere from three months to a year or a year and a half on large heavy construction projects such as oil refineries, large power plants, dams, chemical plants, etc. When the job is finished, they of necessity have to move to other parts of the country where other jobs of this nature are starting. Many times there are periods of unemployment between jobs, which certainly gives them first hand knowledge of the unfairness of the unemployment benefits presently existent in the states of this nation and that the reform, as proposed in S. 1991, is long overdue and would be of extreme benefit to them.

As their representative, I urge the speedy enactment of this bill and I request this statement be printed in the record of the Committee hearings.

Thanking you in advance for the serious consideration I know you will give this matter, I am,

Very truly yours,

RUSSELL K. BERG,
International President.

UNITED SLATE, TILE & COMPOSITION ROOFERS,
DAMP & WATERPROOF WORKERS' ASSOCIATION,
Washington, D.C., July 19, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: As International President of the United Slate, Tile & Composition Roofers, Damp & Waterproof Workers' Association, and on behalf

of the Officers and members of this International Union, I urge passage of S. 1991.

This Organization stresses the need for uniform federal standards for the amount of weekly benefits and for the duration of weekly benefits plus a minimum of 26 weeks of extended federal Unemployment Compensation benefits. We urge your support as this would be of great benefit to our members all over the United States.

Please print this letter in the record of Committee hearings.

With best wishes, I am

Sincerely yours,

CHARLES D. AQUADRO,
International President.

CDA/adh

AMERICAN NEWSPAPER GUILD,
Washington, D.C., July 19, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR CHAIRMAN LONG: We should like to take this opportunity to inform the Committee of our endorsement of unemployment compensation reform as set forth in the McCarthy bill (S. 1991) presently before the Committee for hearings.

Higher and more uniform benefits for those unfortunate enough to be without a job are long overdue. And since the unemployment compensation system was created by the taxing power of the Congress, not the individual states, when it passed the Social Security Act of 1935, why should there not be a uniform, federally established basis for these benefits? Both for the amount and duration.

We also should like to endorse a minimum provision for 26 weeks of extended federal benefits. This would be especially helpful to those whose jobs disappear through automation, plant transfer or merger.

And when we speak of the difficulties of workers experienced through mergers, we speak from solidly based experience, representing, as we do, workers in what must be the most merger-prone industry in the nation in recent years.

The broader coverage proposed—approximately 5 million workers, including some farm workers—is also endorsed, as is the establishment of uniform disqualification penalties and modernized financing. We find it shocking that the taxable wage base has not been raised since 1939.

We are attaching a copy of a resolution supporting the McCarthy bill which will be taken up by the delegates to our 1966 International Convention here in Washington July 25–29, and request that our letter and the copy of the resolution be entered in the record of the Finance Committee's hearings on S. 1991.

Sincerely yours,

CHARLES A. PERLIK, Jr.,
Secretary-Treasurer.

UNEMPLOYMENT COMPENSATION REFORM (S. 1991)

Whereas:

1. The U.S. Senate has before it a bill calling for the reform and improvement of unemployment compensation across the nation (S. 1991), and,
2. The present procedures under which the states individually establish criteria for coverage, benefits and eligibility for unemployment compensation within their individual borders has resulted in a hodge-podge with the maximum weekly benefit in every state being smaller relative to wages than it was in 1939, and,
3. One of the most basic provisions of the bill is the establishment of more realistic and uniform weekly benefits, in both amount and duration, and
4. Another of the most vital provisions of the bill calls for 26 weeks of compensation from a special federal fund for workers with records of firm attachment to the work force who are unable to gain employment during the period of state benefits, and,

5. The bill would further provide some measure of uniform disqualification penalties, and,

6. The bill proposes to revise the federally established procedures for financing state unemployment compensation funds, including upward revision of the taxable wage base, which base has not been changed since 1939, and,

7. The bill would bring an additional five million workers, including for the first time some farm workers, under unemployment compensation;

Therefore, be it resolved that the 1966 convention of the American Newspaper Guild, AFL–CIO, CLC, urges and calls upon:

1. The Finance Committee of the U.S. Senate to resist any and all efforts to weaken the unemployment compensation reforms embodied in S. 1991 and to favorably report the bill to the Senate without delay, and,

2. The U.S. Senate to vote favorably upon the bill immediately upon its receipt from the Finance Committee, and,

3. Guild locals and members in the United States to inform their senators of their endorsement of the reforms embodied in S. 1991.

MASSACHUSETTS STATE LABOR COUNCIL, AFL–CIO,
Boston, Mass., July 20, 1966.

Re unemployment compensation.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: On behalf of the Massachusetts State Labor Council, AFL–CIO, we wish to advise you of our support of reform in the unemployment compensation laws along the lines of the McCarthy bill, S. 1991.

For your information, here in Massachusetts for the week ending July 9, 1966, the unemployment compensation total claim load was 56,450 representing an increase of almost 10,000 over the preceding week. There were 39,105 continued claims with 17,345 initial claims.

At the same time in Massachusetts there are many groups which are not covered by the unemployment compensation law including workers in non-profit institutions such as hospitals, foundations, and universities, as well as employees of large farms.

In addition, although the average weekly wage in Massachusetts in industry is approximately $100., the maximum weekly unemployment compensation benefit is only $50 which is considerably less than the two-thirds concept to which the federal bill gradually raises the maximum benefits. Furthermore, many workers in Massachusetts especially among the unskilled have run out of benefits, are without necessary funds and are not covered for long term unemployment which would be covered by the proposed McCarthy bill; some of these workers have been displaced from their jobs by automation and plant transfers especially in the textile industry and have exhausted their unemployment compensation benefits under the state law.

Our experience rating formula in Massachusetts competes with the experience rating methods of other states and helps to undermine the financial base of the unemployment insurance system as a result of state competition for industry. The declining reserves from insufficient financing in many states is only adding to the pressure to keep unemployment compensation benefits at lower levels not only in other states but indirectly here in Massachusetts due to competition.

In brief, we strongly support federal standards along the lines of the McCarthy Bill, S. 1991 to help eliminate limitations in the present program such as coverage, benefits, and eligibility. Only by such basic reforms as found in this bill can we put jobless benefits again into the forefront as our first line of defense against current unemployment and future recession. We urge you and your Committee to give favorable approval to the unemployment reform bill along the lines of the McCarthy Bill, S. 1991.

Sincerely yours,

JAMES P. LOUGHLIN,
Secretary-Treasurer.

MARYLAND STATE AND D.C. AFL–CIO,
Baltimore, Md., July 20, 1966.

enator RUSSELL B. LONG,
hairman, Committee on Finance,
.S. Senate, Washington, D.C.

DEAR SENATOR LONG: The Maryland State and D.C., AFL–CIO strongly supports H.R. 8282—the Unemployment Insurance Bill now before your committee.

Unless you have been on the unemployment rolls or have worked closely with hose who are unemployed, you cannot really understand the problems of the peole who, for one reason or another, through no fault of their own, find themselves among the unemployed.

The disqualifications and obstacles that are thrown in the way of the unemployed person only creates that many more hardships for the individual and his family to endure.

We believe that the bill before your committee will do a great deal toward eliminating many of these problems by—

standardizing the disqualifications

establishing uniform Federal standards for the unemployment benefit structure

establishing a minimum of twenty-six weeks of extended Federal unemployment compensation benefits

There are other features in the bill which are just as important as those enumerated above. However, we believe that we must recognize the problems facing the person, 45 to 60 years of age, who has been displaced by automation or technological developments—displaced by a piece of machinery and unable to get a job because of age or lack of skills.

We urge you and your committee to act favorably on H.R. 8282 and to fight for its passage in Congress so that those who are unemployed can get a little better break out of life.

We would like to have this letter printed in the record of the committee hearings.

Cordially yours,

CHARLES A. DELLA, *President.*

ANCHORAGE, ALASKA, *July 20, 1966.*

enator RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.:

Alaska State Federation of Labor AFL–CIO urges U.S. Senate beef up House Unemployment Compensation Act by adoption of McCarthy bill S. 1991. Uniform Federal standards weekly benefit amounts. Duration plus minimum of 26 weeks extended Federal unemployment compensation benefits badly needed as the best bulwark against business recession or undermining of living standards conceived in original principle of job insurance. Minimum Federal standards Nation's Unemployment system should be No. 1 goal of Congress to stabilize economy in preparation for attainment of world peace and indication to world neighbors our concern for little people. State legislatures reluctant to improve standards because they believe standards should be set by Congress. Please insert in committee record.

HENRY HEDBERG,
Legislative Representative, Alaska State Federation Labor, AFL–CIO.

COLORADO SPRINGS, COLO., *July 21, 1966.*

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.:

The democratic concept of concern and protection for the American worker and his family has been manifested by the International Typographical Union throughout its 114-year history. Never as today has our Nation in this transitional period of automation and movement of industry been confronted with so serious a task of shoring up its responsibility toward the welfare of the American family.

It is in this vein that the protection of the worker and his family necessitate reforms which would require minimum Federal standards in the Nation's unemployment compensation system.

The International Typographical Union endorses Senate bill 1991 as filling this need and respectfully requests the committee's consideration and concurrence with the provisions thereof and further respectfully requests that this statement be printed in the record of committee hearings.

ELMER BROWN,
President, International Typographical Union.

LOS ANGELES, CALIF., *July 20, 1966.*

Hon. RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
Senate Office Building, Washington, D.C.:

The Los Angeles County Federation of Labor urges you and your committee to support the McCarthy bill S. 1991.

It is our opinion that this legislation is seriously needed to bolster the economy and to stabilize the unemployment compensation program nationally, thereby extending vitally needed support to persons who are unemployed through no reason of their own.

W. J. BASSETT,
Secretary Los Angeles County Federation of Labor, AFL–CIO.

INTERNATIONAL MOLDERS AND ALLIED WORKERS UNION,
Cincinnati, Ohio, July 19, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: I am writing to you in behalf of the International Molders' and Allied Workers' Union to express our concern regarding unemployment compensation reform.

The inadequacies of our present system of unemployment compensation are most glaringly visible, and exist, because of a lack of uniform federal standards. In order to protect workers—irregardless of the particular state they might live in—benefits must be standardized throughout all of our fifty states. These benefits should vary as the average weekly wages vary in the different states but benefits should meet federal standards relating benefits to wage levels. Thus the unemployment compensation an unemployed worker in Ohio would receive would be relatively (referenced to wage levels) equal to the unemployment compensation available to workers in Texas or any other state in the union.

The McCarthy bill, S. 1991, which warrants our support erases the above deficiency. The McCarthy bill succeeds in avoiding any distortion of a state's economy because it relates maximum benefits to the average wage levels in each state. The effect of the McCarthy bill would be to insure that the majority of the workers covered would receive benefits amounting to one-half of their earnings when unemployed. It is thereby consistent with the aim of unemployment compensation—which is to replace the loss of income.

With the onrushing advent of automation many workers find themselves unemployed for months after they have exhausted their state benefits. The McCarthy bill goes a step in the right direction by providing federal benefits for 26 weeks after state benefits have been exhausted. Of course this only applies to workers who have a definite attachment to the labor force. But it does acknowledge the general responsibility of society to combat long-term unemployment by providing the extended benefits. Training, especially for the hard-core unemployed, should not result in a decrease of withdrawal of benefits. No one should be penalized when attempting to once again become a productive member of our society, and therefore no penalty should be invoked because one is technically "not available for work". The President's Commission on Technology, Automation and Economic Progress reported that, "In the long run, unemployment insurance funds would probably be saved by offering a monetary incentive (over and above unemployment insurance benefits) for training to be at least

equal to the added clothing, meals, transportation and tuition costs involved", and we agree.

The price of meeting the additional costs are met, under the McCarthy bill, by modernizing unemployment insurance financing. The present financing, literally born in the depression, does not meet the needs of our society. The federal government's responsibility is met when it matches, from general revenue, the funds raised by the small—15/100ths of 1 per cent—increase in the tax rate.

It is the hope of the International Molders' and Allied Workers' Union that the Senate Finance Committee will report out a bill, along the lines of the McCarthy bill, which will bring unemployment compensation into the 1960's where it can complement programs of the Great Society.

We respectfully request that this letter be made a part of the record of the Senate Finance Committee hearings.

Sincerely,

WM. A. LAZZERINI, *President.*

STATEMENT OF THE TEXTILE WORKERS UNION OF AMERICA, AFL–CIO, SUBMITTED BY WILLIAM POLLOCK, GENERAL PRESIDENT, IN SUPPORT OF EMPLOYMENT SECURITY AMENDMENTS OF 1965 (S. 1991)

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Existing provisions for protecting workers against the hazards of unemployment are inadequate and inequitable. The workers in states which have the most need of higher benefits actually receive the least protection. Their weekly benefits are far too low to meet their needs. The duration of their benefits is so limited that more than a million workers exhaust their benefits each year and are compelled to rely on the charity of friends and families or public relief. The reserves of states suffering from heavy unemployment are depleted.

Federal action is imperative. The unemployment insurance system must be restored to its original purpose—to provide American workers with benefits adequate to preserve their dignity and self-respect during periods of unemployment. A federal system of grants-in-aid must be applied to give reality to the principle of insuring the risks of unemployment.

Long-term adjustment benefits are essential to meet the needs of workers who are unable to find a job within the limited periods provided by state laws. Textile workers are in particular need of this program because of the difficulties they encounter when mills in one-industry towns are liquidated or curtailed.

DETAILED STATEMENT

The proposed Employment Security Amendments of 1965 (S. 1991) represents a significant forward step in making our unemployment insurance system responsive to the needs of the times.

Federal action to establish minimum standards for the amount of unemployment benefits and to provide long-term adjustment benefits with sound financing of the entire program is vital to modernize the laws, to equalize competition, and to meet the nature of the new unemployment problems generated by our economy in this age of automation.

The unemployment problem in the textile industry has been of such a grave nature that the shortcomings of the present state standards and the difficulties of securing improvements are most sharply projected among the workers associated with this industry and in the area where textile workers reside and work. The long-term trend of contraction in the textile industry, the displacement of hundreds of thousands of workers and the continued distress in textile areas in the New England, Middle Atlantic and Southern states have all conspired to make the present provisions inadequate. The benefits are too low to meet the original intent of the law and to keep up with the rising costs of living and wage standards in the United States. The duration of the benefits is too short to meet the needs of people faced with long term unemployment. The present laws make no provision for applying the insurance principle outside of the individual state. By breaking up the program into separate state funds, the sharing of risks is effected within but not among the states. It is vital therefore that insurance be applied on a national basis.

The failure of the repeated efforts by the federal government to secure adequate general improvements in the provisions for unemployment insurance by

the states indicates that reliance upon voluntary appeals is futile. They have been made repeatedly in the past decade but no state, except Hawaii, has yet come close to the recommended standards. Gains in the form of higher payments and longer benefits have often been offset by more rigid qualification requirements and severely restrictive maximum benefits.

Severity of unemployment in textile communities

The problems of the textile worker are due to the serious contraction of the industry over the past 15 years and the disappearance of hundreds of thousands of jobs. Productivity has been increasing at the rate of four to five percent a year. Intense competition has forced many mills to close and thousands of workers have been permanently displaced. No part of the country has been spared.

During the fifties the textile industry suffered from a series of reverses which caused employment to decline sharply. A Senate Special Subcommittee under the chairmanship of John A. Pastore reported in 1959 that the industry had "failed to share in the postwar growth which has occurred in our economy since 1947." It most succinctly summarized the problem in the following paragraph of its report:

"Production has declined slightly, but employment in the industry has dropped precipitously as technological change has reduced man-hour requirements by a much larger relative amount than the drop in production. Because consumers are spending a declining portion of disposable personal income on textile mill products, the aggregate domestic demand for textiles has increased at a slower rate than the rate of population growth. Meanwhile there has been a pronounced decline in the industrial demand for textiles due to the substitution of a wide variety of nonwoven materials for textile mill products. Finally, the domestic textile industry has lost two-thirds of its export market due to heightened competition in the world market for textiles, and at the same time there has been a substantial increase in the flow of textile mill products into this country from abroad."

While economic conditions in the industry have improved in the past few years, only a small part of the decline in employment has been recovered. Increased productivity enabled the industry to produce more yardage of broadwoven fabrics in 1965 (13.4 billion yards) than in 1951 (12.9 billion) with 325,000 fewer production workers. Employment declined from 1,146,200 in 1951 to a low of 793,400 in 1963 and moved up to 821,200 in 1965.

As a result of these developments unemployment in textile areas has been exceptionally severe, affecting a large part of the labor force and extending for long periods of time. The unemployment rate for this industry has exceeded the nonagricultural industry average in all but one of the past eight years (Table I).

The marked decline in textile employment affected all sections of the country in which substantial numbers of textile workers are employed. While New England and the Middle Atlantic states have suffered the greatest declines, the South has also experienced a drop in textile employment (Table II).

Textile mills are generally located in small towns, far from other centers of industrial employment. Textile workers who lose their jobs have scant opportunity for alternative employment in their labor market areas since they tend to be single-industry communities. An examination of the available statistics on unemployment in particular labor market areas reveals the distressingly high rates of unemployment prevailing in textile areas (Table III). Even after more than 2 years of rising textile employment, there are still 22 textile areas classified by the U.S. Department of Labor as areas of substantial or persistent unemployment including the following major labor areas: Fall River, Mass. (7.5%), Lowell, Mass. (6.8%), New Bedford, Mass. (7.0%), Scranton, Pa. (7.6%), and Wilkes-Barre-Hazleton, Pa. (7.9%).

Because of the drastic character of the contraction of employment in the textile industry, unemployment tends to be of long duration. When a mill is liquidated, particularly if it is in a single-industry town, the displaced workers have considerable difficulty in finding jobs. As noted by William H. Miernyk in his study of the experience of 1,705 workers displaced by the closing of six New England textile mills, "the protracted decline in textile employment and the relative immobility of the displaced workers have produced a considerable amount of persistent unemployment in many textile centers in New England. The problem is not being solved by the growth of new industry in the region . . . Nor can this unemployment be regarded as a temporary phenomenon . . . There

is no reason to expect a larger proportion of displaced workers to be absorbed by other industries in the future." (William H. Miernyk, *Inter-Industry Labor Mobility*, Northeastern University, 1955).

A large part of the unemployment of textile workers has been caused by mill closings. Since the war, more than 980 textile mills have been liquidated, displacing over 263,940 workers (Table IV). Many of these mills were located in predominantly textile areas, where employment in the remaining mills was declining. The difficulties encountered by displaced workers in finding work are indicated by the fact that only 45% of the former mill workers contacted by Miernyk in his surveys of six closed mills were at work at the time of his surveys (usually a considerable time after the closing of the mill). Women and older workers had particular difficulty in finding jobs. Sixty-five percent of the displaced females were unemployed at the time of Miernyk's surveys. More than half of the workers who found new jobs were under 45 years of age, while only 29% of the unemployed were 45 years of age or under.

A study published by the U.S. Departmnt of Commerce in 1963, *Economic Effects of Textile Mill Closings, Selected Communities in Middle Atlantic States*, throws additional light on the difficulties encountered by displaced textile workers in finding new jobs. Eight communities were studied in which more than 30,000 textile workers lost their jobs as a result of textile mill closings and cutbacks since 1950. About half of the displaced workers had been employed in some 70 plants which either liquidated or moved to other localities.

The findings of this study are summarized as follows:

"Many older workers were unable to find new jobs, many younger men left their home communities to find employment elsewhere. Long periods of unemployment were common, and many displaced textile workers were forced to seek assistance from relatives or public relief agencies, or eventually to take lower paying jobs in other industries. Emigration and lower paying jobs for women had the effect of changing the character of the labor force in some communities, raising the average age of workers and increasing the proportion of women."

It is significant that 50% of these communities (Amsterdam, N.Y., Gloversville, N.Y., Bridgeton, N.J., and Cumberland, Md.) are still classified as areas of substantial or persistent labor surplus.

Persons who have no intimate knowledge of the problem of chronic unemployment have argued quite casually that the people should move rather than stay in areas where opportunities for employment are slim. The workers should move on. Actually, many workers do move away. Unfortunately, for the future of these communities, it is the young and unattached who do so. This mobility solves the problem for the few but not the difficulties of the many.

There is a high mobility among textile workers. They have joined the mass movements which have built up the western states, Florida and Michigan. But the process is a slow one. The average population increase for communities which have become chronically distressed is smaller than for the remainder of the country, but the loss is not great enough to change the condition. It must be understood that there are many obstacles o such movement. There are strong local attachments, particularly among the middle-aged and older persons. They have become accustomed to their ways of life and have acquired a long term investment in homes and in their skills and acquaintances.

Need for Federal standards

It is evident from the statistics on unemployment that textile workers have borne an inordinate share of the burden of joblessness in our dynamic economy. It would be fitting that special provision be made to meet the needs of these distressed workers. However, under the present system of state-determined unemployment benefits, textile workers actually suffer from discriminatory treatment. The amounts of their benefits are generally lower than in non-textile states and the maximum durations of benefits are inadequate to tide them over until they can find work. It is grossly unfair to deprive these long-suffering workers of the protection of an American standard of unemployment compensation. The textile states have demonstrated their inability or unwillingness to establish decent standards. It is time the federal government set such standards and put an end to the inequitable practice of providing the most niggardly unemployment benefits to those most in need.

The maximum weekly benefit provided in textile states varies from $35 to $55. In the Southern textile states the maximum basic weekly benefit is particularly low, ranging from $35 to $42 (Table V).

The average weekly benefit paid for weeks of total unemployment was $31 in textile states in 1964 compared to $36 in all states. In 7 of the 14 textile states the average weekly benefit was less than $29 whereas only 5 of the 36 non-textile states had average benefits of less than $29. The average weekly benefit for the Southern textile states was $27. North Carolina paid the lowest benefit of any state in the United States—$23, even though its 1964 theoretical maximum benefit was among the highest of the Southern textile states. This maximum was truly an empty promise.

Inadequate duration of benefits

The present structure of state provisions for minimum and maximum durations of benefits is clearly inadequate. The proposed legislation provides a minimum of 26 weeks of benefits for claimants with 20 weeks of employment, and a maximum of 26 weeks of federal benefits to supplement those provided by the states. These changes are necessary to reduce the excessive number of exhaustees, which totaled 23.8% of all claimants in 1964. The problem of inadequate duration of benefits has been accentuated in recent years as a result of the marked increase in the number of long-term unemployed. The number of persons with a duartion of unemployment of 27 weeks and over has more than doubled since 1957, when it averaged 239,000 persons, or 8.1% of the unemployed. In 1964, an average of 482,000 persons were unemployed 27 weeks and over, comprising 12.4% of the unemployed.

Textile workers in states with relatively short durations of unemployment benefits have suffered acutely. Thus, in South Carolina, where the minimum duration of benefits is 10 weeks and the maximum duration is 22 weeks, the exhaustion rate in 1964 (32.3%) was much higher than the national average of 23.8%. Other textile states with below-average statutory duration of benefits which experienced high exhaustion rates are: Alabama (30.7%), New Jersey (28.7%), Virginia (27.3%), Georgia (28.5%) and Tennessee (25.4%).

The proposal to establish Federal Unemployment Adjustment Benefits is urgently needed to deal with the problem of long-term unemployment among textile workers. The impact of mill liquidations and technological changes on this industry is such that 26 weeks of benefits are not sufficient to enable displaced workers to find alternative employment. The Miernyk study of the experience of workers displayed by the closing of six New England textile mills found that almost one-fourth of those who had found other employment at the time of the survey had been unemployed for 26 weeks or more.

Clearly a period of 26 weeks in addition to the duration provided by state law is essential to provide the measure of protection which textile workers need to help meet the difficulties faced in an era of contracting textile employment in distressed communities where alternative jobs are difficult if not impossible to secure.

Need for improved financing and Federal grants

The impact of unemployment on the various states is extremely uneven. Shifts in consumer demand, the development of new technology and the exhaustion of natural resources have markedly different effects on state industrial employment patterns. As a result, unemployment tends to be concentrated in particular localities. Under the system of separate state financing of unemployment compensation, individual states suffering from continuous heavy payments have depleted their reserves while huge accumulations piled up in other state funds.

In the boom year of 1965, when insured unemployment dropped to 3.0%, year-end reserves stood at only 3.4% of total wages, one of the lowest ratios since the inception of the system. The Minnesota ratio was less than one-fourth of this average, at .69%. As a percent of wages, three states (Ohio, Pennsylvania and Minnesota) had insufficient reserves to meet a benefit payment equal to their highest cost over the last 10 years.

Federal participation in the financing of the system through the establishment of a higher tax base and increased employer contribution, and through grants-in-aid, is necessary to prevent insolvency of many state funds in times of general or regional economic downturns.

TABLE I.—*Unemployment rates for experienced wage and salary workers: Textile and all nonagricultural industries, 1957–65* [1]

	Textile mill products	All nonagricultural industries		Textile mill products	All nonagricultural industries
1957	7.0	4.5	1962	5.2	5.5
1958	9.6	7.1	1963	6.7	5.4
1959	7.2	5.5	1964	5.7	4.8
1960	6.3	5.6	1965	[2] 4.2	4.2
1961	6.8	6.7			

[1] Percent of labor force in each group who were unemployed.
[2] Preliminary.

Source: U.S. Bureau of Labor Statistics.

TABLE II.—*Employment in the textile mill products industry, by State, February 1951 and April 1966*

Region and State	Employment (wage and salary workers) (thousands)		Change 2/51–4/66	
	February 1951	April 1966	Number (thousands)	Percent
Total United States [1]	1,322.6	945.7	−376.9	−28
Total New England	286.1	103.0	−183.1	−64
Maine	27.5	13.2	−14.3	−52
New Hampshire	21.1	10.0	−11.1	−53
Vermont	5.2	.7	−4.5	−87
Massachusetts	125.0	39.9	−85.1	−68
Rhode Island	65.7	24.2	−41.5	−63
Connecticut	41.6	15.0	−26.6	−64
Total Middle Atlantic	307.2	159.2	−148.0	−48
New York	96.1	58.6	−37.5	−39
New Jersey	65.8	27.9	−37.9	−58
Pennsylvania	141.7	71.2	−70.5	−50
Delaware	3.6	1.5	−2.1	−58
Total South	669.9	631.5	−38.4	−6
Maryland	11.6	2.8	−8.8	−76
Virginia	42.7	41.2	−1.5	−4
West Virginia	2.9	1.5	−1.4	−48
North Carolina	244.2	250.3	6.1	2
South Carolina	139.8	143.2	3.4	2
Georgia	114.8	105.3	−9.5	−8
Alabama	55.5	39.4	−16.1	−29
Mississippi	6.0	5.5	−.5	−10
Tennessee	39.9	32.0	−7.9	−20
Arkansas	2.3	2.6	.3	13
Texas	10.2	7.7	−2.5	−25
Total Midwest	28.5	14.4	−14.1	−49
Illinois	13.5	5.0	−8.5	−63
Minnesota	4.9	2.7	−2.2	−45
Wisconsin	10.1	6.7	−3.4	−37
Far West: [2] California	8.2	7.9	−.3	−4

[1] Total includes States not shown separately.
[2] Total excludes other States besides California, which is the only Far West State to report in periods covered.

Source: U.S. Bureau of Labor Statistics; State departments of labor.

TABLE III.—*Textile areas of substantial or persistent labor surplus,*[1] *March 1966*

NEW ENGLAND

	Percent		Percent
Maine:		Massachusetts—Continued	
Lewiston-Auburn	(4.9)	Lowell[2]	(6.8)
Massachusetts:		New Bedford[2]	(7.0)
Fall River[2]	(7.5)	Plymouth	(10.8)
Fitchburg-Leominster	(5.2)	Ware	(6.9)

MIDDLE ATLANTIC

New York:		Pennsylvania:	
Amsterdam	(7.7)	Berwick-Bloomsburg	(5.8)
Gloversville	(10.3)	Meadville	(5.2)
Utica-Rome[2]	(6.0)	Pottsville	(8.3)
New Jersey: Bridgeton	(6.3)	Scranton[2]	(7.6)
		Wilkes-Barre-Hazleton[2]	(7.9)

SOUTH

Maryland: Cumberland	(5.0)	North Carolina—Continued	
West Virginia: Parsons	(9.5)	Wilson	(7.9)
North Carolina:		Georgia: Cedartown-Rockmart	(4.1)
Lumberton	(6.7)	Alabama: Jasper	(5.2)

[1] 6 percent or more unemployment over past 2-plus years and/or anticipated in the near future—figures in parentheses are latest available unemployment rates.

[2] Major area.

Source: U.S. Bureau of Employment Security, "Area Trends in Employment and Unemployment," March 1966.

TABLE IV.—*Number of mills and employees involved in textile mill liquidations, by industry branch, 1946–64*[1]

Year	Cotton-rayon		Woolen and worsted		Dyeing and finishing[2]		Total	
	Mills	Employees	Mills	Employees	Mills	Employees	Mills	Employees
1946	[3] 4	[3] 300	2	450	1	200	7	950
1947	[3] 13	[3] 5,500	11	2,000	3	200	27	7,700
1948	[3] 26	[3] 9,300	22	3,000	12	1,600	60	13,900
1949	[3] 36	[3] 9,000	31	5,400	8	1,400	75	15,800
1950	24	2,600	17	3,900	4	950	45	7,450
1951	28	5,600	17	2,800	4	1,500	49	9,900
1952	29	8,800	33	17,500	8	1,900	70	28,200
1953	28	7,750	29	10,700	11	1,700	68	20,150
1954	38	12,600	41	20,900	15	1,200	94	34,700
1955	46	10,850	37	9,050	18	1,870	101	21,770
1956	35	9,100	24	8,250	4	750	63	18,100
1957	26	9,435	14	5,400	18	4,420	58	19,255
1958	23	11,710	18	4,125	18	3,410	59	19,245
1959	14	3,750	8	1,415	5	910	27	6,075
1960	16	3,380	12	3,130	14	1,360	42	7,870
1961	13	3,050	16	5,430	18	3,700	47	12,180
1962	17	4,000	14	2,395	4	600	35	6,995
1963	7	2,500	17	3,050	5	1,250	29	6,800
1964	4	1,755	19	4,695	1	450	24	6,900
Total, 1946–64	427	120,980	382	113,590	171	29,370	980	263,940

[1] Includes only cotton-rayon, woolen and worsted, and dyeing and finishing plants.
[2] Excludes small New York City area dyers.
[3] Excludes narrow-fabric mills.

TABLE V.—*Maximum basic weekly unemployment insurance benefit amounts and average weekly benefit amounts*

	Maximum basic weekly benefit, January 1966	Average weekly benefit, 1964
United States		$36
Textile States		[1] 31
New England	[1] $48	[1] 33
Maine	43	24
New Hampshire	49	32
Massachusetts	[2] 50	40
Connecticut	[2] 50	38
Rhode Island	[2] [3] 47	32
Middle Atlantic	[1] 50	[1] 37
New York	55	39
New Jersey	50	40
Pennsylvania	45	32
South	[1] 38	[1] 27
Virginia	36	28
North Carolina	42	23
South Carolina	[2] 40	27
Georgia	35	28
Alabama	38	26
Tennessee	38	27

[1] Unweighted average.
[2] Excludes dependent allowance.
[3] Maximum benefit is 50 percent of average weekly covered wages.

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

CENTRAL LABOR COUNCIL OF GREATER EAST ST. LOUIS, ILL.,
July 18, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: We respectfully request and urge Committee support of unemployment compensation reform along the lines of the McCarthy Bill S 1991.

This area of chronic unemployment, according to latest figures of the U.S. Department of Labor are as follows: Illinois Section (St. Clair and Madison Counties), 1965 average 4.7%, June 1966 5.3%. E. St. Louis Federal estimates 7.9% non-white, 3.5% white, with an overall average above 6%. As of April 1966 the U.S. Department of Labor has classified this area as an "Area of Substantial Unemployment".

It is obvious there is a need for uniform federal standards for the amount of weekly benefits and for the duration of weekly benefits, plus a minimum of 26 weeks of extended Federal U.C. benefits.

In this immediate area the curtailment of employment due to automation, the moving of a plant considered a major employer, and the announced closing of a refinery within the next 18 months, promises no increase in employment opportunities, but an increase in the unemployment roles.

We respectfully urge the Finance Committees approval of the strongest possible U.C. bill, including a broader coverage, and request that the above quoted figures be printed in the record of Committee hearings.

Sincerely thanking your Committee for their cooperation, I am

Respectfully yours,

HERBERT S. WILHELM, *Secretary.*

SOUTHERN CALIFORNIA EDISON CO.,
Los Angeles, Calif., July 14, 1966.

Hon. RUSSELL LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The hearings before the Committee on Finance of the United States Senate on H.R. 15119, the "Unemployment Insurance Amendments

of 1966," were scheduled to begin on July 13th. While our Company will be one of those sponsoring the appearance of Mrs. Jerry Beideman of the California Retailers Association, I felt it desirable to communicate some of our views on this important legislation.

In August, 1965 when Congressional hearings were held on H.R. 8282, the unemployment insurance bill proposed by the administration, this Company filed a statement of its views in opposition to that bill with the House Committee on Ways and Means. We opposed H.R. 8282 on the basis of (1) its inflexibility through the imposition of federal standards, thus limiting the ability of individual states to cope with their own local needs; (2) its program of extended duration benefit payments without regard for general employment conditions; (3) its greatly increased cost to employers, which in the case of the Edison Company would have to be passed on to the consumer; (4) its impact on an already tight labor market in encouraging idleness through high benefit payments of long duration.

We felt that most of these objections were overcome in the framing of H.R. 15119, which, at the same time, provides for many liberalized features over our present unemployment insurance laws.

H.R. 15119 would have less impact, it is true, on California than on many other states since California has been in the forefront in liberalizing its unemployment insurance provisions.

We believe that the measures proposed in this bill were arrived at after giving ample opportunity for all concerned to present their views, and that it is a well-conceived bill which provides important improvements in the present laws. For instance, the provision for judicial review of the decisions of the Secretary of Labor, which it provides, is a protection to the states that has been long needed. The permanent program of recession benefits would provide a standby system to operate when it was needed and to go out of operation when the need passed.

H.R. 15119, we feel, represents a fair compromise which will add materially to the labor costs of California employers though in much lesser amount than that proposed in the administration measure.

We respectfully urge that you and your colleagues on the Finance Committee report out H.R. 15119 as approved by the House of Representatives without amendment.

Sincerely,

FRED OLDENDORF, Jr.,
Vice President.

INTERNATIONAL UNION OF OPERATING ENGINEERS,
Washington, D.C., July 15, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee of Finance,
U.S. Senate,
Washington, D.C.

MY DEAR MR. LONG: The proposals on unemployment compensation reform that are currently before the Committee of Finance are of vital importance to every working man in the Country. During the past three decades, while the economic progress has been unequalled in history, unemployment compensation practices have not kept up with the realities of the working man's needs.

Federal Standards are needed to secure for all workers a fair benefit of one-half their wage loss no matter where they live.

Expanded coverage to protect workers not now under the law is needed.

Standards are needed for the worker who faces total job loss because of automation or the closing of obsolete facilities. Protection would be possible with a program for the payment of Federal funds for an additional twenty six weeks upon the exhaustion of State benefits.

A uniform standard for the duration of weekly benefits is also urgent.

The above-outlined points are only part of the job that should be done. Basic reforms in all areas of benefits, coverage and eligibility are needed to make unemployment compensation the prime defense against unemployment and the deterrent to recession that was originally intended.

Sincerely yours,

HUNTER P. WHARTON,
General President.

PATTERN MAKERS LEAGUE OF NORTH AMERICA,
Washington, D.C., July 19, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: The Senate Finance Committee is now conducting hearings on proposals for unemployment compensation reform.

It is urgently requested that your Committee favorably consider and report out reform and changes along the lines of Bill No. 1991 introduced by Senator Eugene McCarthy and other Senators.

We feel that present standards of unemployment compensation are totally inadequate and outmoded in view of the economic changes which have taken place over the last several years.

The present lack of uniformity is both unfair and confusing. We urge uniform Federal standards for the amounts of weekly benefits plus a minimum of twenty-six weeks of extended benefits.

In industrial plants that have pattern departments, the Pattern Makers' League represents comparatively small and separate units of its craftsmen. We are so certified by the National Labor Relations Board. We negotiate and have our own contracts. Yet when other unions go on strike and our groups are either laid off or otherwise prevented from working, we are more often than not denied unemployment compensation.

We strongly urge, therefore, that together with other contemplated reforms the matter of unemployment compensation eligibility for such separate and, with other union contracts uninvolved groups, be given favorable consideration and action.

Sincerely and respectfully yours,

G. HALLSTROM,
General President.

STATEMENT SUBMITTED BY MAX GREENBERG, PRESIDENT, RETAIL, WHOLESALE & DEPARTMENT STORE UNION, AFL-CIO

The Retail, Whole and Department Store Union represents 175,000 workers including 30,000 employees in nonprofit hospitals and nursing homes. Its largest affiliate, Local 1199, Drug and Hospital Employees Union, represents 25,000 workers in 68 nonprofit hospitals and nursing homes in New York and New Jersey.

I am therefore addressing my comments to that section of H.R. 15119 which would extend coverage under our federal unemployment compensation la vs to the more than one million employees in nonprofit hospitals and state hospitals throughout the nation.

We regard this section of the bill as a most heartening development which recognizes for the first time that these workers must be accorded the same rights and benefits enjoyed by all other workers.

Historically excluded from virtually all federal social legislation enacted during the past 35 years, these employees, who perform a most vital and essential service in maintaining the health and well being of our citizens, are for the most part members of minority groups.

Their wages are at the poverty level. When unemployment strikes, it creates untold hardship and misery. These low-wage workers do not have funds set aside for "a rainy day." When the rain does fall, they are compelled to seek assistance from public welfare agencies.

This unfair and unjust situation was most dramatically exposed last winter during the 13-day transit shutdown in New York City when hundreds of thousands of workers were unable to get to work during this period.

To help these workers meet a difficult financial crisis, Governor Rockefeller waived the normal one-week waiting period for applying for jobless benefits. This was an important service to New York City workers. *But it meant absolutely nothing to the several hundred nonprofit hospital workers who turned up at unemployment insurance offices only to be informed they were excluded from jobless benefits.* Denied the elementary right, these workers were compelled to go into debt or to apply for public assistance to help tide them over this difficult period.

While this was perhaps a most dramatic illustration of the urgent need for extending unemployment compensation coverage to nonprofit hospital workers there are many other fundamental reasons for this long overdue protection:

For example, more than 2,000 hospital employees in New York City, most of them Negroes and Puerto Ricans, were laid off from their jobs during the past two years due to the closing of several nonprofit hospitals, the leasing of food, laundry and other services to outside commercial companies and the introduction of automatic equipment.

Here, too, our files indicate that more than 65 percent of those laid off were compelled to apply for public assistance from welfare agencies to support themselves and their families.

It becomes ever increasingly clear that the continued exemption of these workers from our federal and state unemployment compensation laws is not only unfair and unjust but violates every concept of human dignity.

Further, the idea that nonprofit hospital employees are any different from private industry employees is a false and outmoded argument. For example, hospital workers cannot understand why they are protected for unemployment compensation when they work in a private or proprietary hospital, and denied such protection when they obtain employment in a nonprofit hospital a few blocks away. Nor can they understand why they are covered when they work in a hotel, restaurant or laundry but are exempt when they perform identical tasks in a nonprofit hospital.

Nor can anyone argue that extension of coverage to these workers will provide an economic burden to the hospitals and other nonprofit institutions. H.R. 15119 would permit states to adopt special financing methods for such coverage. In this way, institutions would have the option to provide coverage on a reimbursable cost basis or in the same manner as in private industry. The reimbursable cost method of financing coverage has already been adopted in New York and California to become effective once this legislation is enacted.

We regret the failure to include meaningful federal benefit standards in H.R. 15119 and we endorse the proposals to provide such standards as recommended by the AFL–CIO.

We are in full support of the section extending coverage to nonprofit institution employees and urge its adoption by the Committee.

Such legislation, urgently needed and long overdue, would represent a significant step forward in eliminating the second-class citizenship status of more than one million nonprofit hospital workers throughout the nation.

As I have indicated, the RWDSU fully supports the position of the AFL–CIO with respect to uniform federal standards for the amount and duration of weekly benefits as well as for a minimum of 26 weeks of extended federal unemployment compensation benefits. In addition to coverage of workers in nonprofit institutions, we urge that workers in small establishments with one or more employees be brought under the protections of the law as well as employees of large farms and other workers with a regular employee relationship who are presently excluded.

A thorough overhaul of our unemployment compensation system is long overdue. This cornerstone of our social legislation must be made meaningful in the context of today's wages, living standards and employment situation. The impact of automation, the shift in geographic location of mass industry and the rehabilitation of depressed areas must all be dealt with in human terms, and a fundamental consideration is the provisions of fair and adequate unemployment benefits to cushion the blow of widespread and long-term unemployment. We must correct the present situation where only one out of every two jobless workers receives any kind of jobless benefits and only $1.00 out of every $5.00 lost through unemployment is compensated.

I strongly urge on behalf of the Retail, Wholesale and Department Union that the Senate Finance Committee report out a bill along the lines of the McCarthy Bill S. 1991 and rectify the shortcomings of H.R. 15199.

MONTANA STATE AFL–CIO
Helena, Mont., July 20, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: I wish to place the Montana State AFL–CIO labor organization on record with your committee in strong support of unemployment compensation reform along the lines of the McCarthy bill, S. 1991.

The Montana Unemployment Compensation law is grossly unrealistic as to weekly benefits and duration. Also disqualifications are unfair.

The wage base of $3,600.00 and contribution rates are not sufficient to provide a fair program.

The past several sessions of our Legislature have failed to adjust either the rate structure or to provide realistic benefits for the jobless. The 1965 session failed to enact any changes in the law.

Montana needs increases in weekly benefits and duration. We also need coverage for many workers not now covered.

Our long cold winters when construction is down and other jobs in retail stores and the service industry have to lay off workers creates a serious hardship on workers families, forcing many jobless to go on relief.

Employer groups fight any attempt by the State Legislature to improve the program or to develop realistic financing.

Thus they throw the burden of help to the jobless on the backs of the taxpayers through the public welfare department.

Our organization believes that Federal minimum standards is the only answer to our needs for a good State Unemployment Compensation program.

I respectfully urge you to give every consideration to S. 1991, and that my letter be made a part of the record.

Respectfully yours,

JAMES S. UMBER,
Executive Secretary.

NIAGARA MOHAWK POWER CORP.,
Syracuse, N.Y., June 20, 1966.

Re hearings on H.R. 15119 and S. 1991, the Unemployment Insurance Amendments of 1966.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: It is our desire that this letter be considered as a written statement for inclusion in the printed record of the hearings on H.R. 15119 and S. 1991 in lieu of my personal appearance as a witness.

I submitted a statement to the House Ways and Means Committee on August 25, 1965, copy of which is enclosed, in opposition to many of the features of H.R. 8282 (S. 1991), a bill which would have had serious repercussions upon the future course of a stable Unemployment Insurance system in this State and in this country. The House Ways and Means Committee weighed all of the pros and cons of the proposed legislation and drafted a substitute bill, H.R. 15119, which, in our opinion, is far superior to its predecessor even though it does not cover all of our objections to H.R. 8282.

It is respectfully urged that the Senate Finance Committee concur in the view of the House, that the substitute bill constitutes a sound and reasonable compromise.

Very truly yours,

R. D. CONSTABLE,
Vice President.

STATEMENT BY NIAGARA MOHAWK POWER CORP. OPPOSING CERTAIN FEATURES OF H.R. 8282 AS NOW DRAFTED

(1) *Experience Rating:* Our gravest concern is with the changes affecting experience rating in the various states. Present Federal law provides that any reduced contribution rate must be related to the experience of individual employers. Every state in the Union has an experience rating program based on this

fundamental requirement. Reverend Joseph M. Backer, S.J., one of the most impartial and knowledgeable authorities on unemployment insurance, believes this concept of experience rating to be one of the best and strongest features of our unemployment insurance system.

Individual experience rating provides employers with incentives that are consistent with the objectives of unemployment insurance, that is, the stabilization of employment to the greatest possible extent and the payment of benefits only to those claimants legitimately entitled thereto.

HR–8282 would permit any form of pooled experience rating. If any state, because of political pressure, should change its system from individual employer to pooled experience, the important incentives for employers to stabilize employment, to cooperate in maintaining a sound State Unemployment Insurance law and to assist in the policing of benefit payments would be lost. We submit that such a development would not be in the interest of the country's work force and would penalize the most desirable types of employers.

(2) *Disqualification Standards:* The proposed disqualification standards of HR–8282 are unduly liberal and abort the basic concept of unemployment insurance to the effect that benefits should be available only to claimants who are atatched to the labor market and who are unemployed through no fault of their own. New York has a reasonable qualification for persons who voluntarily left their jobs or were discharged for cause, to the effect that they must demonstrate their attachment to the labor market by subsequently working in employment on not less than 3 days in each of 4 weeks or have earned remuneration of at least $200.

The prohibition against any disqualification of retiring employes, either partial or full, is particularly unreasonable and imposes an unjustifiable burden on employers with liberal pension plans. At Niagara Mohawk, the great majority of retiring employees receives a non-contributory pension, exclusive of any Social Security benefit, greater than Unemployment Insurance benefits. Taking into account their Social Security benefits and tax advantages, if they receive both unemployment benefits and pensions, their net spendable income during their period of eligibility would be substantially in excess of such income prior to retirement.

We believe this is not consistent with the purposes of unemployment insurance, would constiute an unwarranted drain on reserves and inflicts a heavy penalty on employers with liberal retirement plans. New York has a sensible provision in this area, to the effect that a non-contributory pension will be offset against unemployment benefits while 50% of a contributory pension will be offset with the retired employee receiving the difference, if any, in each case. The proposed law would provide what, in effect, would be a bonus to retirees. At Niagara Mohawk we estimate that this bonus would amount to at least $150,000 annually and would constitute an unjustifiable cost to the customers we serve.

(3) *Extending Benefits*: While we recognize the need for the extension of benefits beyond 26 weeks in certain circumstances, we believe the provisions of HR–8282 lack the necessary safeguards to avoid abuse. Individual cases of unemployment beyond 26 weeks in times and areas of low unemployment rates suggests a problem of a national social nature unrelated to the basic concept on which unemployment insurance is based. They should, therefore, be handled on an entirely different basis, lest the system itself be broken down by their inclusion.

Any extension of the system along the lines contemplated by HR–8282 should be based on a demonstrated lack of employment opportunities by establishing some type of area trigger point geared to unemployment rates and consideration should also be given to restricting eligibility to primary wage earners only.

(4) *Excess Benefit Grants*: The bill provides for grants, payable from the "Federal Adjustment Account", to states equal to two-thirds of state benefit costs which are in excess of 2% of the states' total covered wages. We believe this is an invitation to profligacy on the part of the states.

Although the Labor Department claims that this provision will decrease the disparity between the tax costs of employers in various states and thereby eliminate competition between the states based on unemployment insurance taxes, we believe the opposite effect will result. For example, based on the record of the past ten years, New York would have received grants of about $14,000,000 during this period while five competitive industrial states would have received about $451,000,000.

(5) *Wage Base*: Finally, we would like to express opposition to increasing the taxable wage base to $6600, the same base used in the O.A.S.D.I. program. Unemployment Insurance benefits are not computed on the same basis as Social Security benefits and therefore there is no valid reason for following the O.A.S.D.I. base. To do so now would establish an unwarranted precedent for the future and could result in much unnecessary juggling of state tax rates in the future.

Actually, the function of the tax base in unemployment insurance is the production of tax revenue on an adequate and equitable basis. While increasing the base in New York from the present $3000 maximum to $6600 can be partly offset by appropriate adjustments in the tax tables, a substantially increased burden will nevertheless fall on the highest wage employers with the most stable employment. There is at present a disparity against such employers chargeable to the "social" rather than the "insurance" aspects of the unemployment insurance system. While this is accepted as necessary within limits, we believe these limits would be exceeded beyond reason by requiring an increase of 120% in the New York State tax base.

As illsustrated below, the impact of HR-8282 on this Company's Uneloyment Insurance costs would potentially be very heavy. This data assumes a continuation of present pay scales and no change in the New York experience rate tables or in the Federal tax between now and 1971.

	1965	1967	1971
Federal tax	$105,600	$271,700	$306,350
State tax	499,700	826,200	946,900
Total	605,300	1,097,900	1,253,250

Barring repeal of experience rating in New York, an appropriate adjustment in the rate tables could no doubt materially reduce the above State taxes. However, the payment of benefits to retirees in the amount of at least $150,000 annually, to claimants now disqualified and to legitimate claimants in increased weekly amounts, could be expected to offset the tax table adjustments so far as can now be determined.

RUBBER MANUFACTURERS ASSOCIATION,
Washington, D.C., July 21, 1966.

Subject: Finance Committee hearings on H.R. 15119, proposed Unemployment Insurance Amendments of 1966.

Hon. RUSSELL LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: The rubber manufacturing industry, which is an employer in every State, strongly recommends that H.R. 15119 be favorably reported and enacted in its present form.

Representatives of this Association testified before the House Ways and Means Committee in opposition to H.R. 8282 (S. 1991). As a matter of reference and information to your Committee, enclosed with this letter is a copy of our statement as presented at that time.

In the judgment of this industry, H.R. 15119—meeting previous objection to H.R. 8282—represents a responsible effort to bring about meaningful amendments to the Federal-State Unemployment Compensation program, yet in a manner that maintains the integrity of the program as it is presently administered by the States.

H.R. 15119 would assist the unemployed by extending coverage to some 3½ million workers and by providing extended weekly benefits during periods of statewide or national recessions.

It would provide for the fiscal stability of the program by a realistic increase in the employer's tax and the wage base of the employee to which this tax is applicable, and by making available additional U.C. tax receipts to help support the extended benefits program.

It would promote equity in administration of the program by granting the States the right to seek judicial review of determinations of the Secretary of Labor as to their compliance with Federal requirements.

The 180 rubber manufacturing companies who are members of this Association thus strongly urge that your committee take early and favorable action on H.R. 15119 without amendment.

Sincerely yours,

W. J. SEARS, *Vice President.*

STATEMENT OF THE MINNESOTA AFL–CIO FEDERATION OF LABOR

Our organization was extremely disappointed with the bill passed by the House concerning federal standards in the field of unemployment compensation. Over the years, we have fought the legislative battle in our state legislature for proper benefits to the unemployed workers, and the record in this state has been a sorry one. Nothing at all was enacted between 1957 and 1965, and the employer-sponsored proposals during this period actually amounted to decreases in total benefits. In 1965, the weekly maximum benefit was increased, but in order to get this, it was necessary to agree to reduced total duration benefits and to accept various employee-penalizing restrictions and disqualifications.

The constant, and apparently impressive argument to many state legislators, advanced by employers every session is that the legislature should not improve the law because this would be an increased cost of doing business and put local employers at a competitive disadvantage in relation to surrounding states. One state vies with another in attempting to hold unemployment tax costs down, with the result that the unfortunate unemployed worker and his family and the social and national objectives of the unemployment compensation program are forgotten.

This is why we strongly favor federal standards as originally proposed in H.R. 8282, the Mills Bill and S. 1991 introduced by Senator McCarthy and others. In this fashion, all employer would be placed on a basic equal footing, and the past inter-state race to emasculate the original purposes of the unemployment compensation program would be at an end.

Although, after eight long years, our maximum weekly benefit was increased from $38 to $47 in 1965 (and based on 50% of an employee's earnings), it is obvious with statewide (which are substantially less than metropolitan) average weekly earnings in construction of $156, in mining of $127, transportation $130, and manufacturing $117, that the great majority of Minnesota unemployed workers are not receiving anything like 50% of their weekly wage during periods of unemployment which is a commonly accepted and desired standard for weekly unemployment benefits. It is also obvious that it is impossible for an unemployed worker to take care of housing, food, utilities and other non-deferrable living expenses for himself and his family on $47 a week.

With respect to duration, the maximum in Minnesota is 26 weeks. However, since duration in Minnesota is based on 70% of credit weeks, only those workers who have 37 weeks of employment in their one-year base period will be entitled to 26 weeks of benefits, and because of the complexities of determining the base period, an average of 20 weeks of the employee's most recent work experience are disregarded. We therefore strongly favor the proposed benefit and duration standards of the McCarthy bill.

We are also much concerned with the minimum 26 weeks of extended federal unemployment benefits. Anyone familiar with the northern part of our state for a number of years, and up until most recent times, is aware of the tragic problems of unemployed workers on the Iron Range and related areas. The same kind of problem can occur in any area with plant shutdowns and other long-term-unemployment-producing economic events.

We think the events of the last 30 years have shown that unemployment problems are national problems, and that the individual states are unwilling and individually incapable of properly handling the unemployment compensation program, unless there be minimum federal standards which all states are required to observe. The amount of the weekly benefit and the duration thereof are the most essential ingredients of the program, and when the House deleted standards in these areas, it left its bill a mere shell.

We strongly urge that the Senate look to the McCarthy proposal, and pass a bill adopting its principles, and then in conference committee the purposes of a good, strong unemployment compensation reform bill with minimum basic federal standards can be achieved.

IOWA FEDERATION OF LABOR, AFL–CIO,
Des Moines, Iowa, July 20, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: We understand that your committee is now conducting hearings on proposals for unemployment compensation reform.

The Iowa Federation of Labor is asking your committee to support unemployment compensation reform as outlined in the McCarthy bill, S. 1991.

We feel that uniform federal standards for the amount of weekly benefits and the duration of weekly benefits, plus a minimum of 26 weeks of extended Federal Unemployment Compensation benefits, are of utmost importance for the working people of this great nation.

As you know, unemployment benefits are the main source of support when the family breadwinner loses his pob. Most jobless benefits, in most states, are inadequate so we again urge you and your committee to support S. 1991.

Will you please have this statement printed in the record of Committee hearings.

Sincerely,

HUGH D. CLARK, *President.*

STATEMENT OF FELIX C. JONES, GENERAL PRESIDENT, UNITED CEMENT, LIME & GYPSUM WORKERS INTERNATIONAL UNION

The proposals which this Commitee is considering will make the first major improvements in unemployment insurance legislation since the system was enacted in 1935. This modernization of jobless insurance is urgently needed to restore protections to jobless workers that have been eroded over the years.

The United Cement, Lime and Gypsum Workers International Union endorses and supports S 1991.

In 1939, the unemployment compensation benefits when first paid, in no state was the maximum less than 50 percent of the average weekly wage. By mid-1965, the maximum weekly benefit was less than 50 percent of the average weekly wage in 40 states. In 1939, the maximum was more than 60 percent of the average wage in 34 states. One state achieves level that today.

The decline of maximum benefits relative to weekly wages can be seen in the chart below:

Maximum benefits as percent of average weekly wages	Number of States	
	1939	1966
Over 70 percent	16	0
60 to 69 percent	16	1
50 to 59 percent	17	16
40 to 49 percent	2	19
Under 40 percent	0	16

The effect of this development has been to change the program to a flat benefit system for the majority. The wage-related principle that the individual should receive benefits of half their weekly wage is now confined to lower-paid wage earners.

In addition, the obsolescence of the present unemployment insurance program is manifested in several ways, such as:

State legislatures have added many new disqualifications which now form a network of benefit denial that entraps both the deserving and undeserving. The growing severity of punishment suggests a spirit of vindictiveness which is utterly inconsistent and inappropriate to a social insurance program.

An experience rating device attached to the tax system under which employers contribute to unemployment insurance funds has helped cut reserves, and states hesitate to impose special taxes not paid by competing employers elsewhere. There is no indication that the states can free themselves to place primary emphasis on benefit adequacy and the needs of the unemployed. Instead, the states continue to emphasize low tax rates, small tax bases, low reserve peril points, and

other characteristics of cheap financing. Experience rating schemes function not to stabilize employment, but rather as an arsenal of tax-reducing techniques. Competition among the states for industrial development continues to emphasize tax-reducing methods and thereby undercut any modernization of the unemployment insurance program.

Rapid technological change has created a class of long-term unemployed who have lost a lifetime skill, a career, with loss of jobs, and these became exhaustees—those whose benefit periods have run out. A Federal program of adjustment benefits, beginning with the 27th week of unemployment until the 52nd week if the worker did not find a job in that time, would continue compensation to the long-term unemployed who had exhausted their state rights. The need for the extended Federal adjustment benefits is due to the prevalence of unemployment beyond six months. This varies at any one time from 200,000 to 900,000 persons depending on general conditions, but it persists at the lower level even in good times. Unemployment of this length is also attributable to factors other than automation and other technological developments; there are shifts in defense production and geographical movements of industry not restricted by state boundaries. The wage loss resulting from such factors can be adequately and equitably compensated only by a national program.

The prospects for a restoration of unemployment insurance and adaptation to new economic needs depends on Federal action, both to remove benefit standards from destructive competition among states, and to provide for national financing of the long-term unemployment that is caused by nation-wide economic displacement. Basic reform is needed to put jobless benefits again into the forefront as our first line of defense against current unemployment and future recession. The individual states are unable to achieve this goal. Enactment of S. 1991 by the United States Senate would achieve this goal.

STATEMENT OF THE NATIONAL COAL ASSOCIATION, PRESENTED BY BRICE O'BRIEN, GENERAL COUNSEL

Mr. Chairman: The National Coal Association is the trade association for producers of more than two-thirds of the Nation's commercially-produced bituminous coal. Basically, it is our position that Congress should reject Administration proposals to enlarge and expand the benefits and to loosen the safeguards against abuse beyond the provisions of the House-passed version of H.R. 15119.

The coal industry is fully aware of the fact that predominant philosophy today requires an adequate protection by society against the perils of unemployment which can occur without fault on the part of the individual. We believe H.R. 15119 as passed by the House fully accomplished that objective. To go further, as proposed by the Administration, would in our opinion injure the economy of the Nation by tempting the individual whose personal philosophy is readily adapted to becoming a ward of society.

An appropriate system of unemployment compensation should provide sufficient funds for food, shelter, and dignity for those who want to work but who (for reasons not of their own choosing) do not have opportunity to work. H.R. 15119 does that. The Administration proposal, as embodied in H.R. 8282 and S. 1991, goes much further; it would provide benefits competitive with the urge for dignity.

Specifically, the Administration proposal would grant benefits competitive with wages for persons who quit their employment without good reason—and eliminate the employer's incentive to contest such cases, through elimination of the "experience rating" system.

As to the proposed further increase in the taxable wage base and the proposed lengthening of benefit periods, we believe the objections are the same. If society feels it should assume the burden of furnishing a higher standard of living, and a longer period therefor, then the burden should be borne by society in general and not by those industries which have a heavy wage cost.

The coal industry, through mechanization forced upon it in order to remain competitive with imports of foreign residual oil and natural gas, and with government-subsidized hydroelectric power and atomic energy, has reduced the number of job opportunities per unit of production. Unless this had occurred, coal production would have been greatly curtailed, resulting in even fewer jobs and with lower wages. Even so, coal is still a "job opportunity" industry. Payroll taxes can increase this problem—industries which are highly "wage oriented" are put at a severe disadvantage when payroll taxes are unwisely increased.

The coal industry is willing to pay (and, of necessity, pass on to the consumers of coal) the cost of unavoidable unemployment for its workers. With a welfare fund of 40 cents per ton (nearly 10 per cent of total selling price), the coal industry is already showing its awareness of responsibility to employees. But unnecessary and unwise increases in the "payroll" burden can and will cripple those industries (like coal) which furnish a high percentage of job opportunities. If society must furnish a high standard of living for those who become permanently unemployed, the burden of doing so should fall on the income of society in general, through the general tax structure. If this burden is shifted to payroll taxes, it will simply mean that industries (like coal) which furnish job opportunities will be further discriminated against in competition with industries which involve a low incidence of job opportunities (like atomic power and imported energy).

We believe it would be detrimental to our Nation to offer unemployment benefits (on a level competitive with the "take-home pay" of available job opportunities) for an extended period of time to persons who simply quit their jobs because of preference. H.R. 8282 and S. 1991 would do this. H.R. 15119 would not. We therefore urge that you refuse to expand this program—its benefits, the duration thereof, and the standards therefore—beyond the bounds contained in H.R. 15119 as passed by the House.

STATEMENT OF HERRICK S. ROTH, PRESIDENT, ON BEHALF OF THE COLORADO LABOR COUNCIL, AFL-CIO

Colorado has often been the object of special attention when it comes to both the administration and the standards set for its program of unemployment insurance and unemployment compensation payments.

Part of this attention has been attracted because the Department of Employment for our State has had the same administrator since its establishment in the 1930's and since he has been considered both a strong and conservative executive, even as he has dealt with the State Legislature in establishing the guidelines for unemployment compensation benefits and coverage.

The maker of this statement has had twenty years of intimate involvement in both labor's position on the entire program and the legislative program established on the state level. He has served for the greater part of that time in elected union positions; has served for the last four years on the Governor's Advisory Council for the State Department of Employment; and has served as a member of the House for two years and four years as a member of the Senate of the Colorado General Assembly with membership on committees in both Houses that have dealt with this area of concern.

The Sixth Biennial Convention of the Colorado Labor Council, AFL-CIO, held in early May of this year, endorsed unanimously the original proposal of Senator Eugene McCarthy's S. 1991. We did this because our members and the offices of our Council have been deeply involved in recent years in dealing with the problems of entitlement of benefits under our Colorado law. All of this experience has simply underscored what we have basically believed for at least the last two decades; namely, that unemployment benefits and coverage are national problems that deserve the same kind of minimum federal attention already provided by law in fields relating to other social security areas such as old age, survivors and disability programs.

At the moment, Colorado has relatively decent monitory payment for the unemployed worker, provided that he can establish eligibility. This is not the easiest thing in the world to do, however. For instance, since 1963, Colorado has had an award system unlike any other state in which limited optional or discriminatory judgments based on the facts of an individual's case are available.

We have a fixed benefit system that arbitrarily rules out many who should be otherwise eligible simply by fixed determinations written in the law. Some of these are set at "50% Awards" and others at "No Awards." In a sense, this is a substitute for penalty waiting periods which, as you know, vary in length in different states.

We use this point to illustrate the fact that political pressures from time to time make unusual and sometimes unrealistic changes in laws affecting workers, even though the workers continue to find the business of being out of work the same personal and economic problem for themselves no matter what their states of residence.

Other examples could be quoted at length, including the manner in which the judgment of an employment office about eligibility can be appealed, the nature of coverage of seasonal workers, the kind of employment tax placed upon the covered employer, the number of employees required for an employer to be covered by law, the length of the benefit period available to the employee, the amount of wages and duration of wage payments that are to be used for wage credits, the percentage of earned wage that is to be used as the base for payment of compensation benefits, the relationship of the number of dependents which a worker has to the amount of the benefit paid, the additional benefit payable because of continuity of service with a single employer, and the like.

In brief, no matter where a worker works to earn his benefit of coverage for the payment of unemployment compensation, he is in a highly mobile work force and needs to know that certain basic standards will prevail from state to state as he seeks to find work best suited for himself and his community. He needs this assurance not simply because of the possibility of layoff from work which he has primarily trained himself to do and perhaps has actually done all the years, but he needs it so that he can even quit work to seek a better job with the full knowledge that some protection exists for him in case the better job ceases in due time. The variations among the states are so great in this one area alone that the federal benefit standard is needed to insure incentive as well as security as the worker tries to find the job suited to his skill or is given the time to train himself for the new job markets available.

We subscribe to the AFL–CIO standards because they are basic, decent and yet minimal. We will not, therefore, repeat them here except to say that any worker out of work needs to know, if at all possible, that his full wage credits on jobs previously held are being applied to a benefit standard that the benefit standard must be no less than a basic minimum standard of living for him and his family as he makes himself available for new work, and that the duration of this benefit must be sufficient for both him and the business community to place himself in the best possible work fitting his abilities.

If S. 1991 does become law, as we believe it should, then our feeling is that a considerably lesser number of unemployed workers in our own state will be properly entitled to payments which they do not now receive. This, in turn, will provide for them better opportunities to seek, train for, and find employment, while at the same time removing them from private or public charitable assistance paid for on a general tax base that serves both the worker and the community less well than the federal benefit standard program for unemployment would provide.

We urge this important reform.

STATEMENT OF THOMAS T. SNEDDON ON BEHALF OF THE NATIONAL LUMBER AND BUILDING MATERIAL DEALERS ASSOCIATION

I am Thomas T. Sneddon, Executive Vice President of the National Lumber and Building Material Dealers Association, 302 Ring Building, Washington, D.C. The Association of 13,000 member firms is the sole national representative for the building materials distribution industry which accounts for over seven billion dollars in building materials annually.

Our interest in the current Unemployment Compensation Bill S. 1991, is in general opposition. We urge the Committee to accept and adopt the provisions of the House of Representatives Bill H.R. 15119.

Being mindful of the vast changes in the incidents of our post-depression economy, we believe an updating of the Unemployment Compensation Program is appropriate, particularly at a time of a relatively low unemployment rate. The Committee is in a position to objectively anticipate the assistance needs of the responsible individuals who find themselves unemployed through no fault of their own, that is, those individuals for whom the original programs were conceived.

Recognition of the need for change does not, however, permit us to discount the need for financial responsibility in advocating change. Attempts to convert a necessary assistance program into an extended welfare plan are obtuse to the motives which prompted the program initially. S. 1991 is just such an attempt. The House of Representatives repelled the effort and in the alternative passed a reasonably sound proposal incorporating a liberal expansion of coverage and a long needed provision for Judicial Review. More importantly, they reindorsed the need for State administration of the existing programs and rejected the unacceptable demands for a Federal Benefits Standard.

Rather than steadfastly opposing any change in the Unemployment Programs, we believe the Senate Committee would render both business and responsible members of the labor and white collar force a positive service by rejecting S. 1991, and in the alternative, adopting provisions comparable to those in the House approved bill. Recognizing the stimulus value and need of incentives to all, we feel the retention of experience rating, the perpetuation of State and not Federal Administration of the program, and the non-interference with assistance payments which certain proposals would attempt to convert to rewards is a necessary and equitable compromise between the proponents of unlimited assistance and the financial realism of the business community.

We find most of the provisions of House bill to be acceptable, however, as spokesman for a distribution industry, primarily composed of small businessmen, we must object to the increases in the tax base, both under S. 1991 and H.R. 15119. We believe the necessary funds for financing the new provisions can be raised by an increase in the tax rate alone rather than expanding both the rate and the wage base. Should the Committee conclude that an increased tax rate and wage base is essential to the economic soundness of the unemployment programs, we urge a less aggressive escalation of the wage base. Specifically, from the present $3,000 base to $3,400 in 1969, and $3,800 in 1972. A gradual increase will be more easily managed in the competitive economics of the building materials distribution industry. As employers, our members often find new or broadened taxes to be cumbersome to absorb in the marginal profit structure. This is due to the erratic cyclical nature of our particular industry. Specifically, the present decline in the homebuilding and related industries, such as the dealers, has critically affected many of our members. Some of them would be unable to manage the added tax burden created by bills such as S. 1991. The Senate's acceptance of the House measure with our recommended change in the wage base would ease the burden on the members of our industry and achieve more rational objectives than those sought in S. 1991.

AMERICAN COUNCIL ON EDUCATION,
Washington, D.C., July 21, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: Although the American Council on Education did not ask to testify before your committee in connection with H.R. 15119, we hope very much that the enclosed statement may be made a part of the record. Institutions of higher education, coming as they will for the first time under the provisions of the Unemployment Compensation Act, are naturally concerned at the impact this will have on institutional finances.

We are in sympathy with the objective of providing economic security for those who need it, and we are, therefore, in general support of the bill. We do believe, however, that non-profit institutions are sufficiently different from profit institutions as to warrant special treatment. In passing the bill the House of Representatives concurred with most of our suggestions. We shall be very grateful for any consideration your committee can give to our additional requests.

Sincerely yours,

JOHN F. MORSE,
Director of the Commission.

AMERICAN COUNCIL ON EDUCATION—STATEMENT ON H.R. 15119

The American Council on Education wishes to signify its general support of H.R. 15119, as opposed to those provisions of H.R. 8282 which pertained to institutions of higher education. The Council, a voluntary, non-Governmental body, is the principal coordinating agency for higher education in the United States. It has a membership of 1194 colleges and universities and 230 education organizations.

We are not opposed to the concept that workers employed by non-profit institutions should be accorded the same degree of employment security as they would enjoy if they worked for profit enterprise. We would argue, however, that employment in non-profit enterprise is far more stable than in profit enterprise and, therefore, that special consideration should be given to our situation.

Specifically, H.R. 15119 recognizes the following special considerations:

(a) Institutions of higher education are exempt from the .55 per cent Federal tax.

(b) Those engaged in the capacity of "instructional, research, or principal administrative capacity" are excluded from coverage.

(c) Students employed by their institutions are excluded from coverage.

(d) Institutions will be allowed the option of reimbursing the State for benefits paid out on behalf of their former employees instead of paying the State unemployment insurance contribution.

We have three concerns that are not taken into account in H.R. 15119 and we hope that they may be given the committee's earnest consideration:

1. We would strongly urge that student spouses be exempt from coverage. The reason for this request is a purely practical one. In general, educational institutions go out of their way, often at the sacrifice of considerable efficiency, to employ student wives simply as a way of providing additional student financial aid. Such employment is, of course, temporary and when the student graduates and moves on to his career elsewhere, his wife goes with him and new employees must be found and trained. But we have believed that the assistance provided in this way to students is so important that it outweighs all disadvantages.

There seems to us a strong probability that many student wives may claim unemployment compensation after leaving college employment and that these claims may be upheld. This could be true even if they had no intention of continuing their employment after their husbands had received their degrees. If this were the case, we fear that our present policies would be prohibitively expensive and that they would have to be abandoned. Then we would be faced with the problem of finding new sources of funds for student aid or see large numbers of students discontinue their education.

2. We would urge that all administrative and professional personnel be exempt from coverage. The phrase contained in H.R. 15119, which exempts *principal* administrative personnel, unless far more clearly defined, may lead to great confusion in shaping State legislation.

3. We would urge that colleges and universities not be charged for benefits paid for unemployment not directly caused by these institutions. We strongly endorse the provision in Section 104 (b) which provides a form of self-insurance for non-profit organizations. However, under the bill as it is now written, such institutions would be liable for the payment of benefits to former employees who might voluntarily terminate employment in order to accept new employment in profit enterprise and then involuntarily be released from this new employment. We believe the House intended to relieve institutions of higher education of the responsibility for compensating for unemployment not attributable to them. If this is the case, we believe the Act should stipulate that such institutions are responsible only for compensation benefits paid as a result of the direct actions of the non-profit employer.

AMERICAN ELECTRIC POWER CO., INC.,
New York, N.Y., July 20, 1966.

Re: unemployment tax legislation.
Hon. RUSSELL B. LONG,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: The Finance Committee is now holding hearings on two unemployment tax bills, H.R. 15119, recently passed by the House of Representatives, and S. 1991. I am writing you in behalf of the American Electric Power System companies to urge that H.R. 15119 be the vehicle for the new law rather than S. 1991, and in particular, that "experience rating" should be retained.

S. 1991 is similar to H.R. 8282, introduced in May 1965, for which, after lengthy hearings and careful consideration, the Ways and Means Committee substituted H.R. 15119. The House passed H.R. 15119 by an overwhelming vote.

H.R. 15119 represents a realistic overhauling, the first since the 1930's, of the federal provisions relating to the combined federal-state unemployment taxes. This bill raises, in future years, both the federal tax rate and the maximum taxable wage base (which will lead to higher state wage bases); extends coverage to additional workers; provides for an extended benefit period, up to 13

weeks, in time of recession, with the federal and state government each paying one-half; and provides, for the first time, for court review of adverse decisions by the Secretary of Labor as to whether a state unemployment compensation system conforms to the requirements of federal law.

Most important, H.R. 15119, unlike H.R. 8282 and S. 1991, would not tamper with the present long-established system of "experience rating", under which, by virtue of Sections 3302(b) and 3303(a)(1) of the Internal Revenue Code, an employer may receive credit for state tax against the federal tax up to a maximum 2.7% rate of state tax, even though he pays state tax at a "reduced" rate less than 2.7%. This "additional credit" is now allowable only if the "reduced" state rate paid by the employer is due solely to his good record of employment stability. Experience rating is not only fair and equitable, but a strong financial incentive for employers to make every effort to maintain stable employment, and to keep layoffs and terminations of employment to a minimum.

I attach a copy of a July 28, 1965 letter which I wrote to The Honorable Wilbur D. Mills, Chairman of the Ways and Means Committee, when that Committee was considering H.R. 8282, urging, as I am doing now, the retention of experience rating.

I am sending a copy of my letter to you, with its attachment, to all members of the Finance Committee.

Sincerely yours,

DONALD C. COOK.

AMERICAN ELECTRIC POWER CO., INC.,
New York, N.Y., July 28, 1965.

Re H.R. 8282, unemployment taxes.

Hon. WILBUR D. MILLS,
House of Representatives,
Washington, D.C.

DEAR MR. MILLS: I am writing in behalf of the American Electric Power System companies to urge the deletion of those provisions of H.R. 8282, the unemployment tax bill on which the Ways and Means Committee will shortly hold hearings, which would eliminate or reduce experience rating as a factor in determining the rate of state unemployment tax paid by an employer.

Unemployment taxes are imposed to provide, through regular contributions, the moneys to pay benefits to individuals who are currently unemployed and to create and maintain a reserve from which payments may be made to those who become unemployed in the future. The moneys for this purpose are obtained through taxes on employers.[1] An employer has up to now been paying state unemployment taxes at rates determined by the amounts of unemployment compensation, in relation to the size of his taxable payroll, paid in the past to his former employees, which in turn have formed the basis for estimating the future drain on the state fund which might be caused by future terminations of employment with him. An underlying concept of unemployment compensation laws has been that to the extent feasible, an employer is to furnish, in a regular and systematic manner, the moneys for paying benefits to individuals who worked for *him* before they became unemployed.

Consonant with this concept, *unemployment laws have always given recognition to the principle of experience rating—that the rate of unemployment tax paid by a particular employer should reflect his past and current record of employment stability.* This principle recognizes that an employer who has a heavy turnover of employees, which gives rise to large relative unemployment compensation payments to individuals who no longer work for him, pays a higher tax rate, as a per cent of taxable wages, than an employer who, again on a relative basis, has few terminations of employment and whose former employees therefore draw little unemployment compensation and make a small drain on the state fund. This is a salutary and just principle and operates *to encourage* stability of employment.

Present federal law not only recognizes but emphasizes the meritorious nature and the importance of experience rating. Section 3302(b) of the Internal Revenue Code allows "additional credit" against federal tax for state tax up to a maximum 2.7% state rate, even though the employer actually pays a "reduced" (lower) state rate, provided the state law is certified by the Secretary of Labor.

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[1] Only in a small minority of states do employees also contribute to the fund. American Electric Power System employees do not pay unemployment tax in any state.

Section 3303(a)(1) now provides that an additional credit with respect to a reduced state rate of contributions shall be allowed only if the Secretary of Labor certifies that no reduced state rate is permitted to the employer "except on the basis of his * * * experience with respect to unemployment or other factors bearing a direct relation to unemployment risk during not less than the 3 consecutive years immediately preceding the computation date".

Section 208 of H.R. 8282 would amend Section 3303(a) of the Code to permit the additional credit against federal tax if state law permits a reduced rate of contributions, defined as a rate lower than 2.7%. In direct conflict with the salutary principle of encouraging and giving recognition to stability of employment, this proposed change in the law would eliminate experience rating as a prerequisite for additional credit against federal tax without substituting any other specific test.

Against the background of other provisions in H.R. 8282 which would increase the cost of state unemployment compensation plans, elimination of the present federal requirement that additional credit will be allowed only where the reduced state rate is attributable to a good employment record would have the inevitable tendency of causing states to reduce the present wide differences in rates which turn upon the demonstrated unemployment risk, or even to impose a flat rate of tax on all employers.

Section 208 of H.R. 8282 would not eliminate the incentive to states to permit a rate somewhat less than 2.7%, since they would still have an interest in qualifying employers within the state for "additional credit" against federal tax. The necessity of collecting sufficient unemployment taxes to meet the increased benefit costs which would be caused by H.R. 8282 would create pressure on the states to shrink greatly the present differences in rates based on experience rating.

The American Electric Power System companies pay unemployment taxes in eight states. They have had a very stable employment record. High benefit payments were made from many of the funds in these eight states in the recent past, and some of these funds are not yet back to a satisfactory level. Nevertheless, the taxes paid in these states last year by the AEP System companies reflect the stable employment record of our companies. For the year 1964, state unemployment taxes paid by AEP System companies totaled $162,281. If our companies had paid a rate of 2.7% in each of the eight states, applied to the maximum taxable wage base, $3,000 in most of such states and with a high of $3,600, our state unemployment taxes would have been $959,097, or almost six times the taxes actually paid.

Unemployment is a matter of national concern, and in this connection the maintenance of as stable an employment record as possible *by individual employers* is of great importance. *Present Section 3303(a)(1) has furnished employers a very real financial incentive to strive for an increasingly smaller number of lay-offs and other terminations of employment. Section 208 of H.R. 8282 would remove this incentive.*

The elimination of experience rating would be detrimental to the national objective of reducing unemployment and employee turnover. It would be unfair to those employers who have striven to maintain stable employment. It would be a sharp and undesirable departure from the principle hitherto followed of furnishing a financial incentive toward that end. Section 208 of H.R. 8282 should not become law, and we urge its deletion from the bill.

Very truly yours,

DONALD C. COOK.

ESSEX-WEST HUDSON LABOR COUNCIL AFL-CIO,
Newark, N.J., July 20, 1966.

Hon. RUSSELL B. LONG,
Senate Finance Committee,
Washington, D.C.

DEAR MR. LONG: We urge your support for a strong U.C. Reform Bill and propose that your Committee revise the weak House Bill that has been passed.

We need your immediate cooperation and support to approve the U.C. Reform Bill recommended by the AFL-CIO H.R. 8282.

May we request that our letter be printed in the record of the Committee hearings.

Sincerely yours,

MATTHEW J. STEVENS,
Executive Secretary-Treasurer.

MAINE STATE FEDERATED LABOR COUNCIL,
Bangor, Maine, July 21, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: I wish to take this opportunity to go on record concerning a matter of great significance to the working men and women of the State of Maine.

As President of the Maine State Federated Labor Council, unemployment compensation is an area in which I have always taken a great interest.

After extensive research and thirty-one years of legislative experience, I find that there are limitations and inequities in the Maine Employment Security Act which indicates to me a need for federal standards and broad reforms if the law is to realistically serve the purpose for which it was originally intended.

The Maine State Legislature is not qualified to delve into and solve problems encountered in unemployment compensation legislation. They have neither the personnel nor the research staff and facilities to act upon legislation concerning unemployment compensation, yet the legislative juggling continues and the ball is being dropped. Constantly.

The recommendations of the Maine Employment Security Commission and the legislation based upon those recommendations are too one sided and do not adequately protect the worker. The worker needs fairer consideration and only uniform federal standards will give it to him.

The Social Security Act of 1935 made each state responsible for its own unemployment insurance program. After reviewing the record, I was astounded to find that not only Maine, but every state has a smaller weekly benefit, relative to wages, than was the case in 1939. At that time benefits received by the unemployed worker in Maine amounted to 70% of his wage. Today the figure is closer to 30%.

This seems grossly incompatible with the needs of the people. After twenty-seven years it seems we should have made more progress than that in protecting the earnings of our workers. The need to stop the competition and apply federal standards for the amount of weekly benefits is obvious.

A further glaring inequity may be found in the duration of benefits received. In 1959, 20%, or 6415 unemployed workers in the State of Maine exhausted benefits. This was an increase of 134% over the previous year. The 20% exhaustion rate of 1959 continued until the 1964 upsurge of the economy. Although benefits in Maine presently cease after a maximum of twenty-six weeks, valid complications cause many workers to remain unemployed after the cut off period. The only alternative has been the relief rolls. We need federal standards for the duration of weekly benefits and an additional twenty-six weeks of federal benefits if we expect to adequately meet the needs of the unemployed worker and his dependents.

In speaking and corresponding with rank and file union members I have obtained information which I feel should illustrate some of the personal disaster suffered by individuals in the State of Maine, due to the present standards of disqualifications. What is distressing is not only the number of disqualifications, but the reasons.

In one instance a pipefitter from Norway, Maine, was disqualified for simply telling the truth. Unemployed, the worker was referred to work in Bucksport. Unable to leave his wife, a victim of emphysema for fifteen years, he declined. When applying for unemployment compensation, the worker answered truthfully when asked if he had been offered employment. He was disqualified. Although the individual had good personal cause, his truthfulness disqualified him. The present law has undoubtedly made liars out of good men who are fearful of a similar occurence.

In Skowhegan, Maine, a young woman working for a supermarket chain wrote me asking what she could do about being disaqualified. She had re-located, at the request of the company, in Augusta. After two weeks, due to her childs illness, she had to resign and return to Skowhegan. She was disqualified.

Some of the letters I have received express not only the hardships imposed upon disqualified workers, but the workers inability to comprehend why the people who need it most are denied this compensation. They feel unemployed poor personally discriminated against and too often for good reasons.

It is my hope the committee to the Senate will recognize the needs of the unemployed and not allow them to be utilized merely as pawns in the competitive world of industry.

I feel it only just that in this, the greatest nation on earth, the unemployed worker should have a better alternative than hunger or despair. I, therefore, urge the approval of the strongest possible unemployment compensation reforms.

It is high time that pressing needs of the working men and women of this nation are realized and met. In this, an age of transition, we must not forget the human factor. It we do we perpetrate a grave injustice against this nations greatest asset, its workers.

Most sincerely,

BENJAMIN J. DORSKY, *President.*

MISSISSIPPI AFL–CIO,
Jackson, Miss., July 19, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: I have recently been advised that the Senate Finance Committee is currently conducting hearings on proposals for unemployment compensation reform. Specifically, I understand that your committee is presently considering SB 1991 which provides federal minimum standards.

Please be advised that the Mississippi AFL–CIO is in favor of this bill and urges your Committee to give it a favorable report. Many unemployed workers in this state are consistently denied compensation under the existing law and the only way this can be overcome is to strengthen the Federal Act.

Employer and other groups in Mississippi have succeeded in virtually emasculating the Employment Security Act in recent years. All of this has been done under the guise of making the state more attractive to industry. The gimmick is low tax rates. In order to keep tax rates low, weekly benefits are held down and workers are denied compensation for various and sundry reasons. Frankly, we feel the only answer to this problem is to strengthen the Federal Law. We certainly hope your Committee can come out with a bill that will eliminate these evils at the state level.

I will be happy to furnish your Committee with affidavits of individuals who have been victimized, if such a need exists. I would also like to request that this letter be made a part of the record.

Sincerely yours,

CLAUDE RAMSAY, *President.*

TRANSPORT WORKERS UNION OF AMERICA,
New York, N.Y., July 20, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: On behalf of the Transport Workers Union of America, AFL–CIO, I wish to go on record as strongly supporting the enactment of H.R. 8282 and its companion Bill S. 1991 in order to provide urgently needed improvement in unemployment compensation benefits to millions of workers throughout the United States.

Our Union represents many thousands of workers employed on local passenger transportation systems, airlines, railroads, public utilities, universities, and related industries, situated in many different states throughout our country. We know from firsthand experience that existing unemployment compensation laws are grossly inadequate.

In most states, unemployment compensation laws are obsolete and reflect a system of benefits designed to meet the standard of living of the era of the Great Depression in the 1930's. Such benefits have not kept pace with the huge increase in living costs and do not reflect credit on our Nation in the era of the Great Society.

In recent years, automation has had a sharp impact on the industries represented by our Union as well as upon other major industries in the United States. Some of the ravages of automation can be lessened and the economic plight of affected workers alleviated through the enactment of H.R. 8282.

I do not suggest that enactment of H.R. 8282 will eliminate all of the economic dislocations and hardships resulting from unemployment. However, this Bill does represent a step in the right direction and constitutes the minimum measure necessary to correct long-standing inequities in the administration of unemployment compensation benefits throughout the United States.

Very truly yours,

MATTHEW GUINAN,
International President.

KANSAS STATE FEDERATION OF LABOR, AFL–CIO,
Topeka, Kans., July 18, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: The officers and members of the Kansas State Federation of Labor are extremely interested in legislation that will establish minimum standards in unemployment compensation and in improving some of the benefits the unemployed worker so properly deserves.

We earnestly appeal to you to lend your support to S. 1991, the bill that was introduced by Senator Eugene McCarthy and fifteen other senators. Our members who work in more than one state continuously involved with variations of the Unemployment Compensation Law, in each of the states where they have experience. A few of the variations are: qualifications for benefits, variation in the amount of compensation allowable, disqualification variations, number of weeks of eligibility, and the inadequate amount of benefits provided as compared to the loss of income.

The bill introduced by Wilbur Mills, HR 8282, provided for minimum Federal standards and improvements in the law that we subscribe to, although the bill that passed the House was so watered down that it is totally inadequate. We are therefore trusting that the Senate Finance Committee of which you are Chairman will report a bill to the Senate Floor which will provide broader coverage to include employers with one or more employees; workers in non-profit institutions; establish a formula for raising the maximum benefit to ⅔ of the average weekly wages of the respective states; extend the benefit period by an additional 26 weeks; provide uniform methods of qualification; and standardize or make uniform disqualification penalties in cases where the worker quit voluntarily, was discharged for misconduct or refused suitable work.

Surely the Congress will give these needed amendments favorable consideration which would eliminate the jungle of confusion that the present 50 laws create nationwide. The unemployed worker is dependent upon the U.S. Senate and House of Representatives for improvement in our Unemployment Compensation Laws due to the failure of the respective states to assume the responsibility through legislative procedures of working out any guide of uniformity between the states and keeping the maximum benefits in pace with the economy, and extending the benefit periods to correspond with the needs of unemployed persons.

I hope these remarks will be carried in the record of the hearings for your committee.

Respectfully yours,

F. E. BLACK,
Executive Secretary.

AMERICAN FEDERATION OF MUSICIANS OF THE
UNITED STATES AND CANADA,
New York, N.Y., July 20, 1966.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Permit me to address you and your conferees—for the record of the current hearings on S. 1991—in behalf of the approximately 250,000 members of the American Federation of Musicians, AFL–CIO.

Our musicians, by the very nature of their transient employment, are among the most adversely affected workers coming under present provisions of the unemployment compensation act. We sorely need the reforms proposed in the

bill introduced by Senator McCarthy and 15 co-sponsors. I stress, on behalf of this, the largest of all entertainment unions, the dire need for uniform Federal standards, for the weekly benefits as set forth in the so-called McCarthy proposal, and for the specified duration, plus a minimum of 26 weeks of extended Federal unemployment compensation benefits.

These reforms are minimal to satisfy a crying need for modernization of the basic principles of job insurance and protections. Our musicians were among the first to feel the damaging impact of automation, and we have always been and shall be subjected to shifting venues of employment.

Therefore, may I cite for the record urgent need of the added job protections, as proposed.

May I ask, Mr. Chairman, that you include this petition for relief by all professional musicians, as a part of the record of the current unemployment compensation hearings.

Sincerely,

HERMAN KENIN, *President.*

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS,
Washington, D.C., July 21, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: This is to state the position of the IBEW, which represents more than 820,000 members, on the very important Unemployment Compensation issues now before your Finance Committee. Members of the IBEW have not been exempt from the excessive unemployment that has plagued our country in the last several years. Many of them, faced suddenly with loss of employment, have been hard put to support their families on the totally inadequate Unemployment Compensation benefits available to them in their states. And in too many cases, even these inadequate benefits have been exhausted before they were able to return to work.

On their behalf and on behalf of all working men and women I want to make this statement in strong support of a meaningful Unemployment Compensation bill, such as S. 1991, which will provide a fair measure of protection for the unemployed. I ask that this communication be made part of the record of the Committee hearings now in progress.

First, we favor the broader coverage in the bill which would extend protection to five million workers now denied any Unemployment Compensation benefits at all.

We urge approval of uniform Federal standards providing minimum benefits equal to two-thirds of the state's average weekly wage for not less than 26 weeks, plus an additional 26 weeks of extended Federal benefits for the long-term unemployed with a record of firm attachment to the labor force. Federal standards will put the states on a more even basis. Workers in similar situations will be treated more equitably regardless of which state they live in. And the difference in state tax rates due to the uneven quality of state laws would be narrowed. This would discourage states from trying to improve their position for industrial development by sacrificing their unemployment insurance systems.

We feel the tax base should be raised substantially, since it now covers only about half of payrolls. One reason the unemployment insurance system is short of funds is because of the out-dated taxable wage base, which has not been changed since 1939.

Finally, we feel that states should not be allowed to withhold benefits longer than six weeks in cases of disqualifying acts. After that time they should have to reexamine the case to see if the worker is still voluntarily unemployed. If he is able to work, available for work and seeking work, he should then be entitled to benefits.

The provisions of S. 1991 are long overdue amendments necessary to strengthen the unemployment insurance program. Because of all the present limitations in coverage, benefits and eligibility we feel that our members do not have as good protection now as they did many years ago when this program was in its infancy. Wage insurance today compensates a much smaller proportion of the unemployed worker's wage loss than it once did.

We are pleased that your Committee is making a review of these developments. We strongly and sincerely urge Committee approval of the provisions of S. 1991.

Thank you for this opportunity to submit our views.

Very truly yours,

GORDON M. FREEMAN,
International President.

NEW YORK STATE AFL–CIO,
Albany, N.Y., July 21, 1966.

Senator RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SIR: The New York State AFL–CIO representing more than two million organized workers in New York state wishes to go on record in support of amendments to the Federal unemployment compensation program as embodied in the bills S. 1991 and HR 8282.

It is our position that such legislation is badly needed to correct inequities and failures in the New York unemployment insurance system. It takes but the simplest arithmetic to realize that this system falls far short of the needs of our economy and our under-employed:

1. According to most recent statistics published by the New York State Division of Employment (Employment Trends, May, 1966) the total unemployment in May 1966 amounted to 325,000 or 4.1% of the state's labor force. This figure is obviously too optimistic since it fails to reflect an invisible army of unemployed composed of those people who were forced out of the labor market some time ago, who are willing and able to work but have become too discouraged to search for a job. Adding this "invisible army" to the official statistics would raise the unemployed to some 500,000 or 6% of the total labor force. However, in the same month of May, 1966, only 132,500 persons received unemployment insurance benefits, thus leaving some 60% of the unemployed entirely outside the protection of the law. This is due to a number of reasons: lack of coverage of many workers, exhaustion of benefits, harsh eligibility and disqualification rules, to mention only a few.

2. The erosion of our unemployment insurance program is especially visible in the area of benefits. In 1939, the national average weekly wage in jobs covered by unemployment compensation was a little over $25. Most states—and New York was among them—provided maximum benefits of $15, which was then 60% of the average weekly wage. The weekly wage loss suffered by the unemployed person receiving the benefit was about $10 a week.

In 1965, the New York State average weekly wage in covered employment was about $120. Thus, the maximum benefit of $55 is only 46% of the average weekly wage as contrasted to 60% in 1939. The unemployed worker who is fortunate enough to receive the maximum benefit still will suffer a weekly wage loss of $65 or more, as contrasted with a $10 loss in 1939.

Neither does our unemployment insurance system adequately meet its proper role as a preventive of poverty. The war on poverty has used a rough average of $3,000 a year for a family of four as the pivotal measure below which poverty should be assumed. Reduced to a weekly figure, this would require an income of more than $57 a week for the elimination or prevention of poverty. However, the average full-week unemployment benefit in May, 1966, was only $41.49 (New York State Division of Employment, Operations, May, 1966, p. 19), which is far below the out-of-poverty level for the overwhelming majority of the unemployed, especially in view of the fact that in that month only 32% of new beneficiaries were eligible for the maximum rate of $55 (Division of Employment, Weekly Summary of Key Statistics, July 7, 1966).

3. The New York State unemployment insurance law is one of the harshest in the nation with respect to depriving workers of benefits through disqualification procedures. In cases of voluntary separation without good cause, refusal of suitable work or misconduct, the payment of benefits is stopped until after the particular worker either works for at least three days in each of four different weeks or else until he earns at least $200.

Thus this harsh, abrasive and vindictive provision of the law punishes the unemployed worker even when his continued unemployment ceases to be a matter of his own doing and becomes the result of economic dislocations over which he

has no control. No wonder that the number of disqualifications increased in New York state from 385,871 in 1959 preceding the year when the new disqualification provisions of 1960 were put into effect, to 428,987 in 1965, which is utterly inconsistent and inappropriate to a sound social security program.

4. The present structure of the New York state provision for 26 weeks of maximum duration of benefits is clearly inadequate. The bills S. 1991 and HR 8282 provide a minimum of 26 weeks of benefits with 20 weeks of employment and a maximum of 26 weeks of federal benefits to supplement those provided by the states. These changes are necessary to reduce the excessive number of exhaustees which totaled 17.4% of all beneficiaries in 1965.

The continuing large number of persons exhausting benefit rights—121,218 in 1965, 152,208 in 1964, 166,945 in 1963, 153,000 in 1962 and 207,000 in 1961—clearly justifies the extension of benefits.

The proposal to establish Federal unemployment adjustment benefits is urgently needed to deal with the problem of long-term unemployment, especially in areas of substantial and/or persistent unemployment. According to most recent official statistics of the U.S. Bureau of Employment Security (Area Trends in Employment and Unemployment, March, 1966), there are in New York four labor areas of substantial unemployment and eight areas of persistent unemployment. The impact of technological and economic changes on these areas is such that 26 weeks of benefits are not sufficient to enable displaced workers to find alternative employment. A U.S. Department of Labor study of claimants who exhausted benefits under the TEUC program, 1961–62 (Special TEUC Report No. 2 BES No. U–225–2, Feb., 1965) found that in New York state 72% of the exhaustees were still unemployed after exhaustion of extended benefits under the TEUC program.

Clearly, a period of 26 weeks in addition to the duration by state law is essential to provide the measure of protection which the long-term unemployed need to help meet the difficulties facing areas where alternative jobs are difficult if not impossible to secure.

In view of all these and other shortcomings of our state unemployment insurance system, we most emphatically favor the intent and provisions of the bill S. 1991. It will extend protection to thousands of workers not now covered, establish a Federal program for the long-term unemployed, provide minimum standards for benefits and duration, set up uniform standards for eligibility and disqualifications, increase the taxable wage base so as to obtain a more equitable and adequate financing of the system and provide additional Federal funds to assist the states.

Unfortunately the bill HR 15119 which passed the House of Representatives does not meet the objectives of the original bill to extend and improve the unemployment compensation program. For that bill fails to provide for Federal unemployment compensation standards, reduces the number of employees to whom new coverage would be extended, cuts the original wage base proposal from $5,600 in 1967 and $6,600 in 1971 to $3,900 in 1969 and $4,200 in 1970 and does not contain the supplemental benefits provision which would extend benefits for an additional 26 weeks and instead provides for only 13 additional weeks restricted to times of unusually high national unemployment.

We therefore earnestly urge this committee to report a bill to the floor of the Senate which would restore the objectives of the original bill and make our unemployment insurance system responsive to the needs of our times.

We also respectfully request that this statement be made a part of the hearing record on the respective bills before your committee.

Sincerely yours,

RAYMOND R. CORBETT, *President.*

HAWAII STATE FEDERATION OF LABOR, AFL–CIO,
Honolulu, Hawaii, July 20, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: On behalf of more than 30,000 members of the AFL–CIO in the State of Hawaii, I would like to express our feelings on H.R. 8282 and S. 1991—Unemployment Compensation

The Hawaii State Federation of Labor, AFL–CIO wholeheartedly endorses the above two bills. The State of Hawaii is most fortunate that it currently enjoys the lowest unemployment percentage in the United States. However, many of our working men and women have experienced hardship and personal embarrassment in trying to receive unemployment compensation which is justly due them.

It is most difficult to explain to children in our State or any of our Sister States why there is no meat or bread to go along with rice or potatoes. When the need arises for a member of the rank and file to depend on the benefits of the UC program, it matters little what part of the country you live in. We cannot stress too strongly the need for uniform federal standards for the amount of weekly benefits; the duration of weekly benefits; uniform disqualification penalties; and a minimum of twenty-six weeks of extended Federal UC benefits.

We feel that implementation of a strong and just UC program would strongly enhance the President's Poverty Program, which we strongly endorse.

We would like to emphasize the point that in any legislation passed regarding UC programs, that any new federal legislation must not reduce the standards established by a State when that State's UC program is higher than the minimum payment program established by Congress.

We respectfully request that our position on H.R. 8282 and S. 1991 be printed in the record of your Senate Finance Committee.

Sincerely,

GORDON H. BEACH,
Executive Secretary-Treasurer.

NEW MEXICO STATE AFL–CIO,
Albuquerque, N. Mex., July 20, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: It is my understanding that the Committee on Finance will be meeting soon concerning Unemployment Compensation.

Some of the problems that we run into in the State of New Mexico concern denial of payment to a claimant for sundry reasons, therefore, forcing the claimant to go to an Appeal Board. In some cases it has been felt that the hearing officers or possibly the judges do not hear the case of the claimant with an open mind, rather, that they are "Employer Orientated".

It is the feeling that possibly some broader rules to collect payment could be effected. Our minimum rate in our State is $36.00 per week, with a maximum of $1080.00 or thirty weeks.

We feel it imperative that these rates be brought up, however, this is a matter for State Legislature to act upon.

If it would be possible for the Federal Government to subsidize in weekly benefits and also in length of benefits it certainly would be to the advantage of the working man, because the way that benefits stand today and the concern of this nation and the poverty program, we can certainly see that these benefits put the worker and his family in a substandard poverty program.

It is our sincere desire that your Committee would be able to make great strides in improvement of Unemployment Compensation.

I would request that this letter be printed in the record of Committee hearings and if there should be any further information that we could give you from this office, please do not hesitate to advise.

Sincerely,

(MRS.) BILLIE L. SPONSELLER, *President.*

VIRGINIA STATE AFL–CIO,
Richmond, Va., July 20, 1966.

Mr. TOM VAIL,
General Counsel, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR MR. VAIL: On behalf of the Virginia State AFL–CIO I would like to submit for the record the following statement in support of S.B. 1991. I might say that a similar statement was made by me before the House Ways and Means Committee where a record is available of my statement.

We support the purposes and provisions of S.B. 1991, and I will describe some of the experiences we have had in Virginia that have led us to this position.

First, I would like you to direct your attention to the climate of feeling and concern that settles over a state legislature when it grapples with such matters as state protective labor legislation. At such times there are many concerns that rise to the surface in addition to the objectives of the law under consideration. The state, rather than thinking itself one of many, becomes insular, self-preoccupied, and concerned with its competitive position. It has been pointed out to your committee that this preoccupation is what inhibited states from venturing into the field of unemployment insurance in the first place—a hesitancy that was not broken until Congress paved the way with the Social Security Act.

From your vantage point of concern with national problems, it may seem difficult to understand, but I assure you from my experience with state legislation that these pressures are still with us year after year. Every time the question of unemployment benefits for workers comes before the legislature, there arises a smokescreen of concern over the effect any changes will have on employer tax rates, over the state's industrial climate, over business incentive to enter and expand in Virginia. With this line of reasoning, it is possible to justify the weakest benefit provisions, the tightest eligibility requirements, the most severe disqualifications. The state officials who are responsible for the administration of the program seem to us, in their recommendations to the legislature, more concerned with low tax rates than with the plight of unemployed workers who come through their doors. By their standards, it should be a matter for joyous celebration that we have now the lowest unemployment insurance tax rate of any state in the United States.

It is true that Virginia is enjoying relatively good times, and we have no objection to lower tax rates when the full standard rate is no required for funding purposes. But it should be a matter of concern to officials in Virginia that the rapidly disappearing unemployment insurance tax is not only a reflection of employment levels, but is also a reflection of our benefit structure. Our weekly benefits are among the lowest in the country; the duration of our benefits is among the shortest of all the states; our disqualification penalties rank with the most severe in the United States; and our test of attachment to the labor force has the distinction of being the most limited and restrictive of all.

I do not see any prospects for change in this situation so long as the test for success is "how much cheaper can we make the Virginia law than that in any other state?" By such a test our law is a complete success. Unless the Congress defines what the objectives of the program are, benefit adequacy will have little influence on the public policy in our state, being completely subordinated to these other considerations.

I do not want to leave the impression that this attitude toward unemployment insurance is of recent origin. It has not been invented suddenly. It has been made operative in little bits and pieces over the course of many years. When the Virginia State AFL–CIO points out that benefits are falling far behind the movement in wages, an accommodation is worked out in which a small and insufficient adjustment in the maximum is made but at the same time a more restrictive wage qualifying requirement or disqualification provision is also added. There is no doubt that our law has evolved; it has changed with the times. It has changed so that benefits have become a smaller and smaller part of wages lost and fewer and fewer people can qualify for benefits.

In the beginning the maximum in Virginia was only $15 but this was 74 percent of the average weekly wage in the state. Yes, the maximum has been adjusted upward six times until it is now $42, but that $42 is only 46 percent of the average wage. The measure of decline in our benefits as wage insurance is from 74 to 46 percent.

We urge the committee to enact the benefit provisions of S.B. 1991. By setting the maximum at two-thirds of the average weekly wage, this bill will go a

long way—not all the way—but a long way toward restoring the original wage insurance principle that has all but disappeared in Virginia.

A great deal is currently being made of the prosperity in Virginia and when many people are working there is a general feeling of well-being. However, this feeling is not shared by all and we cannot forget that last year almost 15,000 people among the unemployed, who had been fortunate enough to establish their eligibility for benefits, still could not find a job before their benefits ran out. A major reason for this is simply that the benefit duration is too short—in our state we cut off benefits as early as the two or three states with the most restrictive duration provisions in the United States. The typical worker who uses up all his benefits has been cut off after 16 weeks. It is true that some workers can qualify for 26 weeks, but there is another provision that limits total benefits to only one-fourth of base period earnings, and it is this formula that cuts many workers off with less than 26 weeks. We urge your support of the duration standard in S.B. 1991 because it will require that our law be brought more in line with others that provide 26 weeks of benefits for most of their eligible claimants.

I know personally a lot of workers in Virginia who have tried to make out on unemployment insurance which averages about $27 a week. I can assure the committee that when you have tried to keep body and soul and family together on that little for 18 or 19 weeks, and then you have your benefits cut off altogether, you are well on your way to the poorhouse. You are getting ready to join the poverty war on the wrong side of the battle line.

I must again repeat that despite this sorry record of performance, the unemployment insurance program in Virginia is widely regarded as a success because the only test of success that is being applied to it is how little does it cost?

In 1964 a whole series of amendments were offered and the package, as a whole, was about typical: a two dollar raise in the maximum, and two week raise in the duration for some persons. Offsetting this, however, were provisions that dropped lower paid workers at the bottom of the benefit schedule, and other provisions that tightened the wage qualifying requirement so that many people—we were never told how many—would not be able to qualify for benefits. The effect of those last two requirements was to eliminate from entitlement workers in whole segments of our economy.

Virginia went further than any other state, possibly excepting Wyoming, in limiting the definition of who is in the work force. The law was amended to require that base period earnings be as high as 40 times the weekly benefit amount. It hasn't taken long for the effect of those changes to become apparent, and I must emphasize that these changes had the support of the state officials who administer the system.

One group of workers knocked out of the program were those in the tobacco fields. Most of them do not have any opportunities for employment except working in tobacco. They work two or three quarters of their base year in tobacco and make anywhere from $700 to $1500. This is their income for the year. Thata is why they are poor people from any definition of poverty that has been developed by the Council of Economic Advisors, the Office of Economic Opportunity, or the Social Security Administration. At the very time when we are concentrating nationally on the problems of poverty, the state of Virginia set about, without making explicit even its objective, to eliminate these people from any claim on unemployment insurance.

I have submitted to the Ways and Means Committee of the House of Representatives many copies of claims of these people from the neighborhood of Danville, Virginia. They used to draw benefits, but now, thanks to the requirement that their base year earnings be 40 times their weekly benefit amount, they are denied benefits. Here are four examples for your records:

Name	Earnings		Base period earnings required to qualify
	High quarter	Total base period	
E. O. Stokes	$560.98	$1,012.68	$1,058
M. M. Hampton	688.05	1,180.00	1,288
L. M. Fitzgerald	819.54	1,429.09	1,518
E. Peters	778.49	1,471.47	1,472

In every case the worker has earnings in three quarters. In every single one of these cases the worker cannot qualify in Virginia but he could qualify in all surrounding states and in most other states of the United States. To disqualify workers with this amount of earnings, spread over so large a part of the year, is to make a mockery of unemployment insurance. I hope the committee will study these records because they show clearly the need for federal standards on the earnings qualifying requirements. In all these cases if S.B. 1991 had been in effect and Virginia were in compliance, these individuals would have qualified for benefits, as indeed they should under any fair definition of attachment to the labor force.

In closing may I thank this committee for allowing us to submit this statement in support of Senate Bill 1991.

Sincerely yours,

H. B. BOYD, *President.*

WEST VIRGINIA LABOR FEDERATION, AFL–CIO,
Charleston, W. Va., July 21, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: On behalf of the workers of West Virginia, I want to briefly plead the case for realistic and much needed reforms to the Unemployment Compensation Act. I know of no other piece of state legislation which so vitally affects wage earners and to which this Federation has directed more effort toward trying to improve over the past ten years than unemployment compensation; yet, as the record will show, to little avail.

What began as a wage-related benefit has now become little more than a token effort to replace a minor percentage of the worker's wage. The following table is ample proof of the deteriorating quality of the wage loss concept in West Virginia since 1940.

Average weekly wage replaced by maximum unemployment compensation weekly benefit—1940 to 1965 in 5-year increments

Year	Average weekly wage	Maximum weekly unemployment compensation benefit	Percent of wages replaced
1940	$25.78	$15	58.2
1945	43.92	20	45.5
1950	58.78	25	46.3
1955	78.22	30	38.4
1960	91.06	30	32.9
1965	107.82	35	32.4

It is quite evident from these figures that the percentage of average weekly wages replaced by the *maximum* weekly benefit has decreased by 25.8 percent in the past twenty-five years. If the current *average* weekly benefit of approximately $24 is used in this computation, then the decrease would obviously be much more severe.

Needless to say, the average worker who is laid off through no fault of his own can expect to decrease his living standard and that of his family by a staggering 67.8 percent. We believe this sacrifice is too great for innocent victims of a fluctuating economy or technological change to endure. In addition, it fails to provide the buying power that may be badly needed to bolster a sagging economy was the case in West Virginia in the late fifties and early sixties.

The second point which vitally affects the workers in our state is duration of benefits. Currently, the state act provides for twenty-six weeks at the benefit level for which the worker qualifies. Under the conditions which prevail in West Virginia and throughout most of Appalachia, this time is simply not adequate to provide protection against the economic hazards of unemployment. The changing technology of old established industries and the technical and

skill requirements of new industries in our state frequently deprive older workers with an obsolete skill and young workers with no skill of employment opportunities for many months and years. Thus, many proud workmen who have made a substantial contribution to the economic development of the state and nation are forced to accept jobs below their capabilities or depend on gratuitous help. Such alternatives offer little hope to either the old or the young and certainly cannot in the long run be good for the economy. More time is needed for workers in this category to develop their own alternatives or for the economy to respond to other factors and forces.

The third point on which I would like to comment is the extension of coverage to thousands of workers in West Virginia not now covered. Over the years, hundreds of calls have been received in my office by workers who had been denied benefits because their employers were not covered. There can be no sound social or economic reason for denying coverage to any worker who is part of the permanent workforce and who depends on his wages to feed, clothe and house his family. The time for relegating these workers to second class citizenship is long passed and we would hope that Congress, in its wisdom, will end this inequitable condition.

There are other sections of the proposed legislation dealing with funding, disqualification, etc. which, if enacted, will correct several inequitable and unrealistic provisions of the West Virginia Act. We would urge favorable consideration of these proposals also.

We respectfully request that the Committee give every consideration to the humane aspects of this legislation as well as the economic and that this letter be made a part of the record of the Commitee hearings.

Very sincerely,

MILES C. STANLEY, *President.*

MISSOURI STATE LABOR COUNCIL AFL–CIO,
Jefferson City, Mo., July 20, 1966.

Hon. RUSSELL LONG,
Chairman, Committee on Finances,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: In behalf of the membership of the AFL–CIO and other trade unionists in Missouri, we desire to express some opinions on and improvements in the unemployment compensation program. We hope that you will incorporate provisions in the bill before your Committee that will improve the program of employment security throughout the several states.

First, we think there is a definite need for some uniform standards that will provide at least a minimum of assurance to unemployed persons that when they are out of work, through no fault of their own, and actively and earnestly seeking work, they would receive benefits during the period of their unemployment and related to their earnings while employed. Unfortunately, unemployment benefits in Missouri do not bear much resemblance to the earnings of the worker.

Secondly, we think the present program should eliminate a fixed dollar ceiling and replace that with a variable benefit formula based on a percentage of the worker's earnings. We think this percentage should be 66⅔ percent. Average weekly wages in Missouri under employment security is $111.39. We have a ceiling of $45, but the average weekly benefit paid is less than $38, slightly more than 33⅓ percent of the average weekly earnings.

Third, we think there should be a uniform duration of weekly benefits.

Fourth, we think there should be an extension of benefits made possible through a federal fund, beginning with the 27th week of unemployment that would extend to the 52nd week of unemployment. Such long term benefits are necessary where jobs disappear through automation, or plant transfer. Further they would be helpful to the economy in recession periods.

We earnestly hope that your Committee will give serious consideration to the above subject matter by incorporating same in a bill.

With best wishes, I am

Respectfully yours,

JOHN I. ROLLINGS, *President.*

STATEMENT OF TYRE TAYLOR, GENERAL COUNSEL OF THE SOUTHERN STATES INDUSTRIAL COUNCIL

At a meeting held at Sea Island, Georgia, on May 23–25, 1966, the Board of Directors of the Council unanimously reaffirmed the following statement:

"Unemployment and Workmen's Compensation. The states should have latitude in the solution of unemployment problems peculiar to their localities. The Council strongly opposes any federalization of the unemployment program or Workmen's Compensation program, including federal payment of benefits or the imposition of Federal standards for the payment thereof."

We should like to concede at the outset that the bill passed by the House (H.R. 15119) represents many and great improvements over the administration bill (H.R. 8282). For example:

The administration bill would have established Federal benefit standards, both with respect to amount and duration, to which all state systems would have been required to conform.

The administration bill would have prohibited a state from disqualifying a worker from receiving benefits for a period longer than 6 weeks, except for extreme cases, limited to the filing of a fraudulent unemployment insurance claim, the conviction of a crime in connection with his work, or a labor dispute. A worker could no longer have been disqualified from benefits for misconduct on the job, voluntarily leaving his job, or a refusal to accept suitable work. In such cases, the maximum penalty was a suspension of benefits for 6 weeks.

In the administration's bill the experience rating system—essential to the insurance concept—would no longer have been required as a basis for granting the credit against the federal tax.

All of these proposed changes were rejected by the House. H.R. 15119 does not prescribe benefit standards, or make any substantial change in the provisions with respect to disqualification. States are permitted to etsablish benefit and eligibility standards without federal control. The experience rating concept is retained.

For workers who exhausted 26 weeks of state benefits, the administration's bill automatically provided an additional 26 weeks of benefits irrespective of the state of the economy. For 20 weeks of work, a worker could receive 52 weeks of unemployment compensation. The unemployment insurance system would have been converted from an insurance program—where benefits are related to the amount of covered wages—into a welfare program. The Committee bill provides for 13 weeks of extended unemployment compensation during periods of recession, either within the state or nationality.

Perhaps the most constructive departure of all from the administration's bill is the provision for judicial review of determinations by the Secretary of Labor with respect to the qualifications of state plans of unemployment insurance. For the first time a state, threatened with the loss of the tax credit by arbitrary action on the part of the secretary, is permitted to appeal to the courts.

Having said this much in favor of H.R 15119, it may strike some as mere nit-picking to call attention to some of its infirmatives—or possible infirmitives.

One of these—at least in our view—is the provision—also contained in the administration's bill—making it apply to employers of one or more employees (present federal law applies only to those employers who have 4 or more workers in their employ in 20 weeks in a calendar year). Small business has enough trouble staying in business under the most favorable conditions. We do not think it will be helped any by imposing this additional burden and expense.

The administration bill would have increased the taxable wage base from $3,000 under existing law to $6,600 by 1971. Under the House bill, the wage base is increased to $3,900 beginning in 1969 and to $4,200 beginning in 1970. In his dissenting views Representative Thomas B. Curtis (R. Mo.) said:

"I think the financing of H.R. 15119 gives too much money to the federal administration under guidelines entirely too lose. Although I favor some increase in the tax base to facilitate a better experience rating system on the part of the states, the increase in the base provided by H.R. 15119 is entirely too much." We have no way of knowing whether Mr. Curtis' suspicion is well founded, but we hope this committee will find out.

In conclusion, I wish to quote from a statement made by the Council to the House Ways and Means Committee last year:

"I should like to reiterate and underscore what, to the Council at least, is by far the most cogent and, under existing circumstances, relevant argument that can be made against federalization of the unemployment insurance system. This

is that the Federal Establishment is already too big and costly and cumbersome without adding anything to it. The concept—first enunciated in 1869 by the Supreme Court in the case of *Texas* vs. *White*, 7 Wall. 200—of an indestructible union of indestructible states is being eroded at an ever-accelerating rate at the expense of the states and the aggrandizement of the Central Government."

Thank you.

INTERNATIONAL CHEMICAL WORKERS UNION,
Akron, Ohio, July 21, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: The chemical industries rapid implementation of automated production and other similar "labor savings" devices has created several serious adjustments and other work problems for many of our workers and their families.

In recent years, we have been confronted with many thousands of cases of unemployment caused primarily by plant closings due to a variety of special circumstances. You are aware, I am certain, of the increasing industry trend toward closing organized plants in order to take advantage of lower taxes and cheaper labor to be found in other states. In most every case of resulting unemployment, the chief complaint from those who are affected by the shut down was one of inadequate compensation during the time they were actively pursuing other work.

Our Union firmly believes the McCarthy Bill (S 1991) will do much to alleviate many of the difficulties experienced by the family bread winner who has lost his job through no fault of his own. Further, the bill will do much to restore the original principles of job insurance protection by emphasizing the need for uniform federal standards, both for the duration of their weekly benefits, plus a minimum of 26 weeks of federal unemployment compensation benefits.

We are wholeheartedly in accord with both items and we also support the bill's attempt to broaden coverage to some five million more persons through the proposed small increase in the tax rate to pay for necessary implementation.

I am most concerned that our position on the bill be recorded and ask that you have this letter printed in the record of the committee hearings.

Sincerely yours,

WALTER L. MITCHELL, *President.*

STATEMENT OF CLIFFORD W. SHRADER, PRESIDENT, SOUTH DAKOTA STATE FEDERATION OF LABOR, AFL–CIO

My name is Clifford W. Shrader and I am the President and Legislative Representative of the South Dakota State Federation of Labor AFL–CIO with offices located at 101 So. Fairfax Avenue, Sioux Falls, South Dakota. In addition, I am an employee representative of the Advisory Committee of the South Dakota Employment Security Department.

The following statement is in support of unemployment compensation reform legislation patterned after the McCarthy bill, S. 1991, and it is respectfully requested that the statement be printed in the record of the Committee hearings.

During he six years I have held my present position, and during the years I have been an officer of the South Dakota AFL–CIO, I have witnessed a gradual but steady deterioration of the unemployment insurance program in South Dakota as a result of an almost continuous attack against the program on the part of certain employer groups and individuals who proudly proclaim to be ultra-conservative by nature and strongly opposed to any form of social legislation. Were it not for our efforts and the efforts of our friends, the unemployment insurance program in South Dakota would be even more inadequate than it is at the present time.

To illustrate my assertion that the unemployment compensation program has been under severe attack in South Dakota, permit me to cite just a few cases which have occurred during my six years as a legislative representative for South Dakota organized labor:

1. Legislation was passed by the South Dakota Legislature designed to reduce the benefit amount of claimants with prior annual earnings of $6,000 or more. This was later held to be in non-compliance by Secretary of Labor Willard Wirtz.

2. The following session of the Legislature passed a bill designed to drastically reduce the benefits of some claimants and completely disquaify others by requiring that the claimants show proof of earnings in the corresponding calendar quarter of the prior year. We were able to defeat this measure on a referendum vote.

3. A bill to reduce the benefits of eligible claimants who left the state in search for employment was rejected by the Legislature, but only because they were fearful of a non-compliance ruling.

4. Although it had the support of the administration, a bill to require female workers who became pregnant to show proof of earnings equal to four times their weekly benefit before becoming eligible for unemployment compensation was rejected by the Legislature by a narrow margin.

5. Bills were passed by the Legislature drastically extending the disqualification periods of claimants who were deemed to have quit without just cause, discharged for just cause, etc., some disqualifications extending for the entire benefit year.

6. A Statement of Policy was issued to South Dakota employers on November 8, 1965 to the effect that retirees would no longer be considered as being on the labor market and consequently would not be considered eligible for unemployment benefits. This statement of policy was issued by the S. D. Employment Security Department and was withdrawn after we filed a strong protest to same.

To further complicate our efforts to maintain a reasonably adequate unemployment insurance program in South Dakota, we have from time to time requested and received the assistance of the Employment Security Department in properly drafting legislative bills, only to have a high ranking official of the department make it a point to inform the legislators in advance of our proposals and recommend to those legislators that our proposed legislation be rejected or drastically reduced. Therefore, we not only must contend with the opposition of the employer groups and individuals mentioned earlier, but also the opposition of the administration and the Employment Security Department.

The fact that it has almost become an impossibility to achieve improvements in the South Dakota unemployment insurance program is reflected by the $36 maximum weekly benefit provided and the maximum of 24 weeks of benefits in a benefit year. Only seven (7) states provide a lower maximum weekly benefit amount than South Dakota, and I believe only one other state restricts the maximum duration of weekly benefits to 24 weeks in benefit year with no provision for extensions.

Time after time instances have been brought to our attention where claimants have been required to file for appeal hearings in cases where there seemed to be no justification for the claim to be held up, and in some cases where the local employment office found it difficult to understand the reason for the claims to be questioned. We have come to the conclusion that the delay in processing these claims which appear to be as clear-cut as claims can be with regard to eligibility and compliance constitute a deliberate attempt on the part of someone to make it as difficult as possible for a claimant to qualify for benefits they are entitled to.

In a final analysis, and facing the situation squarely and honestly in South Dakota, neither the administration of South Dakota or the administrator of the South Dakota Unemployment Insurance Law are interested in the law being a good law. Their interest has been, and will continue to be, the lowest possible tax rates for the employers and the lowest possible benefits for the unemployed, and it is they and their kind that have promoted the passage of HR 15119 as a poor substitute for HR 8282 after their own indifference to adequate unemployment insurance laws has made it obvious that standards must be established and maintained by federal legislation.

I am confident that I speak for the 17,000 union members in South Dakota and all of the working people in the state when I solicit your support of adequate unemployment compensation reform legislation designed to reinstate and maintain standards that are in keeping with the original concept of unemployment insurance.

PACIFIC AMERICAN STEAMSHIP ASSOCIATION,
San Francisco, Calif., July 21, 1966.

Re H.R. 15119 unemployment compensation.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: As spokesman for the West Coast maritime industry, I am asked to convey to the Senate Finance Committee our endorsement of the House-passed version of the Administration's bill to modernize the Federal unemployment statutes.

We are not convinced that the Federal Government's responsibility in this field should be increased; however, if this must be, H.R. 15119 brings it about with a minimum of dislocation of historic Federal/State relationships.

Very truly yours,

RALPH B. DEWEY, *President.*

STATEMENT OF WILFRED H. HALL, EXECUTIVE VICE PRESIDENT OF THE NATIONAL OIL JOBBERS COUNCIL

My name is Wilfred H. Hall. I am submitting for the record the following statement on behalf of the National Oil Jobbers Council. My position is that of Executive Vice President of the National Oil Jobbers Council, with offices at 1701 K Street, N.W., Washington, D.C.

The National Oil Jobbers Council wishes to go on record as supporting the modifications in Federal Unemployment Compensation Programs approved by the House in its H.R. 15119 with certain alterations. We offer this statement as constructive suggestions which will help keep our Nation strong and flexible.

The National Oil Jobbers Council represents the Nations approximate 12,000 independent oil distributors through amalgamation of 34 state or regional organizations. A list of these associations is appended. Surveys show that over half of these small businessmen sell under 1 million gallons of gasoline or fuel oil per annum. This would indicate gross sales of under $200,000 a year, mostly at wholesale. Operating results surveys, attached) illustrate that the cost of product runs about 81%, leaving a gross before expenses of less than $38,000, from which labor, truck expense, rent, etc, must be taken. Profits for this group run 3–6% *before* taxes, or $6,000 to $12,000 annually, from which new equipment and growth capital must be provided. These 6,000 oil firms are typical of thousands of small businessmen in other lines of endeavor whose interest the Congress should carefully consider. Both large and small jobbers have a direct interest in 141,000 service station outlets through which they sell petroleum products. We feel that the newer House version (H.R. 15119) alleviates most objections that the larger wholesalers had to the earlier H.R. 8282 (and S. 1991).

For simplicity, we should like to express ourselves in two areas. First, why we feel the Senate should consider modifications made in the House, and secondly, we should like to suggest modifications which might be made to further improve the Bill.

1. Features which we feel should be considered favorably

a. *Retention of experience rating system.*—This feature encourages continuing employment of an individual, and serves as a small reward to firms who gear their businesses to full year employment. Though the oil business is seasonal by nature, jobbers have thus far successfully provided full time employment in most cases. We feel that they should be encouraged to do so by a continuation of the experience rating which lowers contribution by those employers who make the effort and keep individuals from the necessity of becoming unemployed.

b. *Retention of the disqualification of benefits to those persons who quit work without good cause, are fired for misconduct or who refuse to take suitable work offered.*—Employees who receive benefits from the Federal (or State) Government as a result of their dishonesty, misconduct or false pride encourage these qualities in others. A law designed to reward these actions has the potential of undermining morality itself. Expansion of theft and dishonesty and an inordinate increased cost resulting from fraudulent claims for unemployment benefits are bound to result from allowances of this proposal. The present system of disqualifying persons from benefits who fall into these categories is just and proper, we feel.

c. *Payment of claims should be limited to recession periods.*—Presently, unemployment is at its lowest level in years. Job retraining, relocation, and opportunities for service and education are available to nearly all who wish to avail themselves of opportunity. It would appear ill-advised to design a system to compensate those who appear to be without motive or desire to improve themselves and/or seek employment. If Federal benefits are to be extended, the payments into the fund in periods of high and full employment can cushion the affects of any future recession, thereby helping citizens and businesses unable to cope with any deep and wide recessional period.

d. *Payments and hence benefits should not be doubled because of the effects on businesses.*—Doubling of the total wage, while increasing the rate of payment in order to provide 26 weeks of U.C. benefits would place undue burden on small businessmen. While some argue that this would force more rural states to provide benefits not now given, the effect in all states would be to place a heavy burden on small businessmen who typically are not effected greatly by swings in the economy, nor move their business from one region to another. Also, an oil jobber with a handful of employees keeps his employees year-round, does not ordinarily vacillate his work force with auto production swings, etc. Hence, the smaller businessman will in effect be paying significantly into a purse which will be drawn upon principally by large manufacturers. The small businessman should not be imposed upon with significantly higher payments principally because his employees will take relatively fewer dollars from the fund.

2. Desirable alterations in present proposals

Under existing law, the Congress in its wisdom, excluded firms with fewer than four employees from Federal unemployment reporting and contributions. We feel that this was and is desirable. Present legislative proposals before the Congress would erase this exclusion so that an employer hiring one or more persons would fall under the act.

This extension of coverage is undesirable for several reasons but before examining these reasons, however, let us define who would become newly covered by this change.

Dry cleaners, service stations, retail specialty stores, fuel oil dealers, barbers, tree surgeons, sporting goods stores, drug stores, pet shops, tailor shops, and similar retail establishments are in the service sector. The "U.S. Retail Census of Trade" of 1958 listed nearly 1.8 million businesses in these areas. They hired 7.9 million employees, or an average of 4.3 employees per business establishment. Obviously, many of the 1.8 million fall below the 4.3 employee per business average. In some industries the variation in number of employees being predominantly under 4 is clear. For example, this same census indicated 211,473 service station establishments employing 519,812 people or on the average of 2.5 persons per establishment. Thus, the majority of service station establishments are typical of thousands of similar service groups to be brought under the present proposals.

In dealing with these truly small businesses, it should be understood that record keeping is a problem. Usually a wife or the owner himself may devote a portion of his or her time to this activity. When the owner takes his time for bookkeeping, he is in a real sense, non-productive so far as his business income is concerned. Typically, an accountant comes in annually to draw a statement since the business often runs on a month-to-month cash basis. When we burden this small, often family operated business entity with a new form to fill out, this is frequently not a simple matter for this firm to reckon with.

Often those in the newly-established small enterprise elect to take low wages, no overtime and few, if any, side benefits just to get the business going. Thus, they build capital, credit, and confidence. If we insist that they pay themselves overtime, and contribute to unemployment compensation plans not designed for them, etc., we may materially reduce their ability to survive in the formative years of their business. Providing exclusion to the business with under 4 employees merely allows it to grow to a size where it will have more than 4 employees, at which time it will be included under the system.

It should be pointed out that the small business must compete somehow for employees. Also, that a worker for this small enterprise has complete freedom to work where he will.

Thus, unless some special reason, such as growth or experience is present, an employee would not work for the small establishment without fringe benefits as contrasted, to say, General Motors. If we over-burden this small business

establishment with taxes which it cannot absorb, we may dry up the little man's ability to find workers, or the opportunity employees presently find at this level. The very small firm cannot be a training ground, build equity and grow if it can't be competitive. And by the very nature of size, this small business can't efficiently do these small bookkeeping chores. Thus, special privilege is in order.

Secondly, we are in the midst of a "service" shortage. It is forecasted that the service sector of our business economy will grow faster than manufacturing, as our population increases. Thus, with growth forecast and a current shortage, we must not further discourage an individual from starting or operating his own small business.

Finally, increasing social security expenses via medicare, together with wage and hour regulations already well underway, will make the small entrepreneur's life more difficult. Will the addition of federal unemployment compensation costs now be added? Who is to say that this may not be the straw that makes the new entrepreneur decide that it's easier to work for a giant corporation. Is this what we desire?

The argument that this proposed increased cost is non-inflationary is questionable. If we force a significant sector of our business economy to begin to pay unemployment taxes, regardless of how small the individual payment may be, the total amount is still staggering and ultimately will have to be added to the cost of the service provided, thus causing higher prices.

Hence, for these reasons, we plead for continuation of exclusion for those establishments with fewer than 4 employees from any future unemployment compensation proposed.

The following is a list of the membership of the National Oil Jobbers Council:

Alabama Petroleum Jobbers Association, Inc.
Arkansas Oil Marketers Association, Inc.
California Oil Jobbers Association.
Colorado Petroleum Association.
Connecticut Petroleum Association.
Empire State Petroleum and Fuel Merchants Association, Inc.
Florida Petroleum Marketers Association, Inc.
Fuel Merchants Association of New Jersey (Jobber Division).
Georgia Oil Jobbers Association.
Illinois Petroleum Marketers Association.
Independent Oil Marketers Association of Indiana, Inc.
Intermountain Oil Marketers Association (Idaho, Nevada & Utah).
Iowa Independent Oil Jobbers Association, Inc.
Kentucky Petroleum Marketers Association (Jobber Division).
Louisiana Oil Marketers Association (Jobber Division).
Michigan Petroleum Association.
Mississippi Oil Jobbers Association.
Missouri Oil Jobbers Association.
Nebraska Petroleum Marketers Association, Inc.
Independent Oil Men's Association of New England (Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
New Mexico Petroleum Marketers Association (Jobber Division).
North Carolina Oil Jobbers Association.
Northwest Petroleum Association (Minnesota and North Dakota).
Oklahoma Oil Jobbers Association.
Oregon Oil Jobbers Association.
Pennsylvania Petroleum Association, Inc.
South Carolina Oil Jobbers Association.
South Dakota Independent Oil Men's Association.
Tennessee Oil Men's Association.
Texas Oil Jobbers Association.
Virginia Petroleum Jobbers Association.
Washington Oil Marketers Association.
Wisconsin Petroleum Association.
Wyoming Oil Jobbers Association.

CHICAGO FEDERATION OF LABOR AND
INDUSTRIAL UNION COUNCIL AFL–CIO,
Chicago, July 21, 1966.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: The Chicago Federation of Labor and Industrial Union Council (AFL–CIO), which represents over 500,000 families in the Chicago area, is deeply interested in the enactment of a strong bill to reform the unemployment compensation system.

Accordingly, we are actively supporting the unemployment compensation program as originally proposed by President Johnson and outlined in S. 1991.

The inadequacy of unemployment legislation in Illinois requires periodic efforts by labor to secure upward adjustments in benefits and coverage. Our General Assembly has not kept pace with the advances necessary to make our unemployment compensation legislation the kind of measure that will genuinely reinforce the basic living standards of jobless workers. For example, while our average factory wage is about $115.00 per week, unemployment compensation benefits are about $41.00 per week, or about 30 percent of the wage. Workers in the highly skilled trades get a much smaller percentage of their pay in unemployment compensation when they are out of work. This is especially serious in the seasonal industries, such as construction.

We endorse the provisions of S. 1991, which would establish federal standards in the benefit structure, adjust benefits for the long-term unemployed, provide uniform disqualification penalties and modernize the financial foundation of the unemployment compensation system.

Those of us in urban, industrial centers realize that unemployment pays no attention to state boundaries. Unemployment's causes and remedies are national in scope. The benefits system for the jobless should have national standards.

We would appreciate the inclusion of this statement in the record of the hearings of the Senate Finance Committee.

Sincerely yours,

WILLIAM A. LEE, *President.*

STATEMENT OF JAMES F. MALONE, PRESIDENT, PENNSYLVANIA MANUFACTURERS' ASSOCIATION, PENNSYLVANIA MANUFACTURERS' ASSOCIATION INSURANCE COMPANY, PHILADELPHIA, PENNSYLVANIA

Pennsylvania Manufacturers' Association is a voluntary employer association representing business and industry in the Commonwealth of Pennsylvania. We represent 9700 members of which some 7900 employ less than 100 employees. We are more representative of the smaller employer rather than the giant corporations.

The Pennsylvania Manufacturers' Association Insurance Company is a casualty insurance company licensed in Pennsylvania to write all lines of casualty insurance.

INTENT OF CONGRESS

The Social Security Act of 1935 left entirely to the States to choose the benefit, eligibility and disqualification provisions in unemployment compensation.

While the federal tax has been increased, coverage requirements changed from eight employes to four or more, the taxable wage base held at $3000, there has been no change to dictate to the States concerning benefits, eligibility and disqualifications.

There have been suggestions from the federal government including a Republican and several Democratic Presidents—to up-date State UC laws—some with more force than others—by introducing federal standards bills to the Congress from time to time. Then twice we have had federal recessionary measures of extended benefits—1958 and 1961. Pennsylvania was a party to both programs and still paying off the cost of the earlier one.

Since we have a federal-state program which is exclusively supported by employer tax money—and not from either general state or federal treasury money, employers feel—and rightfully so—that problems of benefits, eligibility, disqualifications—and yes, taxing of their payrolls is a matter to be settled in the respective States.

It was clearly the intent of Congress when the original legislation was enacted that since the states were to be given the responsibility for the financing and payment of benefits, they should have complete discretion in determining who should be eligible for benefits and for setting benefit levels. Some advocating federal standards become concerned because there are 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.

Congress 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 probably depends largely upon one or two major industries and these mostly seasonal, is certainly much different than Pennsylvania. Hence, the Unemployment Compensation Laws of all states will vary according to the 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 UC laws. Therefore, to bring them up to a national pattern of respectability, the only way to do this is by federal standards.

EMPLOYER COST

Let me make it clear once more, it is direct employer taxes that support the present state programs and all of its administration—including the administration on the federal end at Washington. Pennsylvania employers at the present time pay $33-34 million each year as their federal unemployment tax requirements.

Some $30 million is returned for salaries of 5000 Pennsylvania Bureau of Employment Security personnel and for buildings, travel, heat, light and maintenance. I presume the other $3–4 million is used for federal administration and perhaps to assist some other states who do not produce sufficient revenue to cover cost of administration.

At the same time, Pennsylvania employers are shouldering a state UC tax that this year will produce $300 million for benefits for unemployed workers. The Pennsylvania UC Fund which in 1959 and 1960 was almost bankrupt and caused us to borrow $112 million from the federal government, has now passed the $500 million mark. However, we still owe the federal government $91.5 million because of the 1959 loan and cost of the federal extended benefits program of 1958. Thus we are rapidly rebuilding the Fund and liquidating our federal debts. No one told us how to do it but ourselves.

How Pennsylvania bounced back from the brink of fiscal disaster under an unemployment compensation program that was liberalized along the lines of the proposed federal benefit standards under H.R. 8282, makes "The Pennsylvania UC Story" as dramatic as some fiction novels.

While benefits were increased and a recessionary extended benefits program adopted, a corresponding tightening up in qualifications for benefits was instituted and employer taxes increased to pay for the increased benefits and to rebuild the Fund.

PMA SUPPORTS H.R. 15119

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.

PMA supports the additional coverage of employees who heretofore have been excluded from protection of the act. It should be pointed out that Pennsylvania Law 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 non-profit 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 has been quite high in the service and maintenance occupations.

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 UC law.

PMA supports an extended benefits program in times of individual state recession or a nation-wide recession period. Pennsylvania adopted a state recessionary extended benefits program in 1964. While the program for the states seem to "trigger in" at an exceedingly low 3 per cent of unemployment with certain other conditions which must be met, nevertheless in the interest of some "norm" that had to be found, we support the proposal.

PMA supports the increase in federal tax from 3.1 per cent to 3.3 per cent (net tax from 0.4% to 0.6%) 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 $3000 to $3900 in 1969; $4200 in 1972 and thereafter), we will support the wage base increases in the spirit of cooperation.

PMA OPPOSED TO FEDERAL BENEFIT STANDARDS

It is no secret that the Administration and Oraginzed Labor will press the Senate Finance Committee to amend HR 15119 so that federal benefit standards as in S. 1991 will be included in the bill to be reported to the Senate.

Proponents of federal benefit standards argue that the states will not face up to the need for higher benefits, longer duration and less drastic disqualification procedures.

Yet, in most states, benefits have continued to rise, with reasonable increases in duration of benefits. Disqualifications on the other hand are viewed by the public as not drastic enough.

Since the House passed bill includes recession extended benefits on a national state basis, no further comment need be made.

BENEFITS AND ELIGIBILITY

H.R. 8282 (S. 1991 companion bill) included:

a) Federal Unemployment Adjustment Benefits of 26 weeks for the so-called long term unemployed.

b) 26 weeks of regular state benefits for all claimants even with as little as 20 weeks of work.

c) Weekly benefit amount of 50% of an individual's average weekly gross wage with maximum weekly benefits of 50%, 60% and finally 66⅔% of the average weekly gross wages in covered employment in the respective states.

PMA rejected the long term FUAB proposal as unsound, discriminatory and not the sole responsibility of employers. Where additional need of assistance to the long term unemployed is demonstrated then all taxpayers must shoulder such expenditures. However, we did support the need for a *recessionary* extended benefits program.

PMA rejected the proposal of 26 weeks of regular state benefits for all claimants with at least 20 weeks of employment. One of the reasons for the near collapse of the Pennsylvania UC program prior to 1964 when corrections were made, was the 30 weeks uniform duration of benefits. Here a claimant at the low end of the benefit scale could receive $300 in benefits for $320 of base year wages or a 94% return; and at to top of the scale $1825 in base year wages paid $1200 in benefits or a return of 66%.

The original federal proposal in H.R. 8282 completely disregarded any concept of weeks of work in relation to weeks of benefits, exactly as was done previously in Pennsylvania.

PMA rejected the fantastic proposal increasing the state maximum weekly benefit amount in steps to 66⅔% of the average state-wide weekly wage. Applied to the entire federal benefit proposals made in H.R. 8282 (S. 1991), an individual qualifying for the maximum benefit and the 52 week period (federal and state), would receive $82 a week in Pennsylvania or $4,264 tax free for doing nothing. This is over $2 per hour.

We still argue that each individual state is best qualified to determine eligibility requirements and proper benefit amount and duration of benefits for its citizens who become unemployed through no fault of their own.

DISQUALIFICATIONS

PMA rejected the proposal that claimants who by their own actions cause their own unemployment be limited to a six weeks postponement of benefits.

Those persons who champion such a proposal argue that any penalties beyond six weeks becomes a punitive measure. Their theory is that if an unemployed person does not secure employment in six weeks time, then the labor market has failed to provide employment opportunities. Thus, the reason for any continued unemployment is no longer the claimant's fault.

Employers do not accept this theory. Employers believe and the general public seems to concur that too many individuals are paid unemployment insurance who are not deserving of its benefits. Employees who cause their own unemployment should be disciplined in some manner for their action. This the states have done according to the best judgment of their respective state legislatures. To hand over such powers to the federal government to create a federal standard would be a travesty of justice.

RECOMMENDATION

PMA therefore supports the House passed unemployment compensation bill H.R. 1519 and recommends it without amendment to the Senate Finance Committee for their consideration.

IDAHO STATE AFL-CIO,
Boise, Idaho, July 22, 1966.

Hon. RUSSELL B. LONG,
Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: I would like to urge you to work for a stronger Unemployment Compensation bill than the bill passed by the House of Representatives. I would like to urge that Federal weekly benefit standards be placed in this bill of at least two-thirds of average weekly wages paid in the states involved. Idaho now has 52½% of average weekly wages, which makes the present rate $50 per week, and the benefit amounts to about 25% to 30% of the average wages paid in the construction and lumber industries.

It is my firm opinion that one qualifying period should be standard for every State in the Union, as presently in Idaho the only surrounding State that has the same qualifying time as Idaho is Washington. These different qualifying times have the effect of knocking many full-time workers entirely out of unemployment insurance.

I believe there should be a standard disqualification established for workers who quit their job or are discharged for cause so that some penalty is established. In Idaho if a worker is disqualified for some reason, he has to earn 8 times his weekly benefit to qualify. In Idaho this is tantamount to knocking him out of work for long periods of time, because if he is disqualified in the fall when the weather is closing many jobs down, he has no chance to qualify again until the spring of the year.

I also would urge you to include in this new bill the raising of taxable wages to the full amount of wages paid in covered employment. In Idaho the tax is paid on the first $3,600.00 of wages earned, and this figure is unrealistic to the amount of benefits being presently paid.

I would also urge your committee to include in the bill extended benefits to be applied to unemployed workers after 26 weeks of unemployment up to a full year so that these workers will not be in poverty.

I am hopeful your committee will give my recommendations your fullest consideration, and that you would include them in the record of the committee.

Sincerely yours,

DARRELL H. DORMAN, *President.*

UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES
OF THE PLUMBING AND PIPEFITTING
INDUSTRY IN THE UNITED STATES AND CANADA,
Washington, D.C., July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: This is in regard to the unemployment compensation legislation now before the Senate Finance Committee.

As General President of the United Association, representing a membership of more than 270,000, I should like to go on record in support of the statement made by AFL–CIO President George Meany before your committee earlier this week.

The House-passed unemployment compensation bill simply does not do the job that must be done if unemployment insurance is to be brought up to date so as to provide wage and salary employees with the kind of protection needed today.

We hope that your committee will support unemployment compensation reform along the lines of the McCarthy bill, S. 1991, and give the whole Senate an opportunity to act on it in this session of Congress.

Sincerely yours,

PETER T. SCHOEMANN,
General President.

WASHINGTON STATE LABOR COUNCIL, AFL–CIO,
Seattle, Wash., July 21, 1966.

Senator RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: The statement accompanying this letter reflects the views of the Washington State Labor Council, AFL–CIO, on the need of reform of Unemployment Compensation in the State of Washington.

We believe that strong federal standards for Unemployment Compensation are necessary in order to improve the jobless benefits for unemployed workers in this state, in fact the entire nation.

This statement does not pretend to be a detailed analysis of every problem encountered in Washington State's Unemployment Compensation program of benefits and financing. Rather it is designed to show some of the reasons why we believe new federal standards are needed to make unemployment Compensation do the job it originally was designed to do.

We respectfully ask that the statement accompanying this letter be entered into the record of the Senate Finance Committee hearings on reform of Unemployment Compensation.

Very sincerely yours,

MARVIN L. WILLIAMS,
Secretary-Treasurer.

STATEMENT OF MARVIN L. WILLIAMS, SECRETARY-TREASURER, WASHINGTON STATE LABOR COUNCIL, AFL–CIO

The Washington State Labor Council, AFL–CIO, officers and members fully support Unemployment Compensation reform as set forth in the McCarthy bill, S. 1991. We are disappointed at the weak and inadequate U.C. bill passed by the House of Representatives.

The U.C. bill, as passed by the House, would do little in this rapidly developing state to help involuntarily unemployed workers.

Unemployment Compensation benefits have not been raised by the Washington State Legislature since 1959. For the past seven years the maximum Unemployment Compensation weekly benefit has been set at $42. The minimum benefit is set at $17 per week and the *average* Unemployment Compensation benefit is at or near $35 per week.

The average U.C. payment in the State of Washington is only 30 per cent of the state's average weekly wage. This figure is so low that it makes a mockery of the Unemployment Compensation program in this state.

During the past three sessions of the Washington State Legislature the Washington State Labor Council, AFL–CIO, and other independent labor organizations have repeatedly pleaded with our legislators to modernize our stagnated U.C. benefits and financing program. Industry has fought this to a standstill and the unemployed worker has been hurt.

Since 1940 the State of Washington has taxed only the first $3,000 of payroll per individual for this program. As individual wages have risen the $3,000 tax base has become a smaller and smaller proportion of the total wage for industry to pay tax upon. This has meant a steady "erosion" of tax support, and a growing "dividend" to industry.

Strong federal standards for Unemployment Compensation would solve many of the problems now encountered by unemployed workers in Washington State. The actual operation of the Unemployment Compensation program has been generally good due in no small part to the fact that federal standards prescribe its operation. But a well functioning staff is meaningless when U.C. benefits fail to keep pace with economic conditions. Under the present system jobless benefits become a political football on the state level and again the unemployed worker is the loser as well as society.

Unemployment Compensation was a bold program when Congress enacted it in 1935. If the protection that U.C. was designed to give to the unemployed worker and society is not to decay further then the time has come for courageous Congressional action to strengthen U.C. through the approach outlined in S. 1991.

Uniform federal standards for the amount of weekly benefits as well as uniform duration of weekly benefits are sorely needed. No industry should be lured from one state to another—causing hardship and dislocation for thousands of workers—simply because one state can "advertise" to industry that its U.C. program is cheaper than any other state's U.C. program. We believe it is also vital that a minimum of 26 weeks of extended federal U.C. benefits be provided by federal law as well as extension of coverage.

OFFICE & PROFESSIONAL EMPLOYEES INTERNATIONAL UNION,
July 21, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

HONORABLE AND DEAR SIR: It is the firm conviction of the officers and members of the Office and Professional Employees International Union, AFL–CIO that the present provisions of the Unemployment Compensation system should be reformed and revised by Congressional action.

The basic program of Unemployment Compensation, established by Congress in its wisdom in 1935, was established to alleviate the crushing financial burdens of unemployment experienced by the individual citizen, and to protect the economy from the spiraling adverse economic effects of unemployment.

These aims the Unemployment Compensation program has accomplished to an increasingly diminished degree since the program was established.

Acutely needed today are a number of revisions which would enable the Unemployment Compensation program to effectively fulfill the goals for which it was originally established.

The Office and Professional Employees International Union urgently recommends strong and prompt action by the 89th Congress to revise and reform the present system of Unemployment Compensation.

This Union recommends specifically that the distinguished members of the Senate Finance Committee give favorable consideration to the provisions proposed by the Honorable Eugene McCarthy and other distinguished Senators as Senate Bill 1991, and that Congress promptly enact the provisions of both this bill and H.R. 8282 introduced by the Honorable Wilbur Mills.

It is our considered opinion that the revisions proposed in these resolutions will effectively restore the original principles of job insurance protection, as adequate protection for both the unemployed citizen and for the economy as a whole.

It is requested that this statement, made on behalf of the 70,000 members of the Office and Professional Employees International Union, working in 43 states, be printed in the record of the Hearings of the Senate Finance Committee.

Sincerely,

HOWARD COUGHLIN, *President.*

GADSDEN, ALA., *July 22, 1966.*

Hon. RUSSELL LONG,
Senate Office Building,
Washington, D.C.:

By direction of the members of Local Union 2176, *United Steel Workers of America, AFL-CIO*, Gadsden, Ala. I urge you to vote for and support the unemployment compensation bill.

Respectfully submitted.

DAFFORD BREWSTER,
Recording Secretary.

ARIZONA STATE AFL-CIO,
Phoenix, Ariz., July 21, 1966.

Senator RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Building, Washington, D.C.

DEAR SENATOR LONG: On behalf of the Arizona State AFL-CIO Executive Board I would like to express our very deep concern over H.R. 15119 proposing certain changes in the unemployment compensation law.

We regard the present bill as shockingly inadequate. We favor the provisions of the original H.R. 8282: particularly the provisions raising the base and providing federal standards for payments.

Sir, it is my desire that this letter be included in the records on the matter of Unemployment Compensation Federal Benefit standards.

Yours sincerely,

JOHN E. EVANS,
Secretary-Treasurer.

WYOMING STATE AFL-CIO,
Cheyenne, Wyo., July 22, 1966.

Hon. RUSSELL LONG,
Senator from Louisiana,
New Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: We in Wyoming are very much concerned about the weak unemployment compensation bill passed by the House.

We hope that the U.S. Senate will strengthen this bill in many areas; but, most of all, in setting Federal standards requiring each state to pay at least half of its average weekly wage with the level moving periodically up to two-thirds over a period of time. Too many times, the states think much more about protecting the funds than paying unemployment benefits to the people. The only way that working people can be assured fair and equal protection in each state is by the Senate establishing federal standards.

In the state of Wyoming, restrictions have been so severely tightened that our people can't draw benefits.

Attached is a review of September 1964 experience showing the typical pattern for those found ineligible under the monetary determinations made by the Wyoming State Employment Security Agency.

We urge that you do all within your power to place a strong federal benefit standard into this bill. Also, we urge that you have this letter read into the Congressional Record.

Sincerely,

JOHN D. HOLADAY,
Executive Secretary.

A review of September 1964 experience showing the typical pattern for those found ineligible under the monetary determinations made by the Wyoming State Employment Security Agency

Total monetary determinations	336	(100 percent)
Eligible	234	(69.6 percent)
Ineligible	102	(30.4 percent)

Of those found ineligible:

18 (17.6 percent)	Had no record of covered wages in the base period.
8 (7.8 percent)	Had less than $250 earnings in the high quarter of the base period.
18 (17.6 percent)	Had total base period earnings of less than 1½ times the high quarter.
41 (40.3 percent)	Did not have 26 weeks employment at $18.00 and 24 hours.
17 (16.7 percent)	Ineligible because of insufficient information given by claimant, had not worked in covered employment, misstatement of fact and other reasons.

UNITED RUBBER, CORK, LINOLEUM AND
PLASTIC WORKERS OF AMERICA,
Arkon, Ohio, July 21, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: Remedial action by the Congress on our national unemployment compensation system has been long overdue. In state legislatures all over the country, AFL-CIO state and city councils have been urging on their elected representatives that the time to modernize the state's UC Program is now—while unemployment is relatively low, and the impact on the state's unemployment insurance fund therefore minimal.

Labor's spokesmen have been saying that sound social and economic policy in this area calls for building up reserves and raising benefit levels in periods of prosperity—against the day when the business climate changes, when we shall need the cushion of a realistic and comprehensive income maintenance program to provide adequate support for those out of work through no fault of their own.

In the meantime, labor has argued, it is nothing less than a mockery of the principles of the Social Security Act, through which our UC system was established, to permit benefit levels and duration of eligibility to fall further and further behind.

We are thus penalizing most unfairly those who are sharing least in this country's current affluence—that 4.0% of our civilian labor force unable to find a job, plus the uncounted hundreds of thousands more who are underemployed because of short work weeks, or who have dropped out of the labor market because of discouragement and disillusionment.

The response from our state legislators, Senator Long, has been consistent, almost without exception, on its indifference to the problem and in its refusal to take meaningful action. Labor, therefore, turns to the Congress with hope and with expectation, urging that Washington do what the state capitols have so callously refused to do.

On behalf of more than 160,000 members of the United Rubber Workers throughout the United States, I therefore want to register our most emphatic support for modernization of the Federal-state UC system, as provided in Senator Eugene McCarthy's Bill, S. 1991, now before your committee.

I would emphasize three areas in this Bill of particular concern to URW members and their families:

(1) *A uniform standard for maximum weekly benefits established at two-thirds of each state's average weekly wage.*—The raising of benefit levels which would thus be accomplished would, at long last, bring our UC system substantially closer to the principle to which it was originally geared.

Federal standards on benefit levels would quite obviously represent a major step forward in eliminating competition between the states for "cut-rate" UC programs.

Federal standards would, in the case of the URW, eliminate an inequity within those companywide agreements negotiated by our Union which include provisions for Supplementary Unemployment Benefits. As our SUB programs operate now, the plants located in those states which provide the lowest weekly benefit levels are actually being subsidized by the workers in states where UC benefit levels represent a higher proportion of wage make-up.

The inequity, in terms of disproportionate burden on the companywide SUB fund from plants in low-benefit states, occurs because all eligible employees laid off (from plants covered by the SUB agreement) are assured a weekly regular benefit in the form of a uniform percentage of their straight-time weekly earnings. The lower the UC payment which such laid-off employees draw, the higher the SUB benefit they are entitled to (up to a fixed maximum benefit amount).

Thus, even under the most advanced collective bargaining techniques, we are forced to "dig deeper" to offset the recalcitrance of those states which have done the least in meeting the benefit level objectives of our UC system.

(2) *A uniform standard for duration of benefits at the state level, coupled with an additional 26 week benefit program under Federal funding.*—There is nearly as great a disparity in the number of weeks for which a laid-off employee may claim benefits as there is in the level of UC payments which the various states provide. Such variations occur both because of statutory limitations on weeks of benefits and because of stringencies in earnings and eligibility requirements. It is our observation that the low-benefit states tend also to be illiberal in covering the full duration of a worker's layoff.

A federally-financed extended benefits program has already been tested—in a somewhat different form—during the recession of 1959–60. We wholeheartedly subscribe to that section of S. 1991 which would make an additional 26 weeks of UC benefits available to those suffering longer term unemployment, to be funded through an increase in the Federal portion of the employer's UC contribution.

(3) *Broader UC coverage to include workers not now protected under the law.*—The United Rubber Workers firmly support the inclusion under the umbrella of UC protection of all workers who have a regular employment relationship with their employer. We believe that there is no longer justification in logic or in equity for excluding any regularly-employed person from the assurance of income maintenance for himself and his family in the extent that he loses his job through no fault of his own.

We are aware of the fact that the House of Representatives has already acted on a bill dealing with some of the shortcomings of our present UC system. We feel that the House bill is seriously inadequate, particularly in the areas cited above.

We urge that the Finance Committee and the Senate as a whole take bold and affirmative advantage of the opportunity which is now theirs—by raising the sights of our national unemployment insurance program to the needs of 1966.

We respectfully request that this statement be printed in the record of the Finance Committee hearings.

Very truly yours,

GEORGE BURDON,
International President.

SEATTLE, WASH., *July 23, 1966.*

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate Office Building, Washington, D.C.:

The *King County Labor Council of Washington* urges your support of a stronger unemployment compensation reform bill with uniform federal standards for the amount of weekly benefits and for the duration of weekly benefits plus a minimum of 26 weeks of extended federal UC benefits also the support of H.R. 8282. We also request that this telegram be recorded in the committee hearings.

KING COUNTY LABOR COUNCIL,
C. W. RAMAGE,
Executive Secretary.

ILLINOIS STATE FEDERATION OF LABOR AND
CONGRESS OF INDUSTRIAL ORGANIZATION,
Chicago, July 20, 1966.

Hon. RUSSELL B. LONG,
U.S. Senator,
Chairman of the Senate Finance Committee,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: Much information and misinformation has been presented by various groups in Illinois relative to Federal Standards for Unemployment Compensation. We understand that some statements have indicated that Organized Labor in Illinois is satisfied with the status quo.

On behalf of the 1,000,000 AFL–CIO Members in Illinois, we wish to emphasize that is not true. As spokesman on legislative matters for the AFL–CIO membership, we have sought to broaden the coverage, raise the benefits and revise the eligibility provisions. While the weekly benefits have increased, we are sorry to report that coverage is lessened due to provisions which narrow the eligibility.

The average weekly wage in Illinois (not including Building Tradesmen, which is $160.00 plus) is approximately $114.00. The Illinois average weekly benefit of Unemployment Compensation Insurance was $41.33 during June, 1966.

Because employment and unemployment are affected by policies and economics nationally rather than statewide, we have supported and requested that good Federal Standards be applicable to every state. We have been whipsawed far too long over what other states do or do not do. We understand our colleagues in these states have the same problems when the endeavor is made to upgrade U.C.

We think the goals of the original H.R. 8282 and S. 1991 should be revived by the U.S. Senate. We would hope that your Finance Committee will recommend to the full Senate a measure which will end hypocrisy in U.C., and one which will buttress the economy of each community when unemployment occurs. Our Nation will be the real beneficiary of a realistic U.C. program. The unemployed spend the weekly benefit immediately. The direct impact on the business community is very effective. Privately, business interests tell us of the wonderful impact of even the present U.C. Publicly, the spokesmen for employers decry U.C., and some even would like to eliminate U.C.

We have consistently supported the position of the National AFL–CIO on U.C.

We would appreciate the inclusion of these comments into your Committee Records. We purposely were very brief. If you need our personal testimony, please feel free to let us know when you would wish us to appear.

May your Committee report out a proposal of worthwhile standards, and the best of wishes to all.

Sincerely yours,

ROBERT G. GIBSON,
Secretary-Treasurer.
STANLEY L. JOHNSON,
Executive Vice-President.

MICHIGAN STATE A.F.L.–C.I.O.,
Detroit, Mich., July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: Your committee has before it the matter of federal standards for unemployment compensation.

We strongly favor the principles of the McCarthy bill S. 1991.

There are three basic reasons we favor improved federal standards for unemployment compensation.

The first is the need of our members and other workers to adequate compensation when they are laid off from work. We are sure your committee has before it many examples of workers and their families who are in dire need of income who find either that unemployment compensation benefits are inadequate, that they are denied coverage for some technical reason, or that they are not entitled to any further compensation because they have exhausted their benefits under the existing state law while they are still unemployed.

The second reason is that during times of widespread unemployment, the economy needs the substantial aid that can be created by filling the gap of

supplying purchasing power to workers through dispensation of unemployment compensation benefits. If these benefits on a national basis are adequate in amount and duration, a state and even a national crisis may be averted.

The third reason we need federal standards is to prevent the cut-throat competition among states to see which one can "attract industry" by having the most inadequate compensation system.

The labor movement in Michigan as in other states has pressed hard for substantial improvements in unemployment compensation.

Time and again in hearings before legislative committees we have convinced legislators of the needs for improved compensation only to be asked the question: "If we improve Michigan's compensation above that of other states, won't it put Michigan industry at a competitive disadvantage and drive industry from the state?" It is our experience that even though the cost factor of improved unemployment compensation is very small—often less than a penny an hour—the subtle and persistent effect of the charge of "competitive disadvantage" inhibits the development of needed legislation.

For example, corporations which pay the federal government over 50% of their profits in a federal corporation tax never threaten to move form one state to another for that reason because the federal corporation profits tax is uniform on all states.

The same principle applies to unemployment compensation. Once there is a firmly established federal minimum standard which is fairly adequate, industry will realize that unemployment costs will be practically identical regardless of which state they operate in.

The result of such uniformity can then be to further encourage industry, labor, and government to reduce unemployment compensation costs in the only sound way which is to solve the basic problem of providing full employment and job opportunities on a national basis instead of arguing about "competitive (tax) disadvantages" in the various states.

We sincerely believe that to the extent your committee and the senate establish non-competitive, sound standards for unemployment compensation on a national basis, you will be acting in a humanitarian manner, and at the same time will focus the attention of our society on the need to reduce unemployment compensation costs by attacking the root problem of providing full employment.

I would like to request that my statement be printed in the records of the Committee's hearings.

Very sincerely yours,

AUGUST SCHOLLE, *President.*

ST. LOUIS LABOR COUNCIL AFL–CIO,
St. Louis, Mo., July 21, 1966.

Hon. RUSSELL LONG,
Chairman, Committee on Finance, U.S. Senate, Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: In behalf of the members of the AFL–CIO in the St. Louis area we desire to express some thoughts on improvements in the unemployment compensation program which is now before your committee.

We endorse Senate Bill 1991 as introduced by Senator McCarthy of Michigan with other Senators. We believe there is a need for broader coverage for workers who are not now covered, such as employees in non-profit institutions, hospitals, foundations, universities, etc., and workers with regular employee relationship.

We believe that improvement is needed in weekly benefits paid as in our area we find that in the service trades and textile industries most of the wage earners draw less than the maximum benefits because of the wage scales that prevail in some industries. Upon investigation we have found that many people in this category are being subsidized by food stamps in the City of St. Louis and surplus commodities in St. Louis County. It is our opinion that raising the benefits to at least two-thirds of the State's average weekly wage would be of great benefit to these people.

Many are unskilled workers who are unable to find employment for long periods of time and feel that a Federal fund extending the benefits beginning with the 27th week would be beneficial to these workers and to the economy of our area. At the present time workers in this category are not eligible for any relief under the State Statutes. The only remedy that would be available to them would be

food stamps if they have money to purchase them and those who live in the St. Louis County would still get surplus commodities if they could travel to the disbursing depot either by car or taxi cab because there is a lack of public transportation.

We believe that there should be uniform disqualification penalties, as in our State the penalty for a person discharged for misconduct is disqualification for benefits for the entire year.

We sincerely hope that your committee will give serious consideration to the above subject matter by incorporating provisions of Senate Bill 1991 into your report.

It would be appreciated if this communication is inserted into the record.

Respectfully yours,

JOSEPH P. CLARK, *President.*

MINNESOTA RETAIL FEDERATION, INC.,
Minneapolis, Minn., July 21, 1966.

AN OPEN LETTER TO MEMBERS OF THE SENATE FINANCE COMMITTEE

S. 1991, H.R. 15119—UNEMPLOYMENT COMPENSATION

The Minnesota Retail Federation, Inc. is a trade association of Minnesota retail merchants, most of them small stores in hundreds of communities. Several large merchandising firms are also members.

The Federation has consistently opposed federalization of unemployment compensation. It has consistently hoped that power and authority would remain in state legislatures in this and countless other fields. It has been astonished at the constant federal grab for power. It fears that state powers, authority and prerogatives are about to be drowned in the Potomac.

Minnesota has a new and progressive unemployment compensation law. It helps the unfortunate employee during his unemployment period. It denies some compensation to the undeserving wrongdoer. It rewards the employer who maintains a good employment record. It levies a high tax on employers, a levy sufficient to build and maintain a solvent fund. By and large it is a good law.

We feel that the House showed courage in rejecting many of the shockingly bad features of H.R. 8282 and that H.R. 15119 went a long way toward preservation of the rights of the states to legislate in this field. (Thousands of small employers were stunned by House action forcing coverage down to employers of one employee. They hope you will restore the four-or-more provisions.)

During the campaigns in 1966, in 1968 and beyond we expect to hear candidates at the local, state and national levels espouse the virtues of small business and the need for its protection. We are prepared to test these avowals for elements of sincerity or hogwash. Your refusal to steal unemployment legislation from the states will be evidence of sincerity; your approval of S. 1991 or other legislation like it will be evidence of insincerity.

The small businessman may have seemed unimportant in the past. He knows he does not have the strident voices of the George Meanys and Jimmy Hoffas. But he's wiser now. He's learning to use his voice and his vote. He wants a moratorium on federal seizure of power over him and his state.

If you insist on injecting the federal government further into the unemployment compensation field, we plead with you to approve H.R. 15119 (without the one-or-more provision) or legislation like it and to bury S. 1991 and others like it.

Respectfully,

THOMAS H. HODGSON,
Executive Vice President.

STATEMENT OF RUSSELL R. MUELLER, MANAGING DIRECTOR, ON BEHALF OF NATIONAL RETAIL HARDWARE ASSOCIATION

The National Retail Hardware Association has a membership of more than 20,000 hardware dealers located in communities throughout the United States. These hardware retailers maintain independently owned and operated establishments. More than one-half of these stores are located in towns with less than 10,000 population.

We are particularly concerned about the proposal to cover an employer who employs one or more persons. A number of states at the present time exempt employers with less than four employees. This has been done in many states where in smaller communities, particularly in rural areas, local conditions make the need for the protection unnecessary. It is unfair and imposes a burden on small and tiny business establishments to require this tax and the accompanying record-keeping requirements.

In Minnesota, for example, special exemptions are provided for businesses with less than four employees located in towns with less than 10,000 population. More than sixty percent of the small independent hardware stores in Minnesota are so located. The Legislature of that State has considered this matter at every session for several years and has each time discovered there was no need for such coverage in these areas. Furthermore, the Legislature of Minnesota found that it would impose an unfair burden on real small employers where history demonstrated that layoffs were almost non-existent.

The National Retail Hardware Association urges the retention of the "four or more" test for coverage, leaving to the states the right to lower the coverage to one or more if and when needed.

STATEMENT OF MARK E. RICHARDSON, EXECUTIVE VICE PRESIDENT, NEW YORK CHAMBER OF COMMERCE

1. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The New York Chamber of Commerce opposes the enactment of H.R. 8282 for the following reasons:

a. The ultimate nationalization of the entire unemployment compensation system is signaled by the forcing of benefit standards on the States.

b. Benefit levels have been kept abreast of the needs of the jobless by the States within limitations imposed by local economic conditions.

c. The theory of cost equalization is incompatible with experience rating which must be preserved in the interests of economy and stable employment.

d. The drastic increase in payroll tax costs, when added to those already scheduled under recent OASDI amendments, will retard job growth.

e. There is a serious question as to the constitutionality of Section 209(c).

f. The powers assumed by the Federal Government with respect to eligibility for benefits will be both punitive and dictatorial.

The New York Chamber of Commerce recommends and supports the continuance of:

a. The present Federal-State division of authority over the program.

b. State determination of benefits and benefit financing.

c. Benefits averaging 50 percent wage replacement, as currently holds true in all but two States.

d. Individual employer experience rating.

2. PRINCIPLE OF UNIFORM BENEFIT REQUIREMENTS UNDER SECTION 209(C) OF TITLE II

While the New York Chamber of Commerce endorses the principle of benefit adequacy in unemployment compensation and the elimination of abuses as to eligibility for benefits, ends which purportedly are the explanation for H.R. 8282, it must, nevertheless, express strong disapproval of the means to be employed; that is, the forcing of Federal standards upon the States. From its earliest history as a depression measure the unemployment compensation system has been conducted on a cooperative basis, with the principle of maximum State discretion as to benefit payments and benefit financing regarded in a very special light. The Chamber believes this principle must be held inviolate if the present program is to remain State-oriented as the framers intended. Once accepted, even in a limited sense, Federal Standards will lead inevitably to complete centralization of authority over all aspects of the system in Washington. Therefore, the Chamber must oppose H.R. 8282 at the cost of rejecting several features that, standing alone, would be most attractive to our membership. The economic and social diversity between States is so-marked as to make a completely Federalized system unworkable. Indeed, it was because of this diversity that the framers rejected arguments to centralize authority, as was done in the OASDI program enacted concurrently with unemployment compensation.

Basic to this entire controversy is the issue of State competency to conduct unemployment compensation programs in keeping with the needs of the jobless, within limitations imposed by the local economy and employer ability to pay the costs. The States have met their obligations; certainly no one has made a case to show otherwise. Yet from the very beginning forces have been at work to undermine the State-oriented principle in favor of centralized authority—this would seem to be the motivation for H.R. 8282, not a desire to "modernize" the system. This Chamber does not accept the unsupported notion that local government is unequal to the task. Until someone can develop facts and figures documenting State dereliction there is no justification for further Federalization of the program.

To be sure the proposals to bar claims of employees on strike and pensioners and the elimination of the "double dip" are very tempting to employers many of whom have long been working for the adoption of similar prohibitions in their respective States. We firmly believe, however, that these questions should be left to the State legislatures to determine; if they have merit, as we feel they have, then State action will be forthcoming at an opportune time. Much though we oppose abuses of the benefit structure we abhor even more the double-edged sword of Federal standards.

The requirements which would be imposed by Section 209(c) mark a radical change in Federal control. The Internal Revenue Code of 1954 currently makes provision for approval of State Unemployment Compensation Laws by the Secretary of Labor, pursuant to Section 3304(a). The requirements there set forth are principally aimed at insuring the payment of unemployment compensation benefits in accordance with required procedures, such as the payment of benefits through public employment offices and the payment by State of monies received in State funds to the Federal Unemployment Trust Fund, etc.

The effect of Section 209(c) of H.R. 8282 would be to compel the States to adopt Unemployment Compensation Laws, which satisfy Federal standards as to the amount of benefits to be paid, the duration for their payment and the qualifying unemployment period for unemployment benefits. In effect, the new statute would legislate for various States the Unemployment Compensation benefits to be paid by States and make no allowances for differences in local employment and economic conditions.

If Congress were to specifically require each State to adopt a State Unemployment Compensation law, which contained the provisions set forth in Section 209(c) of H.R. 8282, such legislation would raise the question as to whether it would contravene the constitutional rights of the State under the Tenth Amendment of the Federal Constitution. In this respect there is a serious question as to whether the proposed law would be constitutional because in effect it seems to accomplish indirectly that which cannot be done directly.

3. BENEFIT STANDARDS SOUGHT TO BE IMPOSED BY SECTION 209 ARE ARBITRARY

Experts have for some time been propounding 50 percent of net wages payable for 26 weeks as a reliable index of benefit adequacy, and we would agree with these figures. But only two States today pay benefits that average less than 50 percent of gross wages and only three have less than 26 weeks duration. In brief, the States have already accomplished two of the major objectives sought by those closest to the program. Present State limits on maximum benefits enable a great majority of claimants to collect at least 50 percent of their take-home pay. A study released last month by Unemployment Benefit Advisors Inc. reveals facts that deserve the careful attention of Congress. On the basis of evidence submitted by six key States it appears that the relationship between present maximum benefit amounts and take-home pay of claimants, a much more significant figure than the pay of covered workers relied upon by the Labor Department, stands well over 60 percent in many cases and over 70 percent in some instances. In New York in 1964, almost 64 percent of beneficiaries were receiving at least 50 percent of wages.

It can also be shown that benefits have grown faster than average wages over recent years; during the period 1953–63 wages increased 33.5 percent while benefits rose 43.4 percent.

Considering the importance of the State systems surely Congress will demand better evidence of shortcomings before embarking on a course that involves their ultimate destruction.

4. THE DESIRABILITY OF RETAINING "EXPERIENCE RATING" AS APPLIED UNDER DIFFERENT STATE LAWS

We take particular exception to the proposed creation of a Federal "equalization" fund from which grants would be made to those States with above average benefit costs. Proponents insist that unemployment is a national problem, not within the power of individual States to influence, and that all benefit cost differentials between the States should, therefore, be leveled. But benefits are paid for by employers, not the States, and between these employers there is competition for favorable tax rates encouraged by experience rating, the incentive to stabilize employment which is so essential to a sound economy and a workable unemployment compensation system. It is clear that "equalization" and experience rating are conflicting principles; they cannot exist side by side. Thus acceptance of cost equalization as a desirable goal will mean the ultimate destruction of experience rating and, along with it, any remaining incentive to stabilize employment. Proponents know that true equalization can never be realized until all employers are paying a uniform tax. Organized labor has long espoused the uniform tax as a necessary precedent to attainment of its objectives with regard to benefits; 100 percent wage replacement for as long as an individual is out of work.

Those who advocate centralization and standardization maintain that the experience-rated State programs are a source of harmful competition for business investment at the expense of those on the benefit rolls. But unemployment compensation outlays are only a single factor in the array of production costs. Much more significant, and as yet beyond the reach of "equalization", are such factors as State and local corporate income taxes and wage levels in general.

5. FINANCING

Although the New York State Chamber of Commerce is basically opposed to H.R. 8282, our comments on financing are both practical and academic. The proposed increases in the taxable wage base to $5,600 for calendar years 1967 through 1970 and $6,600 for calendar year 1971 and thereafter have implications that need emphasizing.

Estimates by the Division of Employment of the N.Y. Department of Labor show that estimated Federal laws will be increased from $61.3 million to $67.7 million under H.R. 8282 in 1966 alone—a 10% increase. However, in 1971 this would be increased further by almost $100 million to $165.2 million—an increase of 154.9 percent.

Undesirable as it is to tell the States they must pay certain benefits, it is doubly injurious to dictate how they shall raise the necessary revenues. If the Federal government needs more money for administrative expenses it is well within its rights to schedule an appropriate increase in the tax rate. A forced increase in the tax base, however, has a decided impact on the all-important experience rating device and for that reason should remain a State prerogative. In financing benefits some States have chosen to increase the tax base above $3,000 and have made corresponding adjustments in their experience rating programs. Other States have chosen to raise tax rates—the more desirable alternative in our view—thereby preserving the significance of experience rating. We urge that State discretion as to benefit financing be protected in any and all events, including the adoption of Federal benefit standards; this was the approach taken in the Mills-Byrnes measures introduced for discussion purposes at the close of the last session.

6. CONCLUSION

Enforcement of Federal standards on State unemployment compensation systems would create a centralized Federal system contrary to the original concept of State enacted unemployment benefit laws geared to local employment and economic conditions.

The 10th Amendment of the U.S. Constitution provides that "the powers not delegated to the United States by the Constitution, nor prohibitied by it to the States are reserved to the States respectively, or to the People". H.R. 8282 would seem to disregard the basic principle of this amendment.

We submit that serious consideration of the implications and cost of this proposed bill will justify its rejection.

STATEMENT SUBMITTED BY LOUIS STULBERG, PRESIDENT AND GENERAL SECRETARY-TREASURER, INTERNATIONAL LADIES GARMENT WORKERS' UNION (AFL-CIO)

INTRODUCTION

This statement is filed in support of S. 1991 on behalf of the International Ladies' Garment Workers' Union and its 425,000 members in 38 States and Puerto Rico. The overwhelming proportion of our membership are women most of whom depend on their earnings for their and their dependents' support. Unemployment is an ever-present threat to the garment worker. On behalf of our Union I wish therefore to express gratification to your Committee for its current review of legislation designed to improve the unemployment compensation system throughout the United States.

Your Committee has before it at the present time two key bills—S. 1991 originally endorsed by the Administration and H.R. 15119 recently passed by the House of Representatives. There is no doubt that both bills move in the same direction. However, the provisions of H.R. 15119 are inadequate—they fail to provide many of the reforms long recognized as essential to bring the nation's unemployment insurance system up-to-date. Many of the deficiencies of H.R. 15119 are avoided in S. 1991, but even that bill requires a certain amount of modification. For this reason, S. 1991 rather than H.R. 15119 was taken as a point of departure in this statement.

FEDERAL BENEFITS STANDARDS

The provisions of S. 1991 with regard to federal benefit standards are eminently sound.

In the first instance, the Senate bill seeks to assure that the unemployed be compensated during periods of unemployment commensurately with the magnitude of the wage loss. It does this by providing that the maximum unemployment benefits under state laws be set for the present at not less than 50 percent of the statewide average wage and subsequently at not less than two-thirds of such wage. This provision is a must desirable one. It has been long recognized that the minimum standards for wage-related unemployment compensation should not be set at less than 50 percent of the worker's weekly earnings. However, in view of the rising wage levels, the imposition of an arbitrary ceiling on maximum benefits serves to deprive an ever increasing number of workers of benefits at the 50 percent rate. The adoption of a federal standard for the determination of maximum benefit rates provides an automatic mechanism to modify such maximums in line with changing wage levels in the different states. In this way most workers will be assured that their benefits will not be less than 50 percent of their wage loss.

Secondly, the Senate bill provides a minimum standard of eligibility as well as a provision that benefits be paid up to 26 weeks once the eligibility standard is met. This is essential. Even in good times, many workers need unemployment insurance protection for at least 26 weeks either because they can only obtain intermittent employment or else because activity in their line of work is slow. The situation is even worse when times are bad. And yet, even though all but 2 States and Puerto Rico provide benefits up to 26 weeks, other limitations in the statutes limit workers to fewer weeks of benefits, particularly if they are in the lower wage brackets. The proposed federal standard would remedy the anomalies in existing state legislation.

In dealing with eligibility requirements, S. 1991 provides that weeks in which the individual earns at least 25 percent of the statewide average weekly wage must be counted in determining whether he has 20 weeks of employment in his base period. While obviously designed to prevent unwarranted exclusion of weeks of lower earnings in determining eligibility for benefits, this provision is unduly harsh and discriminates against persons in the lower-wage industries or occupations. As a matter of fact, all but one of the states that currently eliminate some weeks of employment in such determinations include earnings that are much lower than the proposed federal standard while 4 states count all weeks in which a person works. In light of existing practices, the federal standard should provide that all weeks of employment in which workers had earnings in excess of 15 per cent of statewide average weekly wage should be counted as weeks of employment. (Similarly in the states relying on high quarter wages in

the base period to determine eligibility, the proposed standard calling for base period wages to equal 5 times the statewide average weekly wage is more stringent than in most states and should be reduced.)

In the third instance, the Senate bill seeks to codify standards for disqualification of workers in cases of improper refusal of employment, voluntary quits and misconduct. Unfortunately, over the years, a number of inconsistent and unduly harsh penalties have crept into some of the statutes, with penalties incommensurate with the nature of the offense. Penalties should be reasonable and should not extend beyond that portion of the unemployment period which could be deemed to be directly brought about by the offending action. Such a period has been estimated by responsible agencies (such as the Federal Advisory Council on Employment Security and the Bureau of Employment Security) to be 6 weeks. The Senate bill takes this recommendation as the standard for penalties for the above-named offenses. The bill also prohibits reduction or cancellation of future benefit rights or wage credits irrespective of the nature of the offense.

The establishment of uniform federal benefit standards has become necessary and essential because most states have been unable or unwilling to take suitable action to improve the benefit structure. Indeed, without such federal standards there is a built-in incentive to hold on to inadequate programs and even seek to gain an unfair competitive advantage over states where higher standards prevail. Such practices go counter to sound public policy.

Unemployment compensation serves to alleviate hardships suffered by persons out of work with partial wage replacement. As such this helps to reduce income fluctuations in the economy. In turn, higher unemployment compensation payments during periods of low business activity and smaller benefit disbursements during periods of prosperity provide an anti-cyclical influence and act as an economic stabilizer. The inadequacies of our unemployment insurance system weaken the stabilizing impact that these programs could achieve in reducing economic fluctuations. The federal standards embodied in S. 1991, with the modifications suggested above, would not only help the unemployed but also bring greater stability to the nation's economy.

LONG-TERM UNEMPLOYMENT

Federal standards for state unemployment insurance legislation, set forth in Title Two of S. 1991, deal with a benefit duration of 26 weeks in a benefit year. It is, however, generally recognized that in numerous situations bona-fide unemployment outlasts 26 weeks in a single year. This holds true of many workers in good times and of many more when business is poor. Thus there is a decided need to assist workers suffering from a longer impact of unemployment. This has been recognized by the Congress on at least two different occasions when states were assisted financially to meet the cost of additional benefits. It is also recognized that typically longer unemployment is brought about by other than local conditions. It is, therefore, a cost for which the entire nation must accept responsibility.

S. 1991 establishes a program of federal unemployment adjustment benefits to deal with longer unemployment. Benefits up to a maximum of additional 26 weeks over a 3-year period are offered to workers who worked for at least 26 weeks in the base year and 78 weeks in the 3-year period preceding their initial claim for benefits. However, this is unduly stringent. Under the other provisions of S. 1991, workers could qualify for 26 weeks of benefits if they had 20 weeks of employment in their base year. To the extent that adjustment benefits are to be provided for persons with longer attachment to the labor force, it would be sound to require a similar showing over the 3 preceding years to the initial benefit claim, i.e. by showing that the individual had at least 60 weeks of employment in this period. This would more than adequately demonstrate the worker's attachment to the labor force over a longer period of time and should suffice as an eligibility standard for adjustment benefits.

Even then, this particular provision does not fully meet the needs of the long-term unemployed. It may prove fairly satisfactory in periods of comparative prosperity. But it decidedly will not do so during periods of poor business, when unemployment is more serious and jobs are harder to find. At such times, the ranks of the unemployed are swelled also by additional workers who are materially affected by lack of job opportunities. As distinct from S. 1991, H.R. 15119 sought to deal only with this facet of the problem by providing extended unemployment compensation payable under the state laws whenever unemployment and/or benefit exhaustions exceeded stated percentages.

Extended benefits under this provision would be payable without additional qualification requirements so long as the eligible workers otherwise exhaust their state rights in a particular benefit year.

What is actually needed is a combination of the provisions now contained in S. 1991, with modifications suggested above, and those contained in Title Two of H.R. 15119 to provide a more comprehensive system of protection against wage loss caused by unemployment of longer duration and should be adopted by the Committee.

HIGHER TAX BASE

The proposals contained in S. 1991 regarding the increase in the tax base for the purpose of unemployment insurance financing are eminently sound.

When the federal unemployment contributions were first considered by the Congress, it was planned to tax the entire covered payroll. However, contributions for Old Age and Survivors' Insurance were limited to the first $3,000 earnings of covered workers, a level which at that time encompassed the overwhelming proportion of covered workers' earnings. Accordingly, the same standard was applied to unemployment insurance. Thereafter, wages have advanced materially and, correspondingly, the base for Old Age and Survivors' Insurance has been periodically increased and is now set at $6,600. However, the taxable base for unemployment compensation remained at $3,000.

The retention of an outdated tax base creates numerous anomalies in the tax structure. Employers in the lower-wage industries, for example, are taxed on a greater proportion of their payrolls than those in the higher-wage industries. Since wages tend to be lower in smaller firms, small business is forced to pay unemployment insurance taxes on a greater fraction of its payrolls than its bigger competitors. As a result, unemployment insurance taxes weigh more heavily on the smaller firm than on big business and further hamper the efforts of the smaller firm to compete.

The unrealistic tax base also distorts state experience rating systems which seek to relate tax rates to the degree of employment stability. Even though they aim at lower tax rates for employers with good experience, the reverse effect may result. If, for example, an unstable higher-wage employer is assessed a 3 percent tax rate it may only cost him 1.2 percent of this total payroll if his taxable payroll accounts for 40 percent of his total wage bill. A stable, lower-wage employer, on the other hand, who is assessed at the rate of 2 percent may pay 1.6 percent of his total wage bill if his taxable payroll equals 80 percent of the total payroll. This illustrates that an unrealistic tax wage base may permit unstable employers to enjoy lower unemployment insurance costs per dollar of payroll than that paid by the more stable employers. It is obvious that a low tax base defeats the very purpose that experience rating hopes to attain.

There is no doubt that the same revenue can be raised irrespective of the portion of the total payroll that is taxed. Theoretically, this can be done merely by taxing a small fraction of the payroll at very high rates to produce the needed revenue. In practice, the reluctance to do this, aside from the side effects touched upon earlier, has led to inadequate financing of state unemployment insurance systems, and in turn retarded the enactment of needed improvements in benefit levels and duration.

From the point of view of equity, adequate financing, and administrative efficiency and simplicity, the tax base for unemployment compensation purposes should be aligned with the tax base used for other social security programs. In unemployment insurance such a tax base may have to be attained, as a matter of practical consideration, over several years. This is what S. 1991 seeks to accomplish—an ultimate establishment of a uniform tax base for all social insurance purposes. This is a reasonable approach.

OUT-OF-STATE CLAIMS

We support the provision of S. 1991 which disallows the right of a state to deny or reduce benefits because a claimant filed an out-of-state claim for benefits. We must preserve the fredom of an individual to move from one area to another. The mere fact of such mobility, so long as the individual remains in the labor force, should not affect his right to the same benefits that he would have obtained were his residence in a particular state to continue. The bill, however, fails to deal with an important facet of the problem brought about by mobility of our population. A person's work activity during a base period may take place in more than one state. Were all such work performed in a

single jurisdiction, that person would have qualified for benefits on becoming unemployed; inasmuch as his earnings were derived in more than one state, he may not have sufficient credits to qualify in either of them. Thus there is a decided need to remedy this defect and to provide, by federal rule, that employment experience in several states be combined for the purpose of determining eligibility for and amount of benefits.

IN CONCLUSION

Except for specific modifications suggested above, we are in substantial agreement with the unemployment insurance amendments set forth in S. 1991. We are also in basic agreement with the position presented to your Committee by President George Meany on behalf of the AFL–CIO.

We strongly urge your Committee, and through you the Senate of the United States, to modernize the unemployment insurance law. Such action is needed to extend protection to millions of workers not now covered, to establish federal standards for unemployment benefits, to institute a program for the long-term unemployed, and to provide improvements in unemployment insurance financing. These measures are long overdue.

STATEMENT OF KARL F. FELLER, INTERNATIONAL PRESIDENT, INTERNATIONAL UNION OF UNITED BREWERY, FLOUR, CEREAL, SOFT DRINK AND DISTILLERY WORKERS OF AMERICA, AFL–CIO—STATEMENT CONCERNING UNEMPLOYMENT COMPENSATION REFORM

The Brewery Workers International Union submits this statement concerning unemployment compensation reform for your kind consideration. We strongly support unemployment compensation reform along the lines of the McCarthy Bill, S. 1991.

Many of our rank and file members have spoken to the undersigned personally and to our field representatives about the extreme difficulty of supporting a family on present unemployment benefit levels during periods of seasonal layoff. When a plant is shut down, or when machines replace men, long-term unemployment and serious hardship are often the result.

The present hodgepodge of unemployment compensation systems in effect today are doing less to relieve this hardship than ever before. When unemployment compensation came into effect in the 1930's, wage earners received greater relative benefits than they do today. In every state, the maximum weekly benefit is smaller, relative to wages, than it was in 1939.

It is clear that the states have failed to meet the responsibility of providing an adequate income floor for a wage earner who is unemployed for causes beyond his control. Today, states compete for industry by reducing the cost, and consequently the benefits, of unemployment compensation programs. Wage earning families subsidize this destructive competition. Only a Federal law which makes unemployment compensation benefits uniform and adequate can prevent the continuing erosion of state unemployment compensation programs. Unemployment is a national problem; it requires a National answer.

The McCarthy Bill goes much further than the Bill enacted by the House, H.R. 15119, toward a national solution. Keeping in mind that the two most important factors in any unemployment compensation program are *adequacy* and *uniformity* of benefits, let us briefly compare the primary provisions of the McCarthy Bill and the House Bill.

WEEKLY BENEFITS

M'CARTHY BILL	HOUSE BILL
Maximum benefits are gradually raised to ⅔ of a state's average weekly wage, with minimum benefits equal to ½ the worker's weekly wage.	No provision is made for improvement of present state benefits, under which most workers qualify for less than ½ and some for as little as ¼ or ⅓ of their weekly wage loss.

DISQUALIFICATION

M'CARTHY BILL	HOUSE BILL
States are prohibited from imposing a disqualification for more than 6 weeks, except in the case of labor disputes, fraud, or conviction of a crime in connection with the claimant's work. States are still free to refine their disqualifications.	There is no maximum disqualification period. Compensation cannot be denied for any cause other than discharge for misconduct, fraud or receipt of disqualifying income. States are still free to define their disqualifications.

COVERAGE

M'CARTHY BILL	HOUSE BILL
5 million workers not now protected would be brought under the law, including workers in small establishments with one or more employees, workers in non-profit institutions, employees of large farms and other employees with a regular employment relationship. With these additions, unemployment insurance would cover about 85% of all wage earners.	Approximately 3.5 million workers not now protected would be brought under the law. Unemployment insurance would cover about 82% of all wage earners.

ADJUSTMENT BENEFITS FOR LONG-TERM UNEMPLOYED

M'CARTHY BILL	HOUSE BILL
26 additional weeks of benefits are provided for unemployed workers who have exhausted regular benefits and who have been unemployed at least 6 months. Payment is made by the Federal Government, and extended benefits are payable regardless of economic conditions.	Extended unemployment compensation is available to individuals who have exhausted all rights to regular compensation under state law for a period not to exceed 26 weeks. Benefits are payable only during periods of high unemployment. The Federal Government pays to each state an amount equal to ½ the extended compensation benefits.

FINANCING

Neither Bill eliminates the experience rating which is undermining the financial base of the unemployment compensation system as the result of state competition for industry.

The House Bill is seriously inadequate. Although it contains many needed improvements, it does not eliminate the basic faults of the present unemployment compensation systems: inadequate coverage, inadequate benefits, and lack of national uniformity.

We respectfully urge your serious consideration of the McCarthy Bill. We suggest that enactment of a Bill along the lines of the McCarthy Bill would benefit industry, as well as wage earners, by stabilizing the purchasing power of wage earning families.

Respectfully submitted.

KARL F. FELLER,
International President.

BIRMINGHAM, ALA., *July 25, 1966.*

Senator RUSSELL B. LONG,
Chairman, Committee of Finance,
U.S. Senate,
Washington, D.C.:

Birmingham Labor Council AFL–CIO urge you and committee to support uniform Federal standards for amount of week benefits and for minimum of 26 weeks of extended benefits in Federal unemployment (copy sent Senators Sparkman and Hill).

DONALD B. STAFFORD,
President, Birmingham Labor Council, AFL–CIO.

STATEMENT PRESENTED TO THE SENATE FINANCE COMMITTEE ON BEHALF OF THE RHODE ISLAND AFL–CIO BY THOMAS F. POLICASTRO, PRESIDENT

The Rhode Island AFL–CIO urges the Senate Finance Committee to recommend passage by the Senate of unemployment compensation legislation along the lines proposed in Senator McCarthy's Bill, S. 1991.

The Rhode Island AFL–CIO believes that modernization of the federal standards for unemployment compensation are long overdue.

The unemployment compensation legislation recently passed by the House of Representatives falls far short of meeting the needs of the unemployed. It would be a disservice to the workers of this country if the House Bill was enacted into law.

This nation has had thirty years experience with the operation of our employment security system. Very few changes have been made over the years that would keep federal standards up to date. Usually, Congress is called upon to take action when it is of an emergency nature. On these occasions, Congress has responded. During the Depressions of 1958 and 1961, Congress met the needs by enacting emergency temporary unemployment compensation programs. However, these actions were under pressure and were for short term situations. There is no emergency pressure on Congress at this time. Our nation is enjoying unprecedented prosperity. Therefore, the Senate Finance Committee had a golden opportunity to build in better federal standards that will protect the program in the years ahead. Now is the proper time to update our antiquated federal standards for unemployed compensation. Over the thirty year life of our Social Security System, employment security has been the ugly duckling of the Social Security family.

On two occasions, its constitutionality has been challenged. It has been under continuous attack by the National Association of Manufacturers, and other employer groups; the Interstate Conference of Employment Security Agencies; The Tax Foundation; Reader's Digest and other publications.

Unfortunately, these are the elements in our country who refuse to accept the fact that all segments of the Social Security family have become an integral part of the American economic and social system. They are built in fixtures of our economy and are firmly rooted in our society.

However, the opponents of a sound employment security system continue their devious methods in trying to destroy or severely cripple an essential program.

The attacks upon the employment security system have been numerous. They have also been inaccurate and uninformed. These unrelentless attacks have been designed to confuse the public and the legislators. To a great degree, they have been successful.

The opponents of employment security have directed their attacks towards financing. They attempt to starve the program through under-financing. They seek unrealistic disqualification provisions. They would prefer to have the unemployed on the relief rolls rather than pay unemployment benefits. They have used the merit rating provisions as bait to pirate industry from one community to another.

Thirty years ago, when federal standards were first promulgated, there was some reason for setting them at such a low level. The economic nature of our states varied greatly. Since that time, our nation's economy has undergone considerable change. No longer do we have the wide economic difference between so called agriculture and industrial states. Just about all the states of our nation have become more uniformly industrial. We feel that the federal standards for unemployment security should be updated correspondingly.

Rhode Island is a geographically small state. Our working citizens are regularly confronted with confusing experiences with employment security laws. This is brought about because thousands of our people live in Rhode Island and work in nearby Connecticut or Massachusetts.

The basic standards of the laws in the three states vary to a high degree. Therefore, if federal standards were modernized, many of these confusing experiences would disappear.

One of the areas where federal standards should be updated, is in the matter of disqualifications. More realistic federal standards should be established and duration of penalties be made uniform.

Another role for federal standards is the matter of processing of interstate claims. Many of our unemployed have been forced to undergo unnecessary hardships because some states are dilatory about procesing interstate claims.

The Senate Finance Committee should look into the matter of adequacy of benefits. Experience has shown that benefits have lagged seriously behind. The proportion of benefits to wages has gone down. An unemployed worker can no longer provide the necessities of life from his unemployment benefits. As a matter of fact, unemployment benefits in most instances, are below the poverty level set by federal government agencies. Therefore, adequacy of benefits should be raised and where possible, tied to a percentage of his average weekly wage.

In Rhode Island we have worked hard to keep our employment security law parallel with the times. However, we feel that our unemployed and our employers have been placed at a disadvantage because other states and the federal government have not kept their standards in conformity with the times. We feel that some state administrators and state legislatures are unconcerned about the original concept and intent of the law.

In addition to urging the Finance Committee to recommend to the Senate legislation along the lines of S1991, we feel that the Committee should consider other features that would give a higher degree of protection to the person so unfortunate as to become unemployed through no fault of his own. Therefore, we further recommend that federal standards be extended to provide unemployment benefits to those who are unemployed because of sickness. Four states already are experiencing such a desirable feature and Congress should encourage it in the other 46 states.

Also, as to adequacy of benefits, we feel that Congress should take steps in providing increased benefits for the family breadwinner. Congress should require that benefits also be provided for dependents.

In addition, we believe that the limitation placed on the taxable wages should be removed. One of the gimmicks used by the opponents of employment security, is to starve the program. This is done by establishing a low tax ceiling and a merit rating system that gives preferential treatment of favored employers.

We greatly appreciate this opportunity to lend our support to the passage of legislation along the lines of Senator McCarthy's Bill, S1991.

We feel very strongly that Congress must enact uniform federal standards for the amount of weekly benefits for the unemployed.

Also, Congress should enact provisions that a minimum of 26 weeks of extended federal unemployment compensation benefits be provided.

In addition, we request that the House Bill amending the federal standards for Unemployment Compensation, not be enacted.

BUILDING AND CONSTRUCTION TRADES DEPARTMENT,
Washington, D.C., July 25, 1966.

HON. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate,
New Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: May I take this opportunity to express the views of the Building and Construction Trades Department concerning legislation to improve our Federal-State Unemployment Insurance system which is pending before your Committee. The Department is composed of eighteen National and International Unions, representing approximately four million building tradesmen throughout the country.

We in the Building and Construction Trades Department feel that the Federal-State Unemployment Insurance system must be brought up to date and that this is a matter highly deserving of the close, careful and immediate attention of the Congress. This attention must turn itself to a farsighted and long-reaching solution to the existing problems.

Due to seasonal employment and the unique nature of our industry, the building trades have the highest rate of unemployment of any industry throughout the country. We are deeply concerned that adequate legislation be enacted in order to meet the needs of the present unemployment situation.

As we see it, the main problems are: (1) the inadequacy of benefits presently being paid and their lack of uniformity among the states; (2) the vast gap between the number of people drawing unemployment insurance benefits and the total number of people who are actually unemployed. A little over 800,000 persons draw benefits every week, while over 3 million are currently unemployed.

The question is why this gap exists. This question must be looked at very searchingly.

Another point that is acute and that must be attended to is the fact that there are approximately 15 million people working in jobs where they have no protection. Should any of these people become jobless, they receive no help whatsoever. These 15 million represent about 25 percent of the working force. This is hard to believe and should be corrected immediately.

You have had extensive testimony from many expert witnesses on this measure. Among others, Secretary of Labor Wirtz and President Meany have given the Committee careful analyses of the overall scope of the existing problem. I will not impose on the Committee by repeating or reexamining the great volume of technical detail involved in this legislation. However, I would like to pinpoint the two basic areas in which action is direly needed. Before doing so, I wish to advise that the Building and Construction Trades Department wholeheartedly supports the recommendations of the AFL–CIO as presented by President Meany before the Committee on July 21, 1966.

In explaining the amount and extent of the benefits of unemployment insurance, I shall be very brief. Back in 1939, the Unemployment Insurance benefits were very close to 65% of the average weekly wage. Today, that ratio has dropped to 42%. To me this indicates that the program is sadly out of date. As far as the extent of benefits is concerned, there are today about 17,000 persons a week who do not find work before their benefits run out. This clearly illustrates the length of benefits should be extended.

The second point is coverage. I have said that about 15 million people are not now covered. In the House bill (H.R. 15119) about 3 million will be placed under coverage. Under the Senate bill, S. 1991, an additional 5 million will be covered. We thus much prefer the Senate bill because it provides greater coverage.

In addition to wider expanded coverage, we feel that S. 1991 is superior and thus preferable. It would allow a maximum benefit of half the average weekly wage which we feel is at least a step in the right direction.

I said earlier that what is needed is a comprehensive, farsighted and long-reaching solution to these problems which I have outlined only briefly. We do not feel that H.R. 15119 provides such a solution. It does not even scratch the surface. An historical look at Unemployment Insurance in this country shows that Congress has up to now taken emergency measures aimed at specific problems as they arose—such as in times of depression or recession. What is needed is an overall, ongoing program that will eliminate not only those problems which exist today but will also be tailored so that it may apply to the problems of the future.

May I respectfully request that this letter be incorporated in the proceedings of the hearings on this subject.

In the firm hope and belief that the Committee will arrive at a strong and farseeing solution to this problem, I am

Sincerely,

C. J. HAGGERTY, *President.*

STATEMENT OF FRANK L. KING, EXECUTIVE VICE PRESIDENT, WRITING INSTRUMENT MANUFACTURERS ASSN., INC.

Gentlemen: This is an Association of eighty-three manufacturers of writing instruments and their suppliers and represents a quarter-of-a-billion-dollar industry employing approximately 20,000 persons and accounting for the livelihood of about 75,000 Americans.

We have taken a keen interest in unemployment compensation legislation because we are deeply aware of the possible impact which changes in the law would have on our members' operations and their cost of doing business. As businessmen, we are particularly concerned with the additional cost that H.R. 15119 will have on us and what it will mean in terms of employment conditions for both employee and employer.

We have noted with satisfaction that the House Ways and Means Committee approved a measure, later referred to your committee, which will not disturb the present Federal-state relationship. We have been fearful of the program originally proposed to federalize unemployment compensation benefits. We do not believe that a revision of the Federal-state relationship now in effect would be beneficial and, in fact, we can see great harm flowing from such a change.

The performance of our Unemployment Compensation program during the

past two recessions has been outstanding. We understand that in the most recent recession period of 1960–1962 nearly 9 billion dollars of jobless benefits were paid to unemployed claimants. Even in 1964, a year of record employment and prosperity, when higher weekly benefits were the rule, the system paid out a total of 2½ billion dollars in benefits to Unemployment Compensation claimants. All of these funds consisted of moneys paid solely by employers.

We can not agree with a Department of Labor assertion that state systems have not been kept up to date. Since the original enactment of our Unemployment Compensation laws, the states have frequently increased weekly benefit payments, extended the duration of benefits, changed qualifications as conditions seemed to warrant, extended coverage, and also increased tax rates on employers to pay for the higher cost and increased coverage Last year alone, twenty states increased benefits and during the past several years all fifty states have made improvements in their unemployment compensation laws. It would seem that whatever deficiencies might exist in the various states might be more easily and equitably remedied by state action rather than by Federal approach.

We believe that the Bill, H.R. 15119, as enacted by the House of Representatives, is a fair and workable law, which will neither weaken nor compromise the role presently exerted by the states in this field. We favor approval of the bill as passed by the House.

FRANK L. KING,
Executive Vice President.

STATEMENT OF RUDOLPH T. DANSTEDT, DIRECTOR, WASHINGTON OFFICE, NATIONAL ASSOCIATION OF SOCIAL WORKERS

Mr. Chairman and members of the committee, the National Association of Social Workers welcomes this opportunity to register its general support for the proposals contained in the Administration's bill—S. 1991 introduced last year by Senator Eugene R. McCarthy.

The National Association of Social Workers is a professional organization with 45,000 members employed in governmental and voluntary health, welfare and recreational organizations. We believe we are particularly cognizant, because of the nature of the employment of many of our members, of the need for updating and improving this 30-year-old program of protecting individuals against loss of income because of unemployment.

At several Delegate Assemblies of our Association we have repeatedly endorsed proposals that would widen the coverage of unemployment insurance, provide benefit levels which reflect the increases in the wage levels and extend benefit periods to meet realistic unemployment situations as they exist in many localities.

Inadequacies of H.R. 15119

While H.R. 15119, recently passed by the House does broaden coverage and in other areas provides some token improvement it is basically an inadequate proposal. While H.R. 15119 could be improved by the reinstatement of federal standards our decided preference is for the sort of balanced and progressive legislation represented by the administration's original proposal—S. 1991.

Need for increase in benefits

While the great majority of unemployment compensation beneficiaries when employed earn wages substantially above the poverty level of $3,000 a year set by the Council of Economic Advisers as a guideline for the War on Poverty, they immediately fall below this guideline when they begin receiving unemployment compensation benefits. In some States, the benefits on an annual basis go down to only slightly more than one-half of this $3,000 a year guideline. Since the average annual earnings in even a highly industrialized State such as New York, for example, is only about $6,000, it seems obvious that there is practically no leeway for the unemployed head of a family and only a few weeks of unemployment is needed to put that family into the poverty category.

Our Association, as one of its major social action objectives this year, urged that every effort be put forth to provide a level of benefits under income maintenance programs—Social Security, public assistance, and unemployment compensation—that would assure at least the floor of $3,000 a year to a family. We were delighted at the action taken by the Congress last year in increasing Social Security benefits and public assistance payments and further supplementing the income of older people by providing them with hospital and medical care, even

though the increases in the Social Security benefits and public assistance payments still left tens of thousands of families and couples well below the poverty level.

We support strongly, therefore, the provisions in S. 1991 which establish requirements for the amount and duration of, and eligibility for benefits to be provided under State laws as a condition of full tax credit. We would urge that consideration be given to a more rapid acceleration of the requirement in the bill that, in five years, the State maximum initially set at a level representing 50 percent of the State-wide average weekly wage move up to 66⅔ percent.

We welcome particularly the provision in S. 1991 that provides for a Federal extended program for workers with a solid record of past work experience thus eliminating the necessity for special congressional enactments as has been true on two occasions in the past for dealing with problems of serious long-term unemployment.

The combined effects of these two provisions of this legislation should contribute importantly to bolstering the standard of living and purchasing ability of the unemployed, provide for a period of transition during periods of economic or technical readjustment and prevent for many thousands of families the necessity for applying for public assistance.

Broadening coverage required

Our Association has urged for a long time that employees in small firms, non-profit organizations and large firms be covered by unemployment compensation. The services industry is represented extensively by smaller establishments and represent a growing area of employment opportunities. Employees of such small firms are entitled to protection against the risks of unemployment and as a matter of fact have been covered for a long time under the Social Security Act.

We have supported consistently and support now the inclusion of employees of non-profit organizations and accept the special financing provided for such non-profit organizations which would permit States to limit the cost of employing organizations to the actual benefits extended to their own workers.

For the record, we would like to note that the National Association of Social Workers has been covered under the Employment Security Act for a number of years under the same terms as other private employers.

Importance of Federal leadership

Although it is the judgment of the National Association of Social Workers that a Federal system of unemployment insurance is a desirable objective, we recognize that a Federal-State partnership was chosen 30 years ago when the unemployment insurance system was established and is likely to continue short of some crisis.

We believe that the establishment of Federal standards and the provisions for extended unemployment insurance provided for in S. 1991 are constructive and forward-looking steps. We applaud the provisions in this legislation which provide for improved administration, federally financed training for those administrating unemployment compensation, limitations on the range of disqualifications that may be applied by a State, the prohibition of discrimination against inter-state claimants, and the requirement that State laws must provide that compensation not be denied to an individual because he is attending training with the approval of the State agency.

Financing the program

We support increasing the amount of worker's taxable wages from the out-date $3,000 level to $5,600 upon enactment and to $6,600—the wage base provided for in the Social Security Amendments of 1965—in 1971 and thereafter. Again, we raise the question as to whether it is not possible to accelerate the date on which wage base comparable to the Social Security Act would be achieved. We support further the Federal contribution from general revenues matching an employer tax rate to finance the program of Federal extended benefits and to make grants to States with excess benefit costs.

In conclusion we welcome the opportunity to present this statement for the National Association of Social Workers. We urge support and early action on this legislation.

LABORERS' INTERNATIONAL UNION OF NORTH AMERICA,
Washington, D.C., July 25, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: We would like it to appear in the record of the Finance Committee that our union is strongly committed to basic improvements in the federal-state unemployment compensation system.

Our members work in all the states and feel keenly some of the extreme variations, inadequacies, and discrepancies in state unemployment insurance programs.

For these reasons, we strongly support the enactment of minimum benefit standards in the unemployment insurance bill currently before your Committee.

In general, we feel that coverage should be extended to employees in small companies, in nonprofit institutions and on large farms. We understand that some 15 million workers are not covered and that it should be possible at this time to include about one-third of these, or 5 million, in the unemployment insurance program.

Even more important, the federal government should define the weekly minimum benefit amounts and the number of weeks of duration. There certainly is no reason why the average worker should not get a benefit equal to at least one-half his own weekly wage. This is now impossible in almost every state because the maximum benefits are so low relative to prevailing wage levels. The benefit standards in S. 1991 should receive, we think, careful consideration by your Committee. This bill would require the states to set the maximum at two-thirds of each state's average weekly wage.

For those whose state benefits run out before they find a job, we urge additional payments for 26 weeks as provided in S. 1991. This is for those who have a record of firm attachment to the labor force.

The long-term benefits provided would help those whose jobs disappear for whatever reason.

We feel strongly that states should not be allowed to withhold benfits longer than six weeks in cases of disqualifying acts. After that time, they should have to reexamine the case to see whether the worker is still voluntarily unemployed. If he is able to work, available for work and seeking work, he should then be entitled to benefits.

In conclusion, we feel that when our members become unemployed through no fault of their own, they should receive benefits appropriate to the standards of living of 1966, not the standard of living in some bygone year. We urge your Committee to update and modernize the unemployment insurance system so it will help unemployed workers meet their family and financial obligations with dignity and respect.

Sincerely yours,

JOS. V. MORESCHI,
General President.

NORTH DAKOTA AFL–CIO FEDERATION OF LABOR,
Bismarck, N. Dak., July 22, 1966.

Hon. RUSSELL B. LONG,
Committee on Finance,
Washington, D.C.

DEAR SENATOR: I am respectfully submitting the following recommendation on Unemployment Compensation reform bill S. 1991. May I request that our statement be printed in the record of the Committee hearings.

CONTENTS

Coverage

Perhaps the one most outstanding feature of the legislation proposed to update the Unemployment Insurance Program nationally, is the provision that would extend coverage to protect those workers of firms employing less than four employees. The arbitrarily arrived at discrimination currently provided in the stature, providing unemployment insurance protection only for employees of firms with four or more employees, has long since served its usefulness. Some 15,000 North Dakotans employed by smaller firms, as well as over 20,000 state, county and municipal government employees, are entitled to and should be provided the full protection of the Unemployment Insurance Program.

Entitlement to 50% of average weekly wage

We strongly endorse the formula to provide that each claimant for unemployment insurance benefits be entitled to a payment of 50% of his weekly wage up to at least 50% of the State average weekly wage, as was adopted by the legislature of North Dakota in 1963. We also support a graduated schedule to bring this to ⅔ of the average weekly wage. This is a reasonable approach to the problem of weekly benefit amount and automatically provides the same ratio of benefits to wages year after year as the State average weekly wage rises or falls. It is unconceivable that some States should be allowed to continue to legislate inadequate benefit payment schedules merely for the purpose of creating or maintaining a favorable tax climate to compete with neighboring states, sacrificing the intent of the original program and seriously curtailing its ability to maintain a reasonable portion of the workers lost wages, during a period of involuntary unemployment.

Extended benefits

The extended benefit provisions contained in H.R. 15119 do not provide any meaningful protection for the long term unemployed. "Triggering in" on a State or on a national basis when the insured unemployment rate or the exhaustion rate reaches a predetermined level may provide increased purchasing power during periods of high unemployment but it will not provide the needed protection for the individual worker for whom the unemployment insurance was originally intended.

The consequences of a layoff of 50 workers can be as severe for a small city as a layoff of 10,000 workers would be in a large industrial city. Whenever a layoff is large in comparison to the local labor force, the time needed to again absorb these unemployed workers into the local labor force is extended considerably. In a situation like this, the problems faced by the workers and the community will be very severe regardless of the overall rate of unemployment in the state or in the nation as a whole.

With technological change, changes in consumer demands and plant relocations continuing at a rapid rate, mass layoffs will continue to be part of our economy regardless of the overall level of business activity. Many of these layoffs involve workers who have worked many years for a firm that suddenly moves or goes out of business. These workers, and their communities when the layoffs involve a large number of workers, face a long and difficult transition. An extended benefit program that would only "trigger in" on a statewide basis would be of little value in a situation like this.

We need a continuous extended benefits program like the one contained in S.B. 1991. An extended benefits program that would meet the needs of those workers with a strong attachment to the labor force when they experience their own "recession periods." In our dynamic and changing economy, long term unemployment due to technological change, changes in consumer demands and plant relocations will continue to create "recession periods" for individuals and for communities. An extended benefits program based solely on statewide or national conditions will not meet the needs created by these situations.

Disqualifications

We strongly urge that legislation incorporate features which will prevent the cancellation of benefits, except in instances of fraud in connection with claims.

Interstate claims

H.R. 15119 does not permit a State to reduce a claimant's benefit payments merely because he moved to another State. We concur with this provision of the Bill. Canada was excluded from this interstate arrangement and which we believe to be a grave error as border States, such as North Dakota, could encounter some difficulty in job preference shown to workers across the border.

Payments during training

While the North Dakota Act permits the payment of benefits to claimants attending agency approved training, we feel that this has a positive place in the legislation you are considering and surely, in those cases where MDTA or other training allowances are not available, and State unemployment insurance benefits are payable, it would be unrealistic to demand that a claimant forego training to maintain his eligibility for benefits and, thus not be permitted the very training which would be most apt to shorten his period of unemployment.

Coverage for farm workers

For some reason the feeling seems to exist that the farm worker does not need or is not entitled to the income protection provided by the unemployment insurance program. Yet farm workers, as a group, are more vulnerable to unemployment and as a result are most in need of this protection.

Employment patterns vary from state to state but farm employment is, at best, highly seasonal and unpredictable. Droughts, cold weather and many other natural causes can result in unemployment for the farm worker who usually works year round as well as for the seasonal worker. The effects of unemployment for the farm worker is more severe than for the industrial worker. Wages paid to farm workers are usually very low and as a result he has less to fall back on when he does become unemployed. Like any other worker, he and his family still have to eat.

North Dakota has made some progress in the coverage of farm workers. The state legislature passed a provision in our law that allows farmers to voluntarily elect coverage under the Unemployment Insurance Program. Very few farmers have taken advantage of this. However, the limited experience gained with the farm workers who have been covered under this provision point out the dramatic need the farm worker has for some type of unemployment insurance protection. Figures provided by the North Dakota Employment Security Bureau show that the farm worker's earnings are much lower than those of non-farm workers. In 1965, the average annual wage for non-farm workers covered by the North Dakota Unemployment Compensation Law was $4,755. The average annual wage for farm workers covered by the same Law was only $2,527. The average duration of unemployment for the farm worker was also higher, further pointing out the need for this protection.

We favor the adoption of the proposal of Secretary Wirtz which would extend coverage to farm units with 50 or more workers with the coverage applying only to those workers who earn more than $300 in a quarter. *This proposal does not go far enough but it does represent a start.* Eventually coverage should be made available to nearly all farm workers on the same basis as for non-farm workers. The limited amount of experience in this area does make it necessary to take a cautious approach.

The extension of coverage to employers with 1 or more workers should reduce the costs of farm coverage somewhat. The farm worker would be able to use the wage credits he earns in the small town businesses during the off-season. This would have the effect of spreading out the costs of the program.

The farm worker needs some cash payment when he is unemployed, his community needs the continued purchasing power and the farmer needs to keep his workers in the area during slack periods so that they will be available to him when he again has work for them. Most important, eligibility for unemployment benefits would safeguard the pride and freedom of the farm worker by keeping him off the relief rolls when he does become unemployed.

Miscellaneous

1. It is our opinion that the new starting date should be no later than January 1, 1968.

2. It is our belief that the taxable wage base should be increased gradually and that the first increase should be to $4,500 per year and eventually providing for a tax base of $6,600.

3. We agree that the "Reed Act" funds should be available to the States for at least another five years.

4. We urge that the program be adequately financed and that such funds be used only for the proper and efficient administration of the State Employment Service and the Unemployment Compensation Program.

May your distinguished Senate Finance Committee give all due consideration to these comments. Updating and uniformity of the economy stabilizing unemployment compensation program is long overdue.

Respectfully yours,

WALLACE J. DOCKTER, *President.*

STATEMENT OF MARSHALL G. MANTLER, BUREAU OF SALESMEN'S NATIONAL ASSOCIATIONS

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 respect-

ing H.R. 15119 and S. 1991 pending measures to extend Federal unemployment coverage and benefits.

The Bureau enthusiastically supports efforts to extend coverage under the Federal Unemployment Tax Act. Of the two Bills under consideration the Bureau would prefer to see the enactment into law of S. 1991. However, the Bureau is not opposed to H.R. 15119.

We are particularly interested in the extension of coverage in the Federal Unemployment Tax Act, in effect, to those same persons who are currently covered under the Social Security Act, Thus, the definition of "employee" for purposes of unemployment taxes would be applicable to the many commission salesmen who are not considered employees under the more restrictive common law rules.

In an era when a need for adequate social legislation has become increasingly recognized, it is mandatory that those normal 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. It is essential that such benefits be extended to those same persons now covered by other social legislation. For an individual salesman in the apparel industry who must often look to another for his livelihood without the normal job security which employee groups have generally been able to achive, the prospect of being deprived of that 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 to, in some measure, increase the economic onus falling on the apparel manufacturer who discharges him for little or no cause.

Therefore, we strongly endorse the speedy enactment into law of S. 1991 in its present form.

STATEMENT OF LARRY BLACKMON, NATIONAL ASSOCIATION OF HOME BUILDERS OF THE UNITED STATES

The National Association of Home Builders of the United States (hereinafter referred to as the Association) is the trade association of the home building industry with more than 43,000 members organized in 387 local and state affiliated associations in all fifty states and in Puerto Rico and the Virgin Islands.

This statement is submitted on behalf of the Association to express the views of its members respecting H.R. 15119 and S. 1991, pending measures to extend federal unemployment compensation coverage and benefits.

The Association supports H.R. 15119 as a reasonable attempt to solve some of the present ills of the unemployment compensation system. At the same time, the Association strongly urges this Committee to reject S. 1991, the counterpart of H.R. 8282. The Association would like to single out a few of the objectionable features of S. 1991.

JUDICIAL REVIEW

Under present law, in the absence of a specific provision, the decisions of the Secretary of Labor as to whether or not a state law conforms to the requirements of federal law are final. S. 1991 does not provide for judicial review of determinations to be made under the bill by the Secretary of Labor.

The right to judicial review of administrative action is necessary to protect against unreasonable or arbitrary interpretation or application of law. H.R. 15119 fills this need by furnishing the state with a procedure for appealing the decisions of the Secretary of Labor.

BENEFITS

S. 1991 would provide extended benefits for an additional 26 weeks without regard to economic conditions. The extension of benefits for prolonged periods of time does not reach the heart of the problem—providing new jobs for the unemployed. Moreover, it would encourage those who have jobs available to them to continue in an unemployed status. H.R. 15119's restriction of extended benefits to a maximum of 13 weeks and only during "recession periods" as defined under the bill gears such benefits to cases of special need.

FINANCING

S. 1991 would increase the present wage base of $3,000 to $6,600 by 1971. This increase has been justified on the grounds that it will bring the wage base for unemployment compensation in line with social security. However, social security benefits bear a direct relation to the wage base, whereas unemployment compensation benefits do not.

Increased spending in one type of social legislation does not justify comparable spending in all other types of social legislation. More realistically, large increases in one program decrease the ability of those who must pay for such benefits to absorb the costs of other programs.

The modest increases in the wage base of $3,000 per year to $3,900 per year, effective with respect to wages paid in calendar year 1969 through 1971 and to $4,200 beginning in 1974 and thereafter are more reasonable than S. 1991's attempt to place the unemployment compensation wage base on a par with the social security wage base regardless of the cost.

In conclusion, the Association endorses the enactment into law of H.R. 15119 and urges the Committee to reject S. 1991.

AMERICAN BAKERY & CONFECTIONERY WORKERS'
INTERNATIONAL UNION AFL–CIO,
Washington, D.C. July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SIR: In behalf of the membership of the American Bakery and Confectionery Workers' International Union, AFL–CIO whom I have the honor to serve, I wish to present the attached statement for inclusion in the record of the Hearings now being held by the Senate Finance Committee on proposed measures to reform the unemployment compensation "System" by establishing federal minimum standards.

The membership of our International Union numbers approximately 90,000 men and women who are employed in almost every state of the Union and in the District of Columbia.

Recognizing the crowded hearing schedule which your Committee faces, I am not asking for time to appear personally in order to testify, I am asking that the statement be made part of the record. I have full confidence in the members of the Committee and I am firm in the belief that they will give as full weight to the statement attached hereto as they would had I appeared in person.

Very sincerely yours,

DANIEL E. CONWAY,
International President.

STATEMENT OF DANIEL E. CONWAY, INTERNATIONAL PRESIDENT, AMERICAN BAKERY AND CONFECTIONERY WORKERS' INTERNATIONAL UNION, AFL–CIO

Mr. Chairman and members of the committee, because the House of Representatives has failed to pass legislation which would bring about the long overdue recasting of our Unemployment Insurance system, the members of the American Bakery and Confectionery Workers' International Union, in whose behalf I present this statement, look to you to present and recommend to the U.S. Senate such legislation as would bring about the much needed reform of our chaotic unemployment compensation "system."

Our concern is far from academic. The baking industry is one which is undergoing radical change. Technological change, among other developments, inlcuding the increasing pace of automation, has been taking its toll of jobs and job opportunities of our members.

Over the past 48 months, 227 plant closings, department shut-downs and small retail shop closings have deprived 5,802 members of their jobs. In addition, roughly 3,000 jobs have been eliminated by the introduction of new production machinery and changes in production techniques. Our Union has a membership of approximately 90,000 workers and the loss of 8,800 jobs brings this loss to close to 10 percent of our current membership.

These workers, deprived of their livelihoods through no fault of their own, are dependent upon unemployment compensation to tide them over their period

of unemployment. They do not look upon unemployment compensation as an adequate substitute for jobs. They do expect that unemployment insurance would be available to them in an amount sufficient to enable them to meet the needs of their families while they are engaged in finding employment. And since their search for employment in their chosen craft is a difficult one, the comparative brevity of the period during which they receive unemployment compensation creates a hardship difficult to describe.

What are we to say then about our members who lose their jobs as a result of the closing of a small hand-shop production unit—the small retail bakery where the baker craftsman bakes bread, cake, rolls, etc., on the premises. This type of operation is generally exempt from required participation in the unemployment compensation "system" and our members cannot qualify to receive unemployment compensation. Surely equity and justice requires that the basic federal law be changed to provide for their coverage. The exemption of such enterprises, if continued, would only serve to prolong the suffering and discrimination which have plagued these workers for far too long.

In using the term "system" to describe the various unemployment compensation arrangements which exist, I would not want the Committee to think that either I or the members of the Union I represent have the mistaken idea that there are uniform requirements, uniform insurance payments, uniform disqualification provisions, or uniform duration periods in all the 50 states. With membership in 42 of the 50 states we are very much aware of the lack of system, the lack of standards—in short—we are aware of the hodge-podge patchwork of 50 different arrangements that exist.

Some order ought to be brought out of such chaos.

As each year passes, and as the cost of living rises, the failure to establish federal minimum standards for unemployment compensation in terms of payments, duration, and extension of coverage, increases the hardships and reduces the meaning of unemployment compensation.

The benefit levels, while they were initially geared to approach two-thirds of the average wages in a given state have hardly kept pace with the realities of life. The initial rationale has been forgotten or ignored. There is immediate need to restore the benefit levels to the levels originally intended. Only in this way can the unemployed worker meet the needs of his family and only in this way can the unemployment compensation arrangement provide the maintenance of purchasing power in the community which provides business with the customers they depend upon.

So far removed from the original intention of the framers of the legislation when it was first introduced and passed thirty years ago, that in all too many instances unemployment compensation payments are well below the level of welfare relief payments. Our members do not want to become recipients of welfare relief. They want jobs and they need the type of insurance payments which will enable them to continue their search for jobs without facing the prospect of becoming welfare recipients.

We appeal to the Senate Finance Committee to provide the needed federal minimum standards. We have too long gone along with minimum federal standards and this has not proven to be satisfactory. The House of Representatives has continued the unacceptable approach of minimum federal standards—therefore we look to you to approve the list of standards, federal minimum standards, as contained in S. 1991.

Only through action in the Federal legislature can we overcome the tendency in the various states to look upon the unemployment compensation system as a program which must be tailored to meet the demands of businessmen who complain of the taxes they must pay in order to fund the state system in which they participate. The object of unemployment compensation is to provide unemployed workers with temporary support and not to provide businesses with a minimum of tax contributions.

It is our opinion that the payments of employers into the unemployment insurance funds are premium payments similar to what they would be required to pay for any insurance program. Their payments into the unemployment funds are as much a standing cost of doing business as is their fire insurance, burglary insurance, or any other form of standing and regular expense they must face in the conduct of business. The system was not established for their convenience, it was established to meet a pressing social and economic need.

Only through action by your Committee can we see any possibility of restoring the unemployment compensation arrangement into a semblance of rational order and put an end to its deterioration at the hands of various state legislatures. We urge that you recommend S. 1991.

AMERICAN PETROLEUM INSTITUTE,
New York, N.Y., July 25, 1966.

Re H.R. 15119.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
Senate of the United States, Washington, D.C.

DEAR MR. CHAIRMAN: Attached is a statement submitted in behalf of the American Petroleum Institute, the Independent Petroleum Association of America, Mid-Continent Oil & Gas Association, the New Mexico Oil & Gas Association, the Rocky Mountain Oil and Gas Association, and the Western Oil and Gas Association, which represents the position of the petroleum industry on H.R. 15119, Unemployment Insurance Amendments of 1966.

Sincerely yours,

FRANK N. IKARD.

STATEMENT IN BEHALF OF AMERICAN PETROLEUM INSTITUTE, NEW YORK, N.Y.; INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA, TULSA, OKLA.; NEW MEXICO OIL & GAS ASSOCIATION, SANTA FE, N. MEX.; ROCKY MOUNTAIN OIL AND GAS ASSOCIATION, CASPER, WYO.; WESTERN OIL AND GAS ASSOCIATION, LOS ANGELES, CALIF.

The Unemployment Insurance Amendments of 1966, H.R. 15119, would make three major revisions in the existing Federal-state system of unemployment compensation. These revisions are (1) a provision for court of review of decisions by the Secretary of Labor concerned with determinations of state conformity and compliance, (2) a Federal-state program of extended benefits for persons who have exhausted their state benefit entitlement, and (3) upward adjustments in the Federal taxable wage base and in the Federal tax rate. The bill would also make several other less important changes in the law.

The following paragraphs of this statement will present, first, a comment on the above enumerated three major revisions that would be provided by H.R. 15119. This will be followed by a brief reference to some of the less important changes that would be made under the bill. The concluding portion of the statement will discuss some of the issues presented by proposals that are being urged as amendments to the House-passed bill. These amendatory proposals would provide Federal standards in regard to benefits, eligibility, and employer experience rating and would provide a new program of Federal benefits.

COMMENT ON MAJOR REVISIONS IN H.R. 15119

Judicial review

In providing for judicial review of decisions by the Secretary of Labor ruling on the question of whether or not a state law and the administration of the law conform to the requirements of Federal law, the bill would permit an impartial determination with respect to areas of disagreement between the state and Federal governments.

Under present law the absence of opportunity for court review has forced the states into immediate compliance with rulings of the Secretary, even though the states had valid reasons to consider the position they maintained on a point in controversy to be the correct one. Any state that does not comply with the Secretary's rulings under existing law is in danger of losing the offset tax credit and Federal reimbursement of administrative costs. The proposal in the bill to grant judicial review is meritorous.

Extended benefit program

The Federal-State Extended Unemployment Compensation Program that would be initiated under the bill would provide a permanent means of dealing with benefit exhaustions arising in periods of economic downturn. On two occasions in the past when benefit exhaustions had reached high levels, the Congress

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acted to institute extended benefit programs to deal with the particular situations then existing.

It would seem desirable to have a permanent program to deal with this problem, and the bill meets that need by, in effect, requiring the states to pay extended benefits equal to half of an individual's regular state benefits when those state benefits have been exhausted during periods of higher than normal unemployment. The Federal Government would reimburse the states for half the cost of these extended benefits. Under the bill, extended benefits would be payable in all states when the rate of insured unemployment nationally is five percent or above, and the rate of benefit exhaustions nationally equals or exceeds one percent of covered employment. The extended benefit program would also provide for the payment of extended benefits in an individual state, even though the national indicators would not trigger a national program, if insured unemployment in the state has, for a 13-consecutive-week period, equaled or exceeded 120 percent of the insured unemployment within the state during the same period in the two immediately preceding calendar years, provided that the rate of insured unemployment in the state is at least three percent. The bill also provides criteria for terminating either the national or state extended benefit period in which payments would be made.

While this extended benefit program fills a gap in unemployment compensation protection, two brief observations might be made with respect to specific criteria and limitations contained in the bill. First, the criteria under which the payment of extended benefits would be triggered would seem to be somewhat low. Secondly, there are unsound limitations in the bill which would preclude a state from withholding eligibility for extended benefits from certain categories of claimants (e.g. seasonal workers, etc.) whose unemployment is not caused by the prevailing economic conditions.

Tax adjustments

The increase in tax burden provided under the bill would increase the rate of the Federal Unemployment Tax from its present level of 3.1 percent to 3.3 per cent effective January 1, 1967, with no change in the 2.7 percent offset tax credit; and the taxable wage base would be increased from its present level of $3,000 to $3,900 beginning in the calendar year 1969 and to $4,200 beginning in 1972 and thereafter. In evaluating the significance of these tax changes, it should be noted that when the increases become fully effective in 1972, the level of Federal Unemployment Tax collections will be more than double what it otherwise would have been under existing law.

Additional Federal Unemployment Tax revenue obviously will be required to finance the Federal share of the extended benefit program and to meet rising administrative costs; however, it would be more equitable to raise this additional revenue by an increase in the tax rate without any increase in the taxable wage base. Since there is no correlation between the level of wages paid by an employer and state program administrative costs or the Federal share of the cost of extended benefits, any necessary additional revenues should be raised by adjusting the Federal tax rate. The increase in the taxable wage base places a disproportionate share of the burden of these costs on employers who pay high wages and provide steady employment.

In addition, increasing the Federal tax base will force most of the states to make a similar upward adjustment in their taxable wage base. Thus, the states generally will be compelled to shift drastically from their traditional approach to unemployment compensation financing, which placed principal reliance on adjustments in tax rates to secure equitable distribution of the cost of the state unemployment compensation program among employers. This shift in financing emphasis will adversely influence the effectiveness of the experience rating incentive.

COMMENT ON OTHER REVISIONS IN H.R. 15119

With respect to the changes that would be made by the bill that are of relative lesser importance, it may be worth noting that some of them have the effect of imposing Federal standards in areas in which Federal requirements do not now exist. While these are not of such importance as to merit detailed reference, the observation can be made that in principle the expansion of Federal criteria should be undertaken only upon a clear showing of need and of refusal on the part of the states to act.

The proposal in H.R. 15119 to initiate a continuing program of research and factual study to evaluate the unemployment compensation system has the poten-

tial for being a constructive step toward progress in maintaining sound, up-to-date state unemployment compensation programs. Similarly, the provision of funds for training personnel in the administration of the unemployment compensation programs is meritorious. These two provisions should make meaningful contributions to the objective of a strong and vital unemployment compensation system.

COMMENT ON PROPOSED AMENDMENTS TO H.R. 15119 TO IMPOSE FEDERAL STANDARDS AND FEDERAL BENEFITS

During the deliberation by the Committee on Finance on the subject of unemployment compensation, consideration will be given to other proposals that are before the Committee either in bill form or as Administration recommendations, which would have the effect of imposing Federal standards affecting benefits, eligibility, and the experience rating, and which would create new Federal benefits. The adoption of these proposals will likely be urged as amendments to the House-passed version of H.R. 15119. The balance of this memorandum will pertain to these proposals for "federalizing" the Federal-state unemployment compensation system.

On May 18, 1965, the Administration sent to the Congress its proposals for fundamental changes in the Federal-state unemployment system. The Administration's recommendations were embodied in companion bills, S. 1991 and H.R. 8282. It is S. 1991 that is likely to be under consideration in connection with work on H.R. 15119. The balance of this comment will essentially pertain to proposals such as are contained in S. 1991. Aside from its tax provisions, the major components of this bill are as follows:

1. Impose Federal benefit, duration, eligibility, disqualification and financing standards on the state unemployment compensation programs.

2. Provide six months of Federal unemployment benefits (called Federal Unemployment Adjustment Benefits) to persons who have collected state unemployment benefits for six months and who are still unemployed.

3. Provide Federal grants to any state where the unemployment compensation benefits paid out exceed two percent of the total covered payroll in the State.

Enactment of Federal standards such as contained in S. 1991 not only would shift direct legislative control over unemployment compensation from the states to the Federal Government, it also would drastically change the fundamental philosophy upon which unemployment compensation is based. Unemployment compensation is a special purpose program; it was designed to provide temporary protection during the period of unemployment that normally occurs when a worker has been laid off from one job and is searching for another. The Federal unemployment benefits that would be provided by S. 1991 would extend state unemployment benefit duration so far that the program would become closely akin to a national guaranteed annual wage plan.

Congress established the present Federal-state unemployment compensation system in 1935. In doing so, after careful consideration, it deliberately chose to allow each state to determine the substantive provisions of the state's unemployment compensation law. The responsibility placed on each state to provide an unemployment compensation program that would meet the needs of the people of that state and the authority to carry out that obligation were for all practical purposes unlimited. That Congressional decision, which is the keystone of the unemployment compensation system in this country has been reaffirmed, directly or indirectly, by each succeeding Congress. Nevertheless, the decision has been attacked continuously. Time after time efforts have been made to persuade Congress to reverse its decision and strip the states of all but token responsibility for their unemployment compensation programs. The advocates of "federalizing" the unemployment compensation system are again confronting the Congress with this fundamental issue: Shall each state government control its unemployment compensation program or shall this responsibility be taken away from the states and direct legislative control over all 53 state programs be pre-empted by the Federal Government? This issue is basic to any consideration of imposing sweeping Federal standards and new Federal benefits.

If the Congress is convinced by the facts that the states have failed to provide unemployment compensation programs that are reasonably in accord with the needs of their citizens, if it is demonstrated that the states have been derelict

in meeting the obligation placed upon them by Congress, then indeed, the most serious consideration should be given to the fundamental change in Federal-state relationships that would be made by the Administration's recommendations as embodied in S. 1991. If, however, the advocates of Federal standards are unable to demonstrate that the states have failed to maintain unemployment compensation programs that are reasonably in accord with the needs of their citizens, the Congress should find no more reason than did prior Congresses for altering in any basic sense the long-established Federal-State relationship in the field of unemployment compensation.

Basic arguments of the advocates of Federal standards

The advocates of Federal standards claim that the state unemployment compensation programs provide "inadequate" benefits, impose "harsh" penalties on some claimants and are "unsoundly" financed. They say these "weaknesses" occur because each state tries to hold its unemployment compensation taxes down in order to induce industry to locate new plants in the state. The Department of Labor refers to this as "interstate tax competition." In order to solve the problems caused by "interstate tax competition" the proponents of Federal standards say the Federal Government must decide what unemployment benefits each state shall pay, to whom these benefits shall be paid, and how the benefits are to be financed.

General rebuttal of arguments for Federal standards

It is significant that none of these criticisms of the state unemployment compensation programs is new—each complaint has been advanced time after time to a succesion of Congresses. It is even more significant that the "solutions" now proposed are not new. They are in fact the same doctrinaire solutions that were offered to Congress in the 1930's, in the 1940's, in the 1950's, and earlier in this decade. The advocates of S. 1991 propose to "modernize" the state unemployment compensation programs by the same method that was initially offered more than a quarter of a century ago and which subsequently was unsuccessfully proposed decade after decade in depression, in recesion and in boom, in hot war, in cold war and in peace, to Democratic and Republican-controlled Congresses, to Republican and Democratic Administrations. To contend that concepts advanced in the 1930's will, if adopted, "modernize" today's state unemployment compensation programs seems singularly unrealistic considering the extent to which the state programs of 1966 differ from the programs in effect in 1939.

Benefit adequacy standards

The Congress has already received from many groups—some representing a segment of industry, some speaking for organized labor, and some claiming to be totally devoid of self-interest—all the statistics needed to determine whether the states have increased weekly benefits enough to offset the rise in price levels that has occurred over the last quarter century. The data will show that in most instances the states have more than met this test. The Membership of the Committee on Finance knows that maximum benefit entitlement in every state now is several times what it was in 1939, that the extended waiting periods that claimants once had to serve before collecting benefits have been reduced or eliminated by every state, and that the average weekly benefit paid today will buy more than the average benefit did 10 or 20 years ago despite the inflation that has occurred. The Committee certainly has been told by others who oppose Federal standards that the state unemployment compensation programs have not remained static, that they have been continuously improved and strengthened over the past three decades. Such statements are not mere self-serving declarations or unfounded claims. By any reasonable test the state unemployment compensation programs have more than kept pace with the changes in the economy from 1939 to 1966 and are far more effective today than they were then. In this regard, it should be noted that maximum weekly benefits were increased in 21 states last year and, although 1966 is an off year for most state legislatures, six states have increased their maximum weekly benefit amounts so far this year. Accordingly, it is contended that state benefits in the main are adequate today and, furthermore, that there is every reason to believe that the states will continue to improve benefits for those who become involuntarily unemployed in the future.

Disqualification standards

S. 1991 would limit the penalty that a state could impose on an individual who brought about his own unemployment, for example, an individual who voluntarily quit work or who was discharged for misconduct. The maximum penalty permitted would be the postponement of benefits for a period of six weeks. This is one of the most deleterious provisions advanced in the Administration's bill, S. 1991. Most employers today are interested in maintaining sound state unemployment compensation programs. In state after state employers have supported reasonable increases in weekly benefit amounts and in benefit duration; they also have supported higher taxes to pay for those benefits. Employers generally do not question the payment of unemployment benefits to individuals who are involuntary unemployed. But employers object strenuously to paying benefits to individuals who are voluntarily unemployed. In today's economy, when almost every conceivable skill is in demand, when unemployment is at the lowest level reached in years, when the number of voluntary quits in manufacturing appreciably exceeds the number of layoffs, the disqualification standard proposed in S. 1991 is totally unrealistic. It cannot validly be argued that the disqualification provisions currently in use are "harsh." Indeed, as benefit amounts are increased it ought to be made more difficult for those who cause their own unemployment to collect benefits.

It is probable that the imposition of this Federal disqualification standard would do more to destroy the willingness and the desire of employers to help maintain an effective unemployment compensation program than would any other single provision in S. 1991. Additionally, it could have the effect of discouraging employees from taking and holding jobs.

Experience rating

The advocates of expanded Federal standards would modify the employer experience rating in such a fashion as to lead to its virtual elimination. If experience rating is eliminated, employer interest in unemployment compensation will be destroyed. Incentives in present law to provide stable employment and to contest improper claims for benefits would be weakened. Without active employer interest and participation, it would be impossible effectively to police and administer the unemployment compensation program in a state. This is the conclusion that has been reached by those who are directly responsible for the successful operation of the state unemployment compensation programs—the state Administrators. Time after time these public servants have indicated that their efforts to improve the operation of the state programs are in large part dependent upon informed and active participation by employers. The state Administrators also have made absolutely clear their belief that such participation is directly dependent upon an effective employer experience rating provision in the law.

An indirect assault on experience rating is carried out by the sole provision contained in S. 1991 that would seem to expand the freedom of the states. Under the proposed experience rating "standard" each state would be authorized to determine unemployment compensation tax rates for employers in that state by any method it chose. Instead of assigning each employer a tax rate that reflected the amount of benefits paid to his former employees, a state could simply require all employers to pay at the same rate. This could tend to produce a result whereby those employers in the state who are assigned comparatively high tax rates will combine forces with other proponents to persuade the state legislature to eliminate experience rating. It is clear that those employers who provide steady work and who pay high wages would bear much more of the cost of unemployment compensation if the experience rating concept is lost.

Interstate tax competition theory—"Inadequate" benefits

The Department of Labor has claimed that the states have not provided "adequate" benefits because of the "fear" of interstate tax competition. States hold their unemployment compensation program costs down, according to this theory, in order to induce industry to locate new plants in the state. Just how significant a competitive factor is a state's unemployment compensation tax cost when compared with state-to-state differences in wage patterns, the availability of trained labor, other state taxes such as income and franchise taxes imposed on business, ad infinitum? An article, "The South: Stagnation or Progress", that appeared in the AFL–CIO *American Federationist* reported on an "ex-

haustive survey" that revealed the reasons why industry expanding or locating in the State of Indiana selected that State. To quote the *Federationist:*

"In order of importance, these were the reasons cited:

1. Proximity of established markets and potential of local markets.
2. Supply of skilled labor and favorable employer-employee relations.
3. Access to raw material.
4. Occupancy costs, including availability of industrial sites.
5. Taxes and government.
6. Availability and cost of electric power and fuel, including gas, oil, and coal.
7. Living conditions, including housing and cost of living, schools and religious facilities, community development."

The *Federationist* also cited as authoritative a study which indicated that "45 percent of the new plants locating in the South during post-war years were interested in the increased consumer market of the region and another 30 percent chose that area because they were interested in cheap electric power, natural gas, forest products and minerals." It was pointed out that these market-oriented employers "produce such things as automobiles, farm equipment, electrical supplies, machinery, rubber products and building materials. They build the largest plants, employ the most people and pay the highest wages." In short, these are exactly the kinds of business every state would like to have come in and set up operations. Nowhere in the *Federationist* article is there indication that state unemployment compensation taxes have any influence on such decisions.

Interstate tax competition—Equalization grants

The "interstate tax competition" theory is advanced as the justification for another major element of S. 1991—the "matching grants for excess benefit costs." Purportedly, such grants would equalize unemployment compensation costs among the states and keep any state from obtaining a competitive advantage in the interstate contest for new industry. The fact that the "interstate tax competition" theory is a chimera has already been esablished and no further comment is necessary at this point.

The proponents of equalization grants also assert that it is inequitable to impose upon employers in a state, such as Michigan, California, or New York, the full burden of that state's "disproportionately high" unemployment compensation costs, arguing that "such costs are largely beyond state control and result from the influence of national factors in the economy." That argument must be accepted on faith, if it is to be accepted at all, since no facts are offered to support it. Even the naked assertion would be more persuasive if it were advanced by the employers who are subjected to this "inequitable" treatment; to date, however, there has been no outcry from employers in any state pleading for Federal rescue from inequitable state unemployment compensation tax costs.

Federal unemployment adjustment benefits

The Department of Labor says that a "major weakness" of the unemployment compensation system is its "failure" to provide benefits for claimants who are unemployed longer than six months. Such lengthy unemployment, according to the Department, "is attributable to such factors as automation and other technological developments, shifts in defense production, and geographical movements of industry—factors not restricted to state boundaries" and it can be "adequately and equitably compensated only by a national program."

The implication that all unemployment lasting more than six months is due to "national forces" clearly is fallacious. Many individuals who are unemployed six months have withdrawn from the labor market. Many are retirees, many are women who have taken on the obligation of homemaking, many are secondary wage earners, many are seasonal workers. Clearly there is no justification for paying Federal or state unemployment benefits in such cases. On the other hand, those relatively few individuals who are out of work due to technological developments, etc., ought not to be placed on a Federal dole. Such persons are precisely those who need to be retrained if they are to have any real chance of re-entering the labor market effectively. The assistance which such individuals need should not be made a part of the unemployment compensation system; the assistance should be training-oriented not benefit-oriented. It should be

related to the Manpower Development and Training Program, the Area Redevelopment Program, or other governmental programs aimed at the real crux of the problem—the individual's lack of a marketable skill and the necessity to develop one. These individuals need counseling, education, training, and real motivation to overcome the debilitating effects of prolonged unemployment—a Federal dole is not an acceptable substitute.

Federal unemployment compensation tax base and rate

S. 1991 would raise the Federal unemployment compensation tax base to $6,600 and the tax rate to 3.25 percent in order to finance proposals in the bill for Federal Unemployment Adjustment Benefits and equalization grants. If those proposals are rejected by the Congress, and they should be, the only justification for increasing Federal Unemployment Tax revenues would be to finance the Federal share of the cost of the extended benefit program incorporated in the House-passed version of H.R. 15119 and to finance additional administrative costs. As previously indicated, any funds required for those purposes should be obtained solely through an increase in the Federal Unemployment Tax rate.

The Department of Labor, however, argues that an increase in the tax base is also needed because of "declining state reserves." The implications are (1) that state reserves have fallen to uncomfortably low levels and (2) that the states will not raise enough taxes to assure the safety of their unemployment compensation programs unless they are compelled to do so by the Federal Government. State unemployment compensation reserves exceed $8 billion; this is more than three times the total amount of unemployment benefits paid by all the states during 1965. By comparison the Federal Social Security reserves only modestly exceeded the amount of Social Security benefits paid out in 1965. It should be noted that 22 states provide tax rates higher than the so-called standard Federal rate of 2.7 percent; three States provide a tax base higher than the $3,000 Federal unemployment compensation tax base; 15 states have tax rates higher than 2.7 percent and a tax base higher than $3,000. In all, 40 states voluntarily and without any Federal compulsion have improved the financial soundness of their unemployment compensation programs. In most cases the broader tax structures were enacted with the active support of employers. The remaining states can be expected to take similar action if it becomes desirable to do so.

The other arguments advanced by the Department of Labor for increasing the unemployment compensation tax base to $6,600 are as subject to criticism as their "declining state reserves" argument. For example, the Department notes that the OASDI tax base and the unemployment tax base were each $3,000 in 1939 and argues that "it is appropriate to bring the two into agreement again." The OASDI tax base serves two purposes: it limits the amount of wage that is subject to taxation, and it establishes the maximum monthly retirement benefit. The maximum monthly retirement benefit cannot be raised except by raising the tax base. It was appropriate, therefore, to raise that tax base as wages rose in order to maintain a reasonable relation between wages and benefits. On the other hand, while the unemployment compensation tax base limits the amount of wage that is subject to taxation, it has absolutely no connection with the maximum weekly unemployment benefit paid in any state. The maximum weekly unemployment benefit in every state can be increased and, in fact, has been increased repeatedly in every state, without raising the state tax base and without raising the Federal tax base. Because the OASDI tax base has been raised in order to provide higher old-age benefits is scarcely a valid reason for raising the Federal unemployment compensation tax base.

Tax cost—economic impact

State and Federal unemployment compensation taxes now amount to more than $3.5 billion annually. The added tax cost—both Federal and state—that would result from enactment of S. 1991 cannot be determined with any accuracy because the Department of Labor does not yet have available information needed to make that determination. Judging by previous bills similar to, but less extensive than S. 1991, the added annual cost could be well in excess of $2 billion. This would be a significant additional burden on business and almost certainly would have an adverse effect on the rate of investment in job producing facilities and operations. Considering the anticipated growth on the number of young workers who will enter the labor force during the next 10 years, deterrents to

industrial expansion should be avoided whenever possible to assure that these youths will have opportunity to find useful and remunerative employment. An additional payroll tax burden of $2 billion or more a year, following on the heels of the increased payroll tax load resulting from the recently enacted liberalizations in the Social Security Program, should be carefully appraised for its potential impact on economic development and expansion of improved employment opportunities.

CONCLUSION

The House-passed version of H.R. 15119 would make worthwhile and constructive improvements in the existing Federal-state unemployment compensation system. For the reasons expressed in this statement, it is respectfully urged that proposals to amend H.R. 15119 that would seriously damage the system by imposing new Federal standards and by establishing a program of new Federal benefits should be rejected if offered as amendments to the bill during the Senate consideration of the "Unemployment Insurance Amendments of 1966."

CONNECTICUT STATE LABOR COUNCIL, AFL-CIO,
Waterbury, Conn., July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: On behalf of the 660 local unions affiliated with our State Labor Council, I wish to go on record as being in support of Senate Bill 1991. This measure would go far toward removing an unfair element of competition among the several states: a competition based on the privation and hardships imposed on the victims of unemployment.

We are especially in favor of the establishment of minimum standards for the payment of benefits to those unemployed through no fault of their own. It is the absence of such standards which permits some states to maintain inadequate levels of payments, and thus maintain a lower rate of taxes than other states like Connecticut. The benefit schedule in Connecticut, while not yet sufficient for a decent living standard for the unemployed, is very much better than those of many other states.

We have seen a number of the larger corporations move operations from Connecticut to these states with lower tax rates for unemployment compensation. This means the loss of jobs to workers who have built up long service records, and whose age will usually prevent them from obtaining other employment. Two recent examples which have come to my personal attention are the Scovill Manufacturing Co., which is moving about 200 jobs to Virginia; and the National Distillers Corp., which is ending 250 jobs in its Bridgeport Brass plant and setting them up in another Virginia location.

It is significant that the National Distillers' local management gave the local union representing the Bridgeport employees a chart showing the lower costs of operation in Virginia which included lower taxes for unemployment compensation.

I have no doubt that the same factor influenced the management of the Scovill Manufacturing Company; because the current average UC tax in Virginia is one-third that for the state of Connecticut. The Virginia tax is only 7/10 of 1 percent (.007) of payroll, compared to 2.1 percent in our state.

The difference in favor of corporations operating in Virginia, 1.4 percent of payroll, is a considerable factor to the modern cost-conscious management. It is a factor which should not be permitted to continue when it is based, as this is, on wholly inadequate standards of benefits in one state as against another.

I request that this letter be made a part of the record of the hearings before your committee on this legislation.

Respectfully yours,

JOHN J. DRISCOLL, *President.*

AMALGAMATED TRANSIT UNION,
Washington, D.C., July 26, 1966.

Senator RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: Our organization firmly believes that the present federal-state unemployment compensation system urgently requires revision to make it more responsive to the needs of the unemployed under modern conditions.

We support the reforms proposed by the Administration in the McCarthy bill, S. 1991, as a means of strengthening this program. These reforms would provide minimum federal standards for benefits, duration, eligibility and disqualification; broaden coverage; improve financing; establish an extended benefits program of an additional 26 weeks for long-term unemployed; and institute a cost-equalization formula to minimize disparities between the states.

As shown by the testimony before your Committee, our present program of unemployment insurance is not fulfilling its purpose of assuring to every unemployed worker in every state an objectively determined income, which, related to his former wage, will carry him through a period of joblessness without requiring him to apply for welfare assistance or to make drastic alterations in his way of life.

There are still many workers among our 125,000 members employed in the bus and transit industry who have either experienced periods of inadequately compensated unemployment or who have found themselves totally without coverage. To meet the goal of the unemployment insurance system of assuring to unemployed workers weekly benefit amounts of at least 50% of their average weekly wage, it is essential that federal minimum standards be enacted along the lines proposed by the bill. These will increase the maximum benefit amounts in three stages to keep pace with the rising level of wages, so that all except perhaps ten to fifteen percent of the highest paid workers will be entitled to benefits of half their own weekly wage.

We believe the broadening of the program, as envisioned by this bill, to cover approximately five million additional workers, is a step in the right direction. Our system should move as rapidly as possible, however, toward the ultimate protection of the total working force. In this respect, we deeply regret that the bill provides no protection for the nearly seven million non-covered jobs in state and local government employment. Many thousands of our members in the local transit industry are municipal employees and thus excluded from coverage. We would like to suggest that, if the Constitution prohibits coverage for these employees on a mandatory basis, the Committee consider the problems of these workers and find alternative means of at least urging the states to extend unemployment compensation to all public employees within their jurisdiction on a voluntary basis.

The need for federal action to establish uniform standards in benefits, duration, eligibility and disqualification can be graphically illustrated by reference to the situation confronting our members in the over-the-road bus systems such as Greyhound and Trailways. Many of these workers regularly experience periods of short-term frictional employment resulting from seasonal fluctuations. In another type of case virtually the entire working force of an interstate bus company was recently discharged for alleged misconduct relating to their work. All of these employees worked for the same company, were subject to the same pay and conditions, and were separated from their employment under exactly the same combination of circumstances. Yet, under the many variations of the different state systems governing their claims, some drew benefits while others were disqualified. The level and duration of benefits paid also varied, depending on the state. To bring at least some logic and equity into our 51 separate federal-state systems, the states must be required to adopt certain minimal standards for providing benefits which should be uniform nationally. Perhaps of greatest importance among these is the provision of the bill limiting the penalty for a disqualifying act, such as where the worker quit voluntarily, was discharged for misconduct, or refused suitable work, to a 6-week period, without any reduction in the total benefit eligibility. This provision would bring about a notable improvement in the many states which have imposed drastic disqualification requirements as a means of holding down the cost of providing benefits.

Federal legislative action to broaden the taxable wage base from the present level of $3,000 is clearly desirable to maintain a reasonable relationship between

taxable and total wages. Although we support the bill's proposal to increase the taxable wage base to $5,600 and eventually to $6,600, we would go further and advocate taxing total payrolls as the broadest and most equitable tax base.

Variations in the extent and degree of unemployment from state to state make it highly desirable that the federal government share at least some of the costs of benefits in high-cost states. A plan, along the lines proposed by the Administration, to equalize costs to some extent between the states, should be adopted to make it easier for states with high levels of unemployment to have both adequate financing and adequate benefits.

Finally, we support the idea of a continuing program of federal adjustment benefits of an additional 26 weeks for those who have exhausted their state benefits. This program, in our view, is far superior to the proposals contained in the bill passed by the House, H.R. 15119, which provides for the occasional extension of benefits in a statewide or national recession period, the extensions to be triggered on and off as determined by statistical averages. The triggering method provides no opportunity for planning. We submit that the federal adjustment allowance for the longer term unemployed will be most useful if it applies to anyone so affected whether in good times or bad, and if it is keyed to other federal and state programs of vocational testing, counselling, training, and re-location.

We wish to thank you for this opportunity to present our views in support of S. 1991. If it is yet possible to do so, we would also greatly appreciate having this statement made a part of the printed record of the Committee's proceedings.

Sincerely yours,

JOHN M. ELLIOTT,
International President.

NEVADA STATE AFL–CIO,
July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: Nevada is in need of a Federal Unemployment Compensation reform law. In our State, we have over 25% of the workers who have exhausted their benefits. Many of our people are out of work today because of a slow down in Home Construction, which over the last five years employed 35% of our construction workers.

Their benefits will be exhausted this winter, when they are needed. The average weekly wage of our state ranks 4th in the Nation, or $120.00 per week. The average weekly unemployment check is $39.00 per week.

Here is an example of our law, in order for a worker to draw $16.00 per week, for 11 weeks, he must earn $528.00 in his base period, to receive $16.00 for 26 weeks, he must earn $1284.00 in base period. To draw $50.00 per week, for 11 weeks, a worker must earn $1650.00 in base period. To draw $50.00 per week for 26 weeks, a worker must earn $3900.00 in base period.

The base period is the first four of the last 5 completed calendar quarters immediately preceding the quarter in which a new claim is filed.

In 1939, Nevada paid 57% of the state's average weekly wage, today the workers receive 34% of the State's weekly wage. Nevada over the years has not kept pace in paying benefits. Labor in the State of Nevada has over the years pleaded with the State Legislature for greater benefits. In 1957, the weekly benefit for a single person was $37.50 per week. Eight years later, it was raised to $41.00 per week for a single person. In 1965, the worker had to accept a backward step to Have their benefits raised. They had to accept an amended law which allowed the Department to disqualify more workers.

Basic reform is needed to bring jobless benefits up to where they were many years ago. The officers and the members of the Nevada State AFL–CIO support the program of our National AFL–CIO, on Unemployment Compensation, and request your support and cooperation toward the passage of this vital legislation.

I would appreciate it Senator, if the above statement be printed in the record of Committee Hearings.

Sincerely yours,

LOUIS PALEY,
Executive Secretary-Treasurer.

NEWARK, N.J., *July 25, 1966.*

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.:

New Jersey State AFL-CIO unanimously supports unemployment compensation reform along the lines of the McCarthy bill.

We strongly favor higher ceilings on the amount of benefits at least twenty-six weeks of state benefits with a federally financed extension for persons with steady work history, limits on disqualification, and a major expansion of coverage with adequate financing.

We wholeheartedly concur in your statement that Congress sets standards that States must meet for virtually every other federally financed program and find it inconsistent that U.C. insurance be the exception.

Uniform Federal standards are most necessary.

We would greatly appreciate that our communication be printed in the Record of committee hearings.

CHARLES H. MARCIANTE,
Secretary-Treasurer.

NEW YORK, N.Y., *July 25, 1966.*

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.:

National Marine Engineers Beneficial Association, AFL-CIO which represents virtually 95% of licensed marine engineers in the country fully supports AFL-CIO President George Meany in urging unemployment compensation reform along the lines of the McCarthy bill, S. 1191 now under consideration by your honorable Committee on Finance. A national adequate unemployment compensation system with fair minimum federal standards applicable to all states is of particular importance to the members of our union who, while serving in the nation's merchant marine have their residences in states throughout the nation, and when unemployed are subjected to confusing, contradictory and wholely inadequate standards for unemployment compensation. We support the McCarthy bill concept of broader coverage, uniform and fair weekly benefits, uniform disqualification penalties and a modern and sound system of financing. The McCarthy bill offers a national approach to a complex problem, cutting as it does through the present jungle of differences in the requirements of the various states, and providing a national unemployment compensation system which will benefit not only those who suffer the blight of loss of employment but the economy of the nation as well.

I respectfully urge that the statement be incorporated in the Record of the hearings before your Committee on Finance.

JESSE M. CALHOON,
President, National Marine Engineers Beneficial Association AFL-CIO.

PENNSYLVANIA STATE CHAMBER OF COMMERCE,
Harrisburg, July 22, 1966.

Hon. RUSSELL LONG,
Chairman, Senate Finance Committee,
New Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: The following statement, offered on behalf of the Pennsylvania State Chamber of Commerce, is submitted for the record of the hearings of the Senate Finance Committee on H.R. 15119, the bill to amend the unemployment compensation system. My name is Carl F. Schatz, and I am Treasurer of the G. C. Murphy Company, Chairman of the Pennsylvania Chamber's Social Legislation Committee, and a member of the Chamber's Board of Directors.

H.R. 15110 is generally endorsed by the Pennsylvania Chamber. There are several of its provisions which we would rather have omitted, or which we would have preferred to see drafted in somewhat different form, but we recognize that an element of compromise is that neither party is entirely satisfied.

Our endorsement of H.R. 15119 is conditional upon its adoption in its present form. Should the Senate amend it, to restore any of the undesirable features of previous bills, we will oppose the amendments.

We particularly would oppose any of the following provisions:

1. Any Federal benefit period to be available in periods of strong economic activity as well as in recessions.
2. Any weakening or eroding of experience rating.
3. Any attempt to dictate to the States the amount or duration of unemployment benefits.
4. Standards for the eligibility or conditions for disqualification of claimants other than those already incorporated in H.R. 15119.

In general we approve H.R. 15119, although we would qualify our approval in some respects.

We approve the proposal to extend the duration of benefits in recessionary periods. We do not specifically endorse the triggers set in H.R. 15119, particularly the trigger for extension in individual States. It would have been a much better proposal if each State were permitted to adopt its own definition of recession. Pennsylvania and other States have already adopted programs of extended duration, and the different approaches made to the problem would have provided valuable experience in discovering the most helpful definition.

In any case, a trigger for benefit extension based on the relationship of insured unemployment at a given time to the level of unemployment in previous years is too variable to be satisfactory. We find that if this law had been in effect in Pennsylvania during recent years, in some calendar quarters we would have had an extension of benefits with an unemployment rate of 3.4%; in other quarters a rate of nearly 9% would have been insufficient to trigger an extension.

The proposed increase in Federal unemployment tax is acceptable to the extent that it is necessary for administrative purposes and to fund the Federal share of extended benefits. We believe, however, that a Federal tax base of $3600 would have been preferable to the $3900 and $4200 specified in the bill. An increase in the Federal tax base automatically increases the tax base for the State systems, and a sharp increase in the base for State taxes causes a dislocation in the impact on the individual employers.

We regret that the House has found it necessary to impose restrictions on the State laws, by prohibiting the so-called 'double dip', by ensuring that claimants in approved training courses are not thereby disqualified, by forbidding the States to cancel wage credits for voluntary quits, and by forbidding discrimination against out-of-State claimants. The last two restrictions do not apply to Pennsylvania, and the first two are already a part of our law, but we would prefer to see the States given maximum latitude to establish their own system.

With these qualifications, we endorse H.R. 15119, and recommend the Senate Finance Committee report it favorably.

CARL F. SCHATZ,
Chairman, Social Legislation Committee.

STATEMENT OF JOHN C. HAZEN, VICE PRESIDENT, GOVERNMENT, NATIONAL RETAIL MERCHANTS ASSOCIATION

INTRODUCTION

The National Retail Merchants Association is a voluntary non-profit organization serving, in a research capacity, retail, department, and women's specialty stores. Its membership embraces more than 13,000 individual retail stores located in every state in the union and in 46 countries abroad. Members of the Association, hereafter referred to as NRMA, employ approximately 1 million persons, and do a combined annual sales volume of $21 billion. The Association, therefore, has a very substantial and direct interest in any proposed amendments to the present Unemployment Insurance Program as conducted by the various states throughout the country.

The NRMA for many years has supported, through the action of its Board of Directors and at annual meetings of its membership, the principle of unemployment insurance as a means of security for the wage earner who, through no fault of his own, is unable to find work. The Association has consistently

contended that since employment varies substantially state by state, that the most effective administration of a sound Unemployment Compensation Program is best accomplished through the state system rather than by Federalization.

CURRENT LEGISLATION

Your Committee has before it for consideration S. 1991 which sets forth the Administration's proposals as introduced in May, 1965. It also has before it H.R. 15119 as developed by the House Ways and Means Committee, and as approved by an overwhelming majority in the House of Representatives.

Our basic position is that no Federal amendment to existing Unemployment Compensation Insurance is needed at this time. The record demonstrates that the various states have made substantial and meaningful progress in liberalizing their respective Unemployment Compensation benefits. We believe that the states can be relied upon to continue to efficiently liberalize the Administration of their respective programs as dictated by economic conditions.

We believe it to be true that the retail trade has paid considerably more money into unemployment compensation programs than the benefits which have been paid out to its employees who suffered a loss of employment through no fault of their own. Retailing, by the nature of the unpredictable fluctuating customer traffic, and the need of providing maximum shopping hours, must rely heavily on part-time or short-hour employees such as house wives and students who are not truly in the full-time labor market and who, for the most part, are secondary wage earners and not the sole head of a household. These employees generally are not eligible for unemployment benefits, and gain nothing from the unemployment tax paid by their employers. This places an added burden on the retail employer as compared to employers in other industries who operate basically with a regular full-time employee staff.

However, if in the wisdom of Congress, and now particularly the Senate, legislation is deemed necessary at this time, we believe the Senate should support the adoption of H.R. 15119 without amendment.

The House Ways and Means Committee had before it, the Administration's bill H.R. 8282—a companion bill to the Senate S. 1991. NRMA vigorously opposed H.R. 8282 on behalf of its members. It filed a detailed statement with the House Ways and Means Committee dated August 25, 1965. A copy of this statement is enclosed. Rather than repeating here the arguments it contains, we respectfully request each member of the Senate Finance Committee to study this statement carefully. This House bill, had it been enacted, would have substantially Federalized our state systems of Unemployment Compensation as would Senate bill S. 1991, now before your Committee.

The House Ways and Means Committee, guided by its Chairman, Wilbur D. Mills of Arkansas, held extensive hearings on H.R. 8282, and spent a considerable amount of time in executive sessions before reporting out its own Committee bill, H.R. 15119 (and an identical bill H.R. 15120 by the ranking minority leader of the Ways and Means Committee, John W. Byrnes of Wisconsin). It represents a reasonable and workmanlike compromise to the Administration's proposals and to the views expressed by the AFL-CIO. The House bill, as passed, reflects the best thinking and judgment of a majority of the state Unemployment Compensation Supervisors, who must cope with their respective states' unemployment problems.

We believe that on balance the provisions in the House bill pertaining to the increase in the tax rate, the extension of coverage, the increase in the base rate for tax purposes and the eligibility for benefits, while imposing an additional burden on the retail industry, are workable, even though costly to our members. We do not believe the views expressed to your Committee by Mr. W. Willard Wirtz, Secretary of Labor, on July 13, are in the best interest of the States' Insurance Program, or that his recommendations for more Federal controls are needed or warranted.

In conclusion, and to repeat, if Congress believes amended Unemployment Compensation legislation is needed, the House bill H.R. 15119 is a workable compromise to the Administration's proposal and warrants the Senate acceptance without any change whatsoever. Certainly the House Ways and Means Committee is a most competent body, it has given intensive consideration to this very important problem and the acceptability of its recommendations is certainly demonstrated by the overwhelming majority vote it received in the House of Representatives.

STATEMENT OF THE NATIONAL RETAIL MERCHANTS ASSOCIATION ON H.R. 8282 AND RELATED LEGISLATION TO AMEND THE FEDERAL UNEMPLOYMENT TAX ACT BEFORE THE HOUSE WAYS AND MEANS COMMITTEE AUGUST 25, 1965

INTRODUCTION

The National Retail Merchants Association is a non-profit membership corporation with a membership of over 13,750 stores located in every state in the Union and in forty-six countries abroad. Members of the National Retail Merchants Association provide employment for approximately 1,000,000 persons and do an annual volume of business of about $21 billion. Because of the large number of wage-earners employed in the retail industry, our interest in proposed revisions of the unemployment insurance statutes is manifest; indeed, as our statement hereafter will reveal, the impact on retailing will be of extremely serious proportions.

GENERAL STATEMENT OF PRINCIPLES

In keeping with the Ways and Means Committee's expressed desire to avoid repetition of testimony, the National Retail Merchants Association's statement will focus attention on the effect that H.R. 8282 will have on department, chain and specialty stores who comprise the membership of our Association. For the record, NRMA states its fundamental policy with respect to H.R. 8282 and unemployment compensation generally, as approved by the Board of Directors and at Annual Meetings of the membership.

1. NRMA supports the principle of unemployment insurance as a means of security for the wage-earner who, through no fault of his own, is unable to find work.

2. In the establishment of the Unemployment Compensation Act in 1935, Congress recognized that unemployment conditions and needs varied greatly in the various states. For this reason, Congress rejected a single Federal system of unemployment insurance and determined that the interest of the unemployed and the nation could best be served by administering the unemployment compensation program through the several states. The state system of unemployment insurance has, in practice, worked successfully and the individual states have given recognition to individual needs of its citizens through sharply increased benefits over the years, by periodic increases in maximum entitlements as well as through the liberalization of requirements necessary to qualify for benefits. Accordingly, we see no need for and oppose that portion of H.R. 8282 that would impose so-called "Federal benefit standards" and, for all practical purposes, Federalize the state unemployment systems of the states.

3. The Unemployment Compensation Act since its inception has embodied the principle of "merit rating" whereby the financial burden of unemployment insurance was apportioned among employers on the basis of their employee turnover. This principle encouraged employers to maintain a stable work force in the interests of our nation's workingman and the welfare of the country as a whole. The abandonment of the "merit rating" principle, in fact, by H.R 8282, if not in express language, will remove any incentive that exists for employers to stablize employment and convert the benefits program into a form of dole system.

PRINCIPLE OBJECTIONS TO H.R. 8282

We oppose the enactment of H.R. 8282 for the following reasons, among others:

1. It will have a serious impact on retailers' profits; and if they are to survive the heavy increased cost, it must be passed on to the consumers in the form of higher prices.

2. It will have a serious impact on retailers' ability to recruit and retain employees needed.

3. It will encourage employees, particularly "secondary wage-earners" to withdraw from the labor market to receive benefits.

4. The disqualification standards proposed are unrealistic and would inflate unemployment claims.

5. It would be unduly burdensome on the smaller retailer.

6. It would, for all practical purposes, eliminate "experience rating".

THE IMPACT THAT H.R. 8282 WILL HAVE ON DEPARTMENT, CHAIN AND SPECIALTY STORES

1. Impact on consumers and retailers generally

Retailing is primarily a service industry. According to authoritative figures published by the Controllers' Congress, NRMA, covering results of department stores in 1963 (the last year in which final figures are available), wages made up about 60% of the total operating costs of department stores. It is estimated that about 60% of department store payrolls are presently subject to tax for unemployment insurance tax purposes. The increase of the wage tax base from $3,000 to $5,600 from 1967 thru 1970 and $6,600 thereafter as contemplated by H.R. 8282 (and possibly immediately to $6,600 as proposed by Secretary Wirtz in testimony before the Committee) will raise the tax base to a minimum of 90% of department store industry payroll and possibly higher, both as to Federal as well as the state unemployment compensation taxes. Moreover, it is likely that the smaller retailer, usually a single proprietor, will have his entire payroll subject to both the Federal and state unemployment compensation tax. The increase in the wage base subject to unemployment insurance tax, coupled with the increase in the tax rate itself, will approximately double the Federal unemployment tax payable by department stores. State unemployment taxes, with the ultimate elimination of the merit rating credit, could increase even more.

To understand and underscore the impact of H.R. 8282, NRMA has made estimates of the additional cost to our members and related this additional cost to the department store profit figures as a whole. These estimates indicate that department store profits will be reduced by a minimum of 15% on an industry-wide basis after taxes with the likelihood that smaller store owners' profits will be reduced as much as 25%. This does *not* reflect the effect H.R. 8282 would have on the cost of the goods and services that retailers themselves purchase from others. Moreover, this does not include the effect that increased unemployment taxes would have on the retailer's inventory which represents about 60% of total expenditures by retailers. By adding together the direct impact on operating costs with the additional costs of goods and services purchased, the profit impact could be reduced by another 15% or 30% in total. *These figures have profound significance to the American public and the Congress because the meager net profit return presently "enjoyed" by retailers will leave them little or no alternative but to pass the additional costs on to consumers in the form of higher prices.*

Set out below are the net profits earned by department and specialty stores during 1963, together with the direct, correlative effect that H.R. 8282 would have on such earnings:

Net profit of department and specialty stores (after Federal income taxes), 1963 fiscal year

	1963	Adjustment for H.R. 8282
All stores	2.29	1.95
$1,000,000 to $2,000,000 sales volume	1.35	1.15
$2,000,000 to $5,000,000 sales volume	1.37	1.33
$5,000,000 to $10,000,000 sales volume	1.62	1.38
$10,000,000 to $20,000,000 sales volume	1.26	1.07
$20,000,000 to $50,000,000 sales volume	1.91	1.62
$1,000,000 to $5,000,000 sales volume (specialty stores)	1.11	.94
Over $5,000,000 sales volume (specialty stores)	1.59	1.35

[1] Reflects 15-percent reduction or estimated reduction based on additional unemployment compensation taxes contemplated by H.R. 8282. It does not reflect additional cost of goods and services that may similarly be affected by H.R. 8282.

Source: Operating Results of Department and Specialty Stores in 1963, published by the Controllers' Congress, National Retail Merchants Association.

It will be observed that the general pattern is that the smaller retailer earns far less after-tax dollars than does his larger store competitor. Indeed, profit figures for stores with less than $1 million volume, if available, would undoubtedly show a net profit percentage far less than 1.35% earned by department stores in the $1 to $5 million volume category. For many, if not most of these retailers, the added tax costs could well represent the difference be-

tween staying afloat or going out of business. For those retailers who are able to survive, the only alternative may be to increase prices to consumers. For retailers to absorb such costs, in the light of the slim profit margins indicated previously, seems highly improbable. *Therefore, if Congress sees fit to enact H.R. 8282 in its present form, it must be prepared to accept the consequences of a strong impetus to the inflationary spiral and the already high cost of living.*

2. Impact on recruitment of employees

An additional problem presented by the enactment of H.R. 8282 relates to employee recruitment. The retail industry is a stable industry in terms of employee work force. Most retailers maintain a regular, permanent staff of employees who can count on continuing, steady work the year-round. However, retailing is seasonal in the sense that a higher level of business is transacted during the Christmas season, at Easter time, around Mother's and Father's Days and at special sales events. Moreover, retail stores, to meet the shopping needs of their customers, typically stay open several nights each week. In addition, the typical retailer's day is characterized by a fluctuating flow of customers. At certain hours of the day the store is extremely busy while at other hours the store is relatively quiet. All these factors have made it necessary and economical for retailers to supplement their full-time work force by the use of part-time employees who work a regular schedule but less hours than the full-time employee. These persons are permanently employed, but work a limited number of hours per day. For example, an employee may work four hours per day for five days a week from eleven o'clock in the morning until 8 P.M. to cover the heavy customer traffic during the middle of the day or she may work three evenings each week during those days that the store is open evenings. In addition, a substantial number of individuals are employed at periodic intervals to meet special departmental needs.

It is estimated that the typical department store employs approximately 60% of its total employee work force either at periodic intervals or less than a regular work week. It is also estimated that of the total employee work force (full-time employees and part-timers) approximately 70% can be classified as "secondary wage-earners", that is, employees who are married women with husbands regularly employed or children living at home. The fact that the retail industry employs a large percentage of part-timers and "secondary wage-earners" accounts in large measure for the relatively high turnover of this class of employees. These types of claimants do not have the same incentive to continue or find employment as primary wage earners. Unemployed "secondary wage-earners", with short base period employment and with benefits below the maximum, receive benefits for a longer period of time and a higher proportion exhaust benefits than workers with long-base period employment and higher benefit rates.

3. Problems of the secondary wage earner

A large number of personnel who leave retailing, of course, do so of their own accord or retire from the labor market so that unemployment benefits are not involved in these cases. However, the turnover factor makes the retail industry vulnerable to claims for unemployment insurance on the part of former employees, usually "secondary wage-earners", who no longer wish to work, have no desire to become re-employed and who seek to take undue advantage of unemployment compensation. H.R. 8282 provides that eligible employees who meet the proposed requirement of 20 weeks of prior employment (or its equivalent) must have a potential duration of 26 weeks. In about half the states who do not now meet this proposed standard, we predict that if H.R. 8282 is enacted that part time and extra employees would find work for at least 20 weeks in order to obtain 26 weeks of unemployment benefits. In those states that meet the proposed requirement, a large number only work the minimum period of 20 weeks or its equivalent in order that they may obtain the maximum duration of benefits.

There can be no doubt that with the additional enticement of higher state benefits, plus the cake frosting of 26 additional weeks of Federal benefits under H.R. 8282, will make it extremely difficult, if not impossible, for the retail industry to recruit competent part-time employees that will be necessary to conduct a retail business efficiently in the interests of its customers.

The following example drawn from an actual case history, based on the 1961–62 experience under the Temporary Emergency Unemployment Compensa-

tion Act, illustrates the "opportunities" that H.R. 8282 would provide a person desirous of taking advantage of its benefits:

1. May 4 through August 19, 1961—14 weeks of benefits received (waiting week served).
2. August 21 to September 16, 1961—worked and layed off on September 16.
3. September 17 to October 28, 1961—6 weeks of benefits received.
4. Job offer made October 30, 1961—refused because of illness—held not able to work week ending November 4.
5. November 5 to November 25—3 weeks of benefits received.
6. Job offer made for week of November 27 to December 2—refused—held not available because went out of town with husband.
7. December 4 to December 16—2 weeks of benefits received.
8. Job offer for December 17 to December 30, 1961—refused job because she had to take care of children during Christmas holidays. Held unavailable for these two weeks.
9. Week of January 1 thru January 6, 1962—one week of benefits received. Exhausted 26 weeks of state benefits.
10. January 6, 1962 to April 7, 1962—received 13 weeks of TEUC benefits; no job offer made during this period because store did not know she was unemployed.
11. April 9, 1962—called in and asked for job.

The foregoing example could easily be re-enacted under H.R. 8282. Obviously, persons who are "secondary wage-earners" would find it just as advantageous, or nearly so, to draw tax free benefits than to work. It is true that the failure to accept employment without cause would disqualify the claimant for benefits, but H.R. 8282 would limit this disqualification to six weeks during the benefit period. After this period is exhausted, it is likely that the claimant would be ruled entitled to benefits. Retailers need this type of person in their business. There must be an incentive to encourage them to take employment and not draw benefits. The extended benefit program could be a road block to get them back in the labor market.

4. Disqualification standards—unrealistic impact on retailing

H.R. 8282 provides for "standards" that must be embodied in the state unemployment compensation statutes in determining qualification for employment benefits:

A. *Voluntary Quitting.*—A maximum six weeks disqualification period would be provided in the case of voluntary leaving employment without good cause after which benefits would be payable. We believe that limiting the postponement of benefits for such a short period of time after a vountary quitting will undoubtedly encourage many persons to leave their employment and apply for benefits.

An actual illustration of the effect of a limited time disqualification follows:

A claimant, a married woman 32 years of age, employed September 17, 1962, resigned from the company's employ on October 16, 1964 because her husband did not wish her to work. On November 24, 1964, five weeks and three days after her resignation, this person filed a claim for benefits. The claimant received benefits commencing November 30, 1964, for a total of 26 weeks at $38.00 per week. The Notice of Determination by the State of New Jersey to the employer reads as follows: The claimant is eligible for benefits without disqualification from November 30, 1964 because the maximum legal penalty of five calendar weeks which could be imposed has elapsed between the time the claimant resigned and the date she filed her claim.

Had H.R. 8282 been in effect at this time, this claimant could qualify for an additional 26 weeks in benefits under the Federal law. The total benefits paid for a 52 week period would amount to approximately 72% of the claimant's yearly take-home salary.

It is a well-known fact that in those states where the six weeks' disqualification period applies, voluntary quits are usually highest in the late spring in order that benefits may be commenced with the beginning of the summer months when children are out of school. Some state legislatures have since realized that there are many persons who are willing to forego the receipt of benefits for a short period in order to take advantage of unemployment insurance benefits for a far longer period.

The proof of this fact can be demonstrated by comparing (1) benefits paid to former employees of multi-state employers for the same month operating in a state where the six weeks' provision is effective with (2) benefits paid

in a state where re-employment and actual earning of wages is a condition to obtaining benets. For example, the New York unemployment insurance statute provides that a voluntary quit cannot file for unemployment benefits unless and until the claimant has subsequently worked at least three days in each of four weeks or earned at least $200. In addition, the New York unemployment insurance requires that such claimant shall have left subsequent employment for a bona fide reason. On the other hand, in New Jersey, a voluntary quit may apply for benefits after a six weeks' period, including the one week waiting period, as long as he is available for work.

	New York	New Jersey
Total number persons who left payroll	11	13
Claims filed	4	10
Received benefits (total)	3	9
Benefits received—no disqualification	3	3
Amount of claims paid	$1,030	$1,789
Amount of benefits received after disqualification		2,181
Total amounts paid	1,030	3,976

B. *Misconduct in Connection with Work.*—A maximum disqualification of six weeks would be provided an individual who is discharged for misconduct in connection with work. The effect of such a time disqualification from an actual case history from New Jersey where the maximum disqualification is five weeks follows:

The claimant, a cashier, employed on October 10, 1964 was discharged from the company's employ on April 17, 1965 for violation of posted company rules which is considered misconduct.

On May 13, 1965, this person filed an unemployment compensation claim for benefits and was determined by the Claims Deputy to be eligible under the law without disqualification. The employer appealed and the decision of the Claims Deputy was reversed by the Referee and the claimant was disqualified for benefits for a period of five weeks from May 13, 1965 to June 19, 1965 and is now receiving benefits after serving statutory waiting week.

With H.R. 8282 in effect, this claimant could collect benefits from June 20, 1965 to June 19, 1966 at a rate of $50.00 per week. This would amount to approximately 77% of the claimant's yearly take-home salary.

C. *Refusal of Suitable Work.*—A maximum disqualification of six weeks would be provided for an individual refusing work without good cause. A postponement for such a short period of time could encourage many of the type of claimants who had employment with department stores to refuse employment when they know they can obtain the maximum duration of benefits after serving a six week disqualification period. Such claimants would usually be extra employees who usually work during seasonal and sale periods to obtain 20 or 26 weeks of employment and part-time employees who have worked a limited number of hours during the middle of the day.

Many of the extra employees having minimum employment to be eligible for benefits are laid off after Christmas and then draw benefits. In states having a six week disqualification, job offers are made for the Easter season and claimants have refused without good cause and are disqualified for six weeks. The season is over after this claimant has served this disqualification period and thereafter the claimant again draws benefits. By refusing work without good cause, claimant's attachment to the labor market is highly questionable. To test this attachment to the labor market, a re-employment test such as in New York and other states is required.

Another illustration is a married person with children who works part time selling dresses from 11 to 3. For marital reasons, she leaves employment with good cause and files a claim for benefits a month later. Shortly thereafter she is offered precisely the same job at the time and prior wages. A refusal of this job results in a six week disqualification and thereafter she drew benefits for a number of weeks. She was then offered a job from 9:30 to 2:30 but refused it with good cause. Jobs at the precise hours for the type of selling she does are not always available and a long duration of benefits results. A re-employment test is necessary to ascertain if such a claimant is really in the labor market.

D. *Conviction of a Crime.*—A maximum disqualification period of 52 weeks is provided under H.R. 8282, commencing from the date of conviction of a crime arising in connection with his work. Employee pilferage of a type that would constitute a crime on the laws of most states, is a serious and continuing problem in retail stores. Except in rare instances, it is not practicable for stores to press criminal charges against such employees, but in almost all cases, the offenders are discharged. Under the terms of H.R. 8282 that condition disqualification on "conviction of a crime", the claimant would be in the position of being able to collect benefits at once because of his availability for work, but unlikelihood of being immediately reemployed.

Even if a serious crime were committed by an employee and an arrest resulted, the employee could still collect 52 weeks of benefits, after a six week time disqualification. More than 52 weeks would pass before a conviction and/or an affirmance of the conviction by an appellate court.

5. Impact on the smaller retailer

The NRMA numbers among its members, small retail stores that are owned by a single proprietor or by an owner and his wife and/or family. Known in the retail trade as the "mama-papa" store, the business is usually operated by members of the family. During busy times, such as Saturdays or during the Christmas season, the owner may engage the services of a student, a relative or a person who is not in the labor market during other times of the year. Under present Federal law and most state laws, a minimum of four employees is needed to become subject to unemployment insurance taxes. However, H.R. 8282 would reduce the requirement to one or more employees at any time. Consequently, the proposed statute would extend the unemployment insurance tax to the "mama-papa" store hitherto exempt from the tax.

While the proposal to extend the benefits of the unemployment insurance law to all employees, regardless of the size of the employer, is sound in principle, it seems inequitable to ask such smaller employers to pay taxes in respect to workers who, in most cases, would not be eligible for benefits. Thus, the practical effect would be that the tax payments of the "mama-papa" store will be used to subsidize the benefits of other and larger employers. Aside from the additional taxes that must be paid is the burden of the additional accounting work necessary to file the additional tax forms.

In order to relieve these smaller merchants from the burden of the tax, it is suggested that coverage be limited to employers of one or more who have a payroll of, say, $300 in any calendar quarter. Such a limitation would exempt the store owner who employs casual labor, but include smaller merchants who engage the services of employees on a permanent basis.

6. Elimination of experience rating—Impact on retailing

As indicated previously, the retail industry is a very stable industry in terms of employee work force. In fact, in most states, the retail industry is one of the most stable of industries in this respect. This fact has made it possible for retailers to obtain substantial reductions in state unemployment insurance taxes through the operation of the experience rating system that provides the individual employer a tax rate computed on the basis of his record of employment stability. Experience rating has proved to be a tremendous incentive to encourage business organizations to maintain steady year-round employment for their workers.

Through prudent management and careful planning, many retailers have harmonized their store hours and work flow so as to maintain a maximum, permanent staff of employees on the payroll. In so doing, the number of employees who would otherwise be dropped from store payroll and thus added to the unemployment rolls has been drastically reduced. Retailers have been induced to do so, in large measure, by the incentive of merit rating that has reduced their unemployment tax rate significantly. However, if experience rating is eliminated, as appears to be the practical and ultimate consequence of H.R. 8282, a strong incentive for retailers to maintain such programs of permanent employment would be removed. Moreover, the incentive on the part of retail employers to contest unjustified unemployment insurance claims would also be eliminated. Thus, the amount of claims allowed can be expected to rise enormously with the result of substantially increased tax costs the inevitable consequence.

With the practical elimination of experience rating, it is expected that the states will eventually substitute a flat rate that would be applicable to all employers regardless of their stability of employment or the lack of it. Alterna-

tively, the states might substitute a favorable rate to encourage new industry to locate in the states or the rate might be adjusted in response to the real or alleged needs of particular industries. If this should happen, retailers and others who have established patterns of stable employment can be expected to pay the excess benefit costs. For these reasons, we urge the retention of the experience rating system in its present form that gives specific recognition of the employer's record of stability of employment and provides a built-in incentive for keeping workers on the payroll on a permanent basis. Otherwise, unemployment costs could "skyrocket" and the additional tax burden as shown heretofore will have to be added to the price of goods sold to consumers.

We appreciate the opportunity afforded us in presenting this statement and request that it be included as part of the record of this hearing.

SUMMARY AND CONCLUSIONS

1. NRMA supports the principle of unemployment insurance as a basis of providing security for the wage-earner who is unable to find work through no fault of his own.

2. Conditions of unemployment and the need for some form of insurance varies greatly from state to state. This is the reason why the unemployment insurance program from its inception has been administered on a state by state basis. This approach has worked most satisfactorily, the individual states have given recognition to the need for changes through liberalizing legislation on benefits, eligibility, etc. and thus we see no need for the establishment of so-called Federal benefit standards proposed by H.R. 8282.

3. H.R. 8282, by requiring that Federal benefits provided under the bill be financed in part by the Federal Treasury, would add substantially to the present U.S. debt and further imbalance the nation's budgetary deficit.

4. Retailing presently and for years past has been a low profit industry. The average department store earned less than 2½% of sales in 1963. Smaller stores earn less than the larger stores. We estimate that if H.R. 8282 is enacted, profits based on the 1963 figures will be reduced by about 15%. This does *not* include the additional unemployment compensation costs involved in the goods and services purchased by retailers from others. Thus, the entire cost could possibly represent a 30% reduction in net profits of retailers based on the 1963 figures. Because of the low earnings of retailers, there would appear to be no alternative but to pass the additional cost along to consumers through higher prices or go out of business.

5. Retailing is a stable industry in terms of employee work force. However, it is highly seasonal and even each day of business is marked by a fluctuating flow of customers. Night openings are commonplace. All these factors make it necessary to employ large numbers of workers at periodic intervals or less than a regular work week. It is these workers who make retailing vulnerable to claims for unemployment insurance and who can be expected to take the most advantage of the increased benefits and liberalized eligibility provisions of H.R. 8282. Consequently, retailers will find it difficult to recruit competent part-time employees necessary to conduct business efficiently and in the interest of its customers.

6. H.R. 8282 sets up unrealistic criteria of standards for disqualification that must be incorporated in the unemployment compensation laws of the states. They include a maximum six weeks waiting period in the case of (1) a voluntary quit (2) refusal of suitable work (3) discharge for misconduct and (4) a maximum disqualification of 52 weeks where convicted of a crime. The requirement of conviction permits benefit payments (except for six weeks waiting period) after arrest and discharge where criminal proceedings are not instituted. All of these criteria are unrealistic and open the door to a tremendous increase in benefit payments to claimants who are, in effect, out of the labor market.

7. H.R. 8282 would extend coverage to an employer having one or more employees at any time. The effect of this provision will be to apply the UC tax to the smaller "mama and papa" retailer where in most cases neither he nor his employees will be eligible for benefits. Thus, the smaller retailer will be underwriting benefits for the larger employers.

8. The ultimate effect of H.R. 8282 will be to eliminate experience rating. Historically, retailing has been a stable industry and thus through the years has been able to earn lower UC rates. This means that the impact on retailing from the loss of experience rating will be far greater on retailing than most other industries.

COUNCIL ON EMPLOYEE BENEFITS,
July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR LONG: On behalf of the Council on Employee Benefits, now an organization of 123 large U.S. corporations with over 4½ million employees, we wish to go on record in support of H.R. 15119, the "Unemployment Insurance Amendments of 1966," as a significant modernization of the unemployment compensation program.

H.R. 15119 resulted from a most searching and intensive review of the federal-state unemployment compensation system by the House Ways and Means Committee. After its full and complete consideration of the Administration's proposals to amend the Federal Unemployment Compensation laws as set forth in H.R. 8282, the "Employment Security Amendments of 1965", the House Ways and Means Committee reported H.R. 15119 to the House. H.R. 15119 was ultimately passed by the House almost unanimously.

The Council on Employee Benefits presented extensive and detailed testimony in opposition to H.R. 8282 to the House Ways and Means Committee on August 13, 1965. A copy of our testimony is attached to this statement along with a listing of the member companies of the Council and their total employment. We respectfully request that it be placed on the record, particularly in view of the testimony of the Secretary of Labor to your Committee.

The Council subscribes to an unemployment benefit system based on sound insurance principles and closely geared to the specific local needs and situations of the states affected. We believe that H.R. 15119 follows these basic principles and makes an important contribution to the unemployment insurance program. Although we are not in complete agreement with all of the provisions of the bill, as can be seen from an examination of our testimony before the House Ways and Means Committee, we have no further recommendations at this time and we urge you to approve this bill.

We respectfully request you to advise the other members of your Committee of the Council's position on this matter and to place this statement in the record.

Very truly yours,

WALTER E. KLINT, *Trustee.*

Member companies, Council on Employee Benefits

Company	*Number of employees*
Aetna Life Affiliated Co.'s	18,500
Air Products and Chemicals, Inc	5,000
Allis-Chalmers Manufacturing Co	37,753
Aluminum Co. of America	43,200
American Airlines, Inc	25,919
Abex Corp	8,844
American Can Co	48,000
American Cyanamid Co	25,700
American District Telegraph Co	5,000
American Electric Power Service Corp	1,027
American Machine & Foundry Co	16,226
American Radiator & Standard Sanitary Corp	16,000
American Smelting and Refining Co	12,904
The Atlantic Refining Co	16,516
The Babcock & Wilcox Co	27,828
Beech-Nut Life Savers, Inc	6,500
The Boeing Co	89,785
The Borden Co	37,000
Bristol-Myers Co	4,800
George B. Buck	195
The Budd Co	16,700
Canadian National Ry's	92,000
Celanese Corp. of America	24,000
The Chase Manhattan Bank	15,128
The Cleveland Twist Drill Co	1,825

Member companies, Council on Employee Benefits—Continued

Company	*Number of employees*
Clevite Corp	6,128
The Coca-Cola Co	6,328
Colonial Stores, Inc	13,000
Combustion Engineering, Inc	15,220
Consolidated Edison Employee's Mutual Aid Society	23,700
Container Corp. of America	20,986
Continental Can Co., Inc	47,081
Continental Oil Co	17,679
Corn Products Co	14,000
Crown Zellerbach Corp	20,239
Crucible Steel Co. of America	12,000
A B Dick Co	3,000
Dravo Corp	6,189
Eastman Kodak Co	57,000
The Equitable Life Assurance Society	11,900
Federated Department Stores, Inc	55,000
First National Bank of Toledo	320
General Aniline & Film Corp	8,000
General Dynamics Corp	105,000
General Electric Co	271,000
General Foods Corp	19,575
General Mills, Inc	9,012
General Motors Corp	548,368
The General Tire & Rubber Co	42,633
Gillette Safety Razor Co	3,049
The Glidden Co	9,300
The Goodyear Relief Association	46,000
Arthur Stedry Hansen	175
Hewitt Associates	60
Honeywell, Inc	54,600
Hunt Foods and Industries, Inc	9,835
Interchemical Corp	9,400
International Business Machines Corp	114,500
Irving Trust Co	3,500
Jewel Tea Co	12,789
Johns-Manville Corp	21,350
Henry J. Kaiser Co	76,000
Kennecott Copper Corp	25,000
Koppers Co., Inc	12,213
The Kroger Co	40,000
Lever Brothers Co	7,900
Eli Lilly & Co	9,827
Thomas J. Lipton, Inc	2,400
Litton Industries, Inc	65,000
Manufacturers Hanover Trust Co	10,000
Marathon Oil Co	7,397
McGraw-Hill, Inc	7,795
McKesson & Robbins, Inc	9,400
Metropolitan Life Insurance Co	70,000
Minnesota Mining & Manufacturing Co	25,000
Monsanto Co	18,774
Montgomery Ward & Co., Inc	72,000
Morgan Guaranty Trust Co. of New York	5,199
Morton International, Inc	36,000
Motorola, Inc	36,000
The National Biscuit Co	23,400
The National Cash Register Co	25,000
New Jersey State Division of Pensions	180,000
New York State Department of Civil Service	127,000
North American Aviation, Inc	97,000
Norton Co	4,700
Olin Mathieson Chemical Corp	36,570
Otis Elevator Co	13,400
Owens-Illinois Glass Co	35,387

Member companies, Council on Employee Benefits—Continued

Company	Number of employees
J. C. Penney Co., Inc	55,000
Chas. Pfizer & Co., Inc	11,574
The Pillsbury Co	6,600
Pittsburgh National Bank	2,285
Prentice-Hall, Inc	2,000
The Prudential Insurance Co. of America	56,000
The Quaker Oats Co	6,000
Rexall Drug and Chemical Co	18,885
Reynolds Metals Co	27,000
Richardson-Merrell, Inc	4,784
John B. St. John	2
Scott Paper Co	12,570
Sears, Roebuck and Co	280,000
Shell Oil Co	33,692
Sperry Rand Corp., Univac Division	30,000
A. E. Staley Mfg. Co	2,030
Standard Oil Co. of California	37,800
Sterling Drug, Inc	6,419
Stouffer Foods Corp	6,600
Sylvania Electric Products, Inc	35,000
Textile Employees' Benefit Association	4,232
Towers, Perrin, Forster & Crosby, Inc	380
The Travelers Insurance Co	22,293
Union Bag-Camp Paper Corp	12,157
Union Carbide Corp	70,279
United States Steel & Carnegie Pension Fund	187,000
The Upjohn Co	6,014
Warner-Lambert Pharmaceutical Co	6,974
Western Electric Co., Inc	166,695
Western Union Telegraph Co	27,000
Westinghouse Air Brake Co	8,050
Westinghouse Electric Corp	122,000
Whirlpool Corp	17,500
Wisconsin Electric Power Co	5,267

Total member companies, 123; total employees, 4,550,300.

SUMMARY OF TESTIMONY OF WALTER E. KLINT, COUNCIL ON EMPLOYEE BENEFITS

The Council on Employee Benefits representing a major cross section of American industry and over 3½ million employees, strongly opposes H.R. 8282 for the following reasons:

1. The constantly improving state benefit formulas are more than adequate to provide a claimant with at least 50% of his average gross pay and in most cases provide well in excess of 50% of his "take-home" pay.

2. The proposed maximums of 50%–66⅔% of statewide average gross pay are far in excess of any necessary to meet generally accepted norms for a maximum—and would invite over-utilization of benefits.

3. There has *not* been the claimed erosion of benefits over the years under present state laws because the purchasing power of average unemployment benefits has greatly increased since 1939.

4. A uniform 26 weeks of benefits upon initial qualification is unsound and unnecessary; no real reason has been shown by the administration for eliminating variable state durations based on claimant work history.

5. The removal of the presently accepted disqualifying provisions of state laws opens the door to abuses by malingerers and others not really actively attached to the labor market and sincerely seeking work.

6. The proposal to increase the tax base to $6,600 pre-empts the states' rights to determine how to raise whatever revenue it feels is required to finance its own unemployment compensation program and more than doubles the present federal base.

7. The proposed tax base increase will sorely tempt states to have a uniform tax rate somewhere below 2.7, which in effect will eliminate the merit rating system and penalize stable high employment companies to the benefit of marginal employers with negative state fund balances.

8. The proposed concept of "matching grants" changes the concept of unemployment compensation from one of sound insurance principles to one of a federally subsidized program initially with the inevitable invitation to full federal control.

9. Finally, the proposed Federal Unemployment Adjustment Benefits would further impose a quasi-welfare program on top of existing state unemployment insurance programs, leading to the general erosion of state insurance programs as we now know them.

TESTIMONY OF THE COUNCIL ON EMPLOYEE BENEFITS ON FEDERAL UNEMPLOYMENT COMPENSATION LEGISLATION, H.R. 8282, COMMITTEE ON WAYS AND MEANS HOUSE OF REPRESENTATIVES, WASHINGTON, D.C., AUGUST 13, 1965

Mr. Chairman, members of the Committee:

My name is Walter E. Klint and I am Director of Employee Benefit Programs of Continental Can Company, I am appearing on behalf of the Council on Employee Benefits, in opposition to the proposed Unemployment Compensation changes set forth in H.R. 8282.

The Council on Employee Benefits, of which I am a Trustee and a past President, makes up a significant cross-section of American industry. We consist of 110 companies having a common interest in sound employee benefit planning. These include such well-known firms as American Airlines, Continental Oil, Eastman Kodak, General Dynamics, General Electric, General Motors, Goodyear, International Business Machines, RCA-Whirlpool, Reynolds Metals, Sears Roebuck and United States Steel. Our member companies are of all sizes and represent every major industry. They employ more than 3½ million people—an appreciable percentage of the nation's work force. We have employees in every state of the union, with a heavy concentration in populous industrial areas.

A list of our membership is attached to this written testimony. One most important aim of the Council is to foster effective benefit programs for family protection and financial security. Despite differences in present tax rates, coverage and utilization among our member companies, we as a group subscribe to an unemployment benefit system based on sound insurance principles and closely geared to the specific local needs and situations of those affected.

Our organization strongly opposes, therefore, the proposal to "federalize" unemployment compensation because we feel that it:

(a) is basically unfair to a large segment of the business community,

(b) is not sufficiently responsive to economic and employment differences within the states.

(c) further encroaches on the state's responsibility and initiative for determining, providing and financing these benefits,

(d) undermines the basic insurance concepts on which the present system rests, and

(e) was developed without the aid or approval of the Labor Department's Advisory Committee—and then surprisingly calls for creation of another Advisory Committee.

We would like to document our overall opposition to H.R. 8282 by citing a number of specific objections to key provisions. In total, they sustain our position against the two principal dangers we see inherent in this Bill.

1. The increasing "*federalization*" of present state systems through imposition of unnecessary, undesirable and inflexible standards for both financing and benefits.

2. The trend to "*welfarization*" of our unemployment system in the form of *larger* checks, for *longer* periods, to *more* people, for *less* work—largely at the expense of the responsible businessman and individual taxpayer.

It would be impossible to present all of our testimony on each provision the Council opposes in the time alloted to me. And, since I am sure other groups will speak in support of many of our points, I will only highlight some of them in my verbal testimony. More detail and supporting tables appear in the written version supplied to this Committee.

Let us *first* look at benefits, including unnecessary regulation of the *minimum*, some myths about the *maximum*, and the dangers of prolonged *duration* when coupled with much looser *qualification* and sharply limited *disqualification* provisions.

Then we will review flaws in the financing aspects of the Bill, including the inequity of the giant jump in the *tax base*, instead of a more logical increase in *tax rates* by the states when and if necessary—plus the unfair and undesirable strangling of America's unique contribution to the war on unemployment; namely, *experience rating*.

Finally, I would like to point out why we feel the Federal unemployment adjustment benefits are the wrong way to reach a right goal, what the goal might be, and perhaps a better way of attaining it.

Let's take up the points one by one, starting with four in the area of amounts of *benefits*:

1. STATE MINIMUMS AND BENEFIT FORMULAS ARE DOING THE JOB

H.R. 8282 proposes that the *minimum* weekly benefit amount be at least 50% of the *claimant's* average gross weekly wage (up to the proposed higher maximum limit). We concur with this generally recognized and desirable benefit level—*but* wish to emphasize that a more meaningful measure is the ratio of *tax free* benefits to a claimant's *net* "*take-home*" income, rather than *gross* pay—and that we are therefore talking about a minimum that is a good deal *more than 50%*.

This means that in any objective attempt to measure the adequacy of benefit amounts for comparative purposes, they should be related to the claimant's net weekly wage after income and Social Security taxes. When present state benefits, which *are tax free*, are compared on this basis with net "take-home" pay of those receiving them, their adequacy in *actual*—not hypothetical—terms becomes apparent.

We fail to see, therefore, why any legislation is needed on this point at all, when state benefit formulas in 48 states do meet or exceed 50% of a *claimant's* gross wages, and the formula amount in the other two *can* be more than 50%, depending on his work and earnings history. In fact, the Labor Department's own figures show that formulas in 39 states can produce benefits *in excess of 50%* of gross *claimant* wages. We will also show later that present state maximum amounts do *not* seriously impair the application of these formulas.

In addition, we submit that the states themselves are the most sensitive and responsible source of further improvements in benefit levels. Determining the weekly benefit formula lies at the heart of our state insurance programs—and belongs there. State administrators and legislatures are keenly aware of benefit conditions within their respective states, as are both employers and employee organizations. In his background information to the Committee, the Secretary of Labor acknowledges that benefit changes have been and are under consideration in a number of states. This is, and should rightly be, a regular occurrence whenever state legislative bodies meet and air the views of different groups on that state's particular situation.

Under these circumstances, we see no necessity for the imposition of a federal minimum. Federal standards in this area are a direct intervention in the rights and prerogatives of individual states. More importantly, they represent a "foot-in-the-door" approach susceptible to even more unjustified and costly liberalization in the future, as a result of political expediency and the pressures of social planners.

2. THE PROPOSED 66⅔% MAXIMUM IS FAR TOO HIGH

We submit that maximum weekly amounts have been considered and reconsidered by many states, especially in recent years, and that where increases in the maximum are needed they are or will be made without federal dictation. Table I shows that 38 states have adjusted their maximums in the last three years. In all such states, the average adjustment was upwards at a rate of 19.4%.

In addition, some fifteen states now have escalator provisions which adjust maximum amounts automatically, usually at 50% of the average weekly wage level, since this has proven to provide an adequate maximum, in relation to actual claimant spendable income.

Basic insurance principles demand that reasonable maximum limits be placed on weekly benefit amounts. Income replacement requirements decline, per-

centagewise, as gross wages increase. Consequently, a sound insurance program requires appropriate maximums, to prevent any inducement for those insured to voluntarily cause the insured event—in this case unemployment!

Based on realistic work and earnings history requirements to qualify for maximum benefits, therefore, each state has determined a maximum appropriate for it. These state maximums have not nearly approached the greatly increased federal maximum suggested by H.R. 8282. Since 52 taxing authorities have made such determinations, 38 of them being revised in the last three years, it is evident that this Bill introduces an entirely new approach to benefit maximums which constitutes a radical departure from established and prudent insurance principles. For example, the Bill's ⅔ maximum would provide a New York employee without dependents, who is entitled to maximum benefits, tax-free payments of $78 weekly or $338 a month—based on the state's 1964 average weekly wage. We submit that benefits of this magnitude for a single employee provide a substantial inducement for voluntary and prolonged unemployment at taxpayer expense.

The Labor Department has stated that a maximum benefit of 50% of gross "average weekly wage" for *all covered* employees in a state denies too large a segment of the unemployed from receiving benefits equal to 50% of *their own* "average weekly wages".

We maintain that this statement is incorrect. In its material on H.R. 8282 published July 30, 1965, the Department of Labor states that "Nationally, 46% of the new insured claimants in 1964 were either eligible for or limited by the maximum benefit in their State." This statement then also means that for 54% of *claimants*, the *maximums did not* prevent them from receiving regular benefit amounts.

Based on data furnished in that publication, we calculated the *current maximum benefits* in all states as a percentage of their average weekly wage. When weighted for distribution of covered workers among the states, the average maximum benefit is *41.3%* of the *gross* average weekly covered wage—and as mentioned earlier, a substantially larger percent of most claimants' *actual* wages, and an even higher proportion of their *net take-home* pay.

Since 54% of new claimants' benefits are *not* limited by this 41.3% maximum, we could also ask: What percentage of claimants could receive benefits unaffected by a *50%* maximum?

The answer to these questions depends on the *distribution* of income among the work force. The most accurate data to use would be statistics on the proportion of *covered workers* receiving various *amounts of weekly wages*. Since this data was not available to us, as a conservative substitute we constructed distribution curves from an analysis of 1960 Census figures of the Distribution of Income (in various brackets) *among Family Units*.

On the basis of this information and the Department of Labor's own data, we estimate that:

(1) a 50% maximum would leave *65%* of all claimants unaffected.

Furthermore, if current maximum benefits really limit "too large a segment" of claimants to less than 50% of their pay, as the Bill's proponents charge, it implies that average *claimant* wages would be roughly similar to average *covered worker* wages. In fact, a recent study of six states shows exactly the contrary. Here are the figures:

Average wages: Claimants vs. covered workers

State	Period covered	Average weekly wage		Ratio (percent)
		Covered workers	Claimants	
Georgia	February 1965	$86	$67	78
New Jersey	February 1964	114	91	80
New York	February 1961	107	82	77
Pennsylvania	February 1964	101	72	71
Texas	do	94	78	83
Virginia	October 1963-September 1964	88	67	76
Average		98	76	77

In all of these states, which represent *one-third of the U.S. work force,* claimant wages are far below the state average, and in total are only 77% as much. The following table shows that a 50% maximum would be far in excess of 50% of average claimant wages. Unfortunately, the Labor Department does not provide this meaningful data on claimant wages, so we could not extend this study to the other ⅔ of the work force.

Average benefits vs. actual and hypothetical maximums

State	Applicable benefit Maximum	Weekly benefit of 50 percent of claimant pay	50 percent of average weekly wage
Georgia	$35	$34	$43
New Jersey	50	46	57
New York	50	41	54
Pennsylvania	40	36	51
Texas	37	39	47
Virginia	34	34	44

This analysis abundantly supports our contention that the average claimant is *not* restricted by the current maximum limits, and on a "take-home" pay basis receives well in excess of 50% of his spendable income. We can only conclude that present benefit formulas and maximums are fully meeting generally accepted principles of adequacy—particularly the widely used norm that "the maximum benefit should be high enough to allow at least a majority of primary workers to receive at least 50% of their 'take-home' wages."

Further, present benefit amounts are far more adequate in the terms of purchasing power than they were in 1939. Taking the Consumer Price Index then as 100, in 1964 it was 224, an increase of 124%. Corresponding to a 1939 Unemployment Compensation average benefit of $10.66 is a 1964 average equal to $35.96 —*an increase* of *237%.* Comparing this 237% *benefit* increase with the 124% *cost of living* increase shows that today's benefits are worth *50% more* in *purchasing* power than those in 1939. We submit that the Department of Labor's claims of benefit inadequacy and the need for a high federal maximum are without foundation when the real facts are uncovered and examined.

3. UNIFORM WEEKLY BENEFIT DURATION IS INEQUITABLE

H.R. 8282 would require a uniform 26 weeks duration for any claimant who initially qualifies for benefits. This is another proposal at variance with the soundly-based system carefully worked out by the states. Forty-three states and the District of Columbia use a variable duration related to the claimant's work and earnings history. In most states the maximum duration is at least 26 weeks. In nine states, benefits can be payable for even longer.

States have based the duration of weekly benefits, as well as their amounts, upon the employment history of the claimant, in keeping with sound insurance principles. Under these, the duration of benefits should reflect the length and degree of attachment to the labor force. A greatly expanded uniform minimum duration, for all who meet relaxed qualifying standards, indicates that "welfare" principles are being substituted for those of true unemployment insurance. Thus, the Bill in one stroke would dispense with the present system, so carefully conceived and written into law over a quarter century.

Furthermore, it is clear that such changes would result in substantially increased costs, without adequate justification either in equity or reason. In most states the maximum duration would be available after a much shorter work history than is now required.

Finally, there are material differences in the nature of the work force between the various states. The relative amounts of agriculture, industry, service employment, manufacturing, etc., and seasonal as well as cyclical employment conditions, vary substantially among the states. These significant differences would no longer be recognized under uniform minimum benefit duration and work-week requirements.

4. STANDARD DISQUALIFYING PROVISIONS INVITE COSTLY ABUSES

H.R. 8282 would provide virtually *no disqualification* at all, and only a maximum *postponement* of benefits for six weeks, except for unemployment due to fraud, conviction of a crime in connection with work, or a labor dispute.

In contrast to these dangerously oversimplified controls—or lack of them—the states have very carefully developed proper eligibility provisions, which have been reviewed and interpreted over the years in a substantial volume of administrative and case law. The state system is built upon procedures closely involving the employee and his company in proper claims determination. The provisions for hearings and appeals are models of the workings of administrative law. Neither Congress nor any federal administrator should attempt to impose uniform standards, nor be expected to master the minutest details of a system which has been carefully worked out to provide equity to employees and employers alike.

Furthermore, elimination of this system is certain to open the door to abuse of the state programs and to increase costs for all employers. For example, at the present time almost all states disqualify or limit benefits to voluntary retirees receiving pensions from private retirement plans and/or Social Security along with employees who voluntarily quit their jobs or who are discharged. These necessary and desirable control provisions would be tossed out the window in favor of a federal standard that benefits cannot be cancelled or limited, and that disqualification cannot exceed 6 weeks.

This is the same approach to mass liberalization of benefit eligibility as was tried in Canada, where rules pertaining to pregnant women were cancelled, regular benefits were given to retirees, and other qualifications loosened—mainly, it seems, because the fund showed a healthy balance at the time. This soon led to financial disaster for the Canadian system, as I will touch upon again later.

Where benefit amounts are liberal, appropriate eligibility and disqualifying provisions must be enforced in order to have a sound insurance system. H.R. 8282 would eliminate most of the long-accepted conditions imposed by many states, while at the same time greatly liberalizing benefits—so we would soon reach the point where more and more people, with fewer and fewer qualifications, will be getting larger benefits lasting for a longer time.

Now we would like to move from BENEFIT provisions to those relating to *FINANCING*, the *second part of our testimony.*

As you know, the original Federal law, in supplying the impetus for action by individual states in adopting Unemployment Compensation programs, also provided for state experience rating systems. It also set up a net federal tax to pay much of the expense of state administration, and provided for loans to state systems as a safeguard against insolvency. Each state was allowed to determine its own maximum tax base, tax rate, tax schedules and system of experience rating. H.R. 8282, by forcing drastic increases in the taxable wage base in nearly every state, would eliminate much of each state's prerogative as to alternative methods of providing necessary revenue—that is, by variations in tax rates, schedules, wage bases or any combination thereof. Furthermore, we are convinced that H.R. 8282 would gradually destroy the unique and proven experience rating system which has flourished in this country. Here are some reasons . . .

1. NO NEED TO MORE THAN DOUBLE PRESENT TAX BASE

The proposed increase in the federal tax base (220% of its present amount) would result in substantially increasing the taxable wage base for all states except Alaska, and would pre-empt each state's right to raise revenue as it deems best. This would be especially unnecessary for many states which have recently considered their revenue requirements, and adjusted their wage base, tax rate or tax schedules accordingly.

At the present time, for example, the 18 states shown on Table II have adopted wage bases in excess of $3,000. The fact that in only one is the maximum anywhere near $6,600 is clear evidence that nowhere near so large an increase is either desirable or necessary.

If the federal tax base were increased to $6,600, states would soon be forced to raise their bases to this level, or face the penalty of loss of tax credits and

other sanctions. Also, many states as an alternative to experience rating would now probably adopt a uniform tax rate for all employers somewhere below 2.7%. This would impose a "double penalty" on industries and companies providing year-round stable employment, as compared to employers using the labor market on a seasonable or sporadic basis. In the first place, the stable employer would have to pay the same tax *rate* as the unstable employer. In the second place, he would have to pay the same tax rate on a much higher average earnings *base* and therefore a far larger tax amount. *Thirdly*, employers with negative balances could pay even less than at present and would cause greater drains on the state funds due to higher benefits.

Let's take an example of how an increase in actual taxes could hide behind a *lower tax rate*. A tax rate of *1.4%* on a wage base of $6,600 will provide more dollar revenue than a tax rate of *3%* on a wage base of $3,000. We submit that if a uniform lower tax rate resulted from using a mandatory $6,600 wage base, this would inevitably lead to seemingly innocuous future increases in the tax *rate*, which would then be used to provide even larger benefits, under more relaxed eligibility qualifications.

In addition, we would like to point out that in order to provide sufficient reserves and appropriate benefits at the state level, there is no need whatsoever to increase the present tax base in the federal law. The history of the subject abundantly shows that this has been most adequately handled by the various state agencies, either by revising their present tax *rates* on existing base wages, or modest revisions in tax *bases* in an amount necessary only to provide needed additional revenue, or a combination of both.

In both their explanatory statement filed with the Committee and the testimony of Secretary Wirtz, the Department of Labor feels there is justification for a tax base increase because (1) unemployment taxes represent a lower proportion of total payroll at present than in 1939 and (2) the increase would permit States to improve the operation of their experience rating systems! We will demonstrate later that the Bill will in all probability eliminate experience or merit rating systems. The test should not be whether or not the unemployment compensation tax is a certain proportion of payroll, but whether or not the State funds demand such an increase to pay benefits. I believe we have shown present benefit levels to be more than adequate and nothing has been introduced to show that the vast majority of State funds are in any way inadequate.

Finally, the need and desirability advanced by the Labor Department for gearing the unemployment compensation tax base to Social Security is completely fallacious, since no direct relationship whatsoever exists between the two types of benefits. Social Security benefits are directly related to the wage base; Unemployment Compensation is *not*.

2. NEEDED REVENUE BEST RAISED BY TAX RATES SET BY STATES

Under H.R. 8282 revenue from an increase of .15% in the federal tax rate would go into a new Federal Unemployment Adjustment Account. Such revenue, together with an equal direct appropriation from the Treasury, would be used for Federal Unemployment Adjustment Benefits and so-called "Matching Grants". We are opposed to any increase in federal tax rates for such purposes because we are opposed to both these proposals, for reasons we touch upon later.

The Council on Employee Benefits believes instead in state-determined tax rates to provide state-determined benefits. We believe that the states are in the only position to judge the best means of raising necessary revenues for their own programs. The flexibility of choice between alternative tax bases, rates and schedules would be substantially restricted, and perhaps eventually eliminated, under the proposed tax base increase. To claim that intervention is needed due to inaction at the state level is not valid. For example, four states are adjusting their taxable wage *bases* and six states are adjusting their tax *rates*, this year alone. Two of these states are adjusting both. The present variance in maximum state tax rates is reflected in Table III.

3. UNIFORM FLAT TAX REDUCTIONS WOULD WIPE OUT MERIT RATING

This proposal marks an abrupt change in philosophy from the concept of an *insurance* program with individual employer accountability, to one of permitting and indirectly encouraging Unemployment Compensation to become a *socialized*

welfare program. The provision in section 208(c) of the Bill which for the first time in history permits uniform tax rate reductions without experience rating would undermine a basic cornerstone of the Unemployment Compensation system throughout this country! By this I mean the merit or experience rating concept which encourages and rewards employers for promoting stable employment, lower turnover and therefore higher average earnings for their employees.

Make no mistake about it. A direct attack on experience rating is being made by proponents of this Bill. Although they state that its intent is merely to provide flexibility for each state to grant reduced rates, their arguments only thinly veil the real thrust at the very heart of our present system of tax credits and reserves geared to an employer's actual claim experience.

For example, the Department of Labor's background information furnished this Committee on July 26th devoted only three sentences to this vital subject. It gave no hint of the fact that H.R. 8282 proposes a basic conceptual change in our U.C. system. The Department's only statement was that this provision would give States complete freedom in revising tax rates to fit the proposed base and would facilitate adjustments in schedules. A layman could not possibly have recognized its cleverly concealed stand on the controversy which has raged behind such proposals for 30 years.

In his testimony the Secretary of Labor advances that benefits have been held down by interstate competition in rates, and therefore by experience rating. Although benefit amounts and conditions do affect rates in states, a much more significant factor is the nature of the industry there. The Secretary's argument is an old and weak one and has been answered many times heretofore.

The importance of this Bill cannot be over-emphasized. Since under present law an Advisory Council is supposed to assist the Secretary in reviewing Unemployment Compensation matters—such as the necessity of changes in the law—one can only speculate why the Secretary did not obtain the advice of the Council long before this Bill was introduced. The fact that in spite of this the Bill itself would establish *another* advisory group causes us some concern about how to interpret the Department's statement that "The proposed amendments will not change the program's basic Federal-State character." We can hardly help but arrive at exactly the *opposite* conclusion and wonder if this statement may not, perhaps inadvertently, serve as a smoke screen to hide the true nature of the Bill's objectives.

Our organization has polled its member companies for information to demonstrate the effect of merit rating over the last 10 years. Actual unemployment compensation tax payments and credits were tabulated both for the year 1964 and for the 10-year period 1955–1964. Table IV contains the highlights of this study.

Member companies of the Council paid estimated *Federal* Unemployment Compensation taxes in this ten-year period of almost *$400 million*, and estimated *State* Unemployment Compensation taxes of about *$1¾ billion*. State *reserves* attributable to member companies as of the end of 1964, were estimated to be over *$700 million*.

The states have had, and still have, the use of this reserve money, usually without interest. These sizeable reserves—and all others presently earmarked for responsible employers with good unemployment experience—could in effect be "commandeered" and dissipated for general benefit *handouts* under the proposed provisions.

Merit rating systems have resulted in tax credits to member Companies of the Council of an estimated *$1.2 billion* over this *10-year period*. These credits have resulted from the accumulation of substantial reserves in the state funds by the member companies, based on their favorable experience in combatting the causes of unemployment which are within their power to influence; for example model design and change-over, inventory fluctuations, seasonal unemployment, etc.

If merit rating is something the Department of Labor would like to see retained in the State systems, may I respectfully ask why, then, will it no longer be required to have such a system under Section 208 of H.R. 8282?

We strongly feel that merit rating has a stabilizing effect on employment and substantially reduces potential unemployment. The abolition of merit rating in favor of a uniform flat reduction in rates would soon end the concept of insurance based on individual employer responsibility. After 25 years of results with a system originally encouraged by federal law, and which has

abundantly fulfilled its purposes, should we now legislate it out of existence through H.R. 8282? Make no mistake, gentlemen: the elimination of the necessity for merit rating would be a clear victory for its opponents and an invitation for many "pressure groups" to get rid of it on a state by state basis.

The end of experience rating would not only hit hardest the very employers who have done the most to further it, that is, those who have acted to curtail unemployment and who have established large reserves in the state funds; but it would also tragically spread the disease we are trying so hard to cure, by removing one of our most effective curbs on unemployment—the incentive for states and employers to join forces in keeping it to a minimum.

4. MATCHING PAYMENTS CONCEPT SUBSIDIZES OVER-ALL BENEFITS

The brand-new concept of matching payments built into H.R. 8282 invites liberalization of benefit payments beyond the triggering cost point of 2% of total covered wages, and points us directly toward a socialized welfare-type system. It does this by subsidization of any excess cost at the expense of employers and the general public, through financing from the federal portion of the tax and direct Treasury appropriations. It is not true "matching", in that the Federal government will pay two-thirds of the cost to the state's one-third—a tempting plum that could be hard to resist.

The clear trend of any such breakdown in individual state responsibility for its own financing, and the attendant dependence on the "dole" of federal grants, would ultimately mean the complete federalizing and welfarization of the entire Unemployment Compensation system in this country.

We maintain, therefore, that the door should not be opened to federal financing of state benefits through the medium of "fool's gold" grants. The states should continue to be fully responsible for providing the revenue for their own programs. If an emergency does arise in any state, in which its reserves become depleted, that state may under present law obtain advances from Title XII federal funds to temporarily finance its benefits. The amounts borrowed are then restored in succeeding taxable years. We assert that the availability of such loans is a sufficient federal safeguard against insolvency of state programs—with the possible exception of unusual circumstances of dire urgency, in which case special legislation for a type of inter-state temporary risk-sharing aid to a hard hit area could always be enacted. At the present time, however, we do not see that a permanent matching-grant provision is in any way necessary or justifiable.

The *third* and final part of my testimony relates to the *FEDERAL UNEMPLOYMENT ADJUSTMENT BENEFITS* proposed by H.R. 8282.

On the whole, the members of the Council on Employee Benefits subscribe to the principle of Extended Duration of Benefits, available under proper controls, during periods of unusual and prolonged unemployment in certain areas of our country or economy. However, we believe strongly that the proposed program goes much too far beyond the actual problem, and is a radical departure from all prior precedents. We see no need to superimpose what is essentially a federal system of quasi-welfare benefits on what would be a severely hamstrung state unemployment insurance system.

1. DANGERS INHERENT IN A VAST NEW FEDERAL PROGRAM

Federal Unemployment Adjustment Benefits are another brand-new concept which upsets the traditional balances in the federal-state-unemployment insurance system. Under this radical proposal the federal government would make payments to states for Federal Unemployment Adjustment Benefits. Refinancing would come only from increased federal taxes and direct Treasury appropriations—which is an entirely new way to provide unemployment benefits. In short, this is entirely a *federal* program, except for the states serving principally as administrative and paying agents.

Much has been made of the desirability of standby disaster-type extended unemployment benefits. Federal Unemployment Adjustment Benefits would be available at *all* times, however, based purely on claimant exhaustion of benefits. Amounts are equivalent to the state benefit, continued up to a flat maximum of 26 additional weeks.

The basis of this proposal is that certain types of unemployment, such as those due to automation, lack of skills and training, etc. can continue for long periods for the persons involved, and can exist irrespective of general unemployment conditions. We agree with the objectives to educate and train such unemployed workers and to have unemployment benefits available to them during such periods of training, under proper safeguards as to potential abuse, *but* here again at the State level.

However, we do not believe that extended unemployment compensation, as such, should be paid during other than periods of *severe general unemployment*. Also, such conditions should be determined on a state by state basis, tailored to take care of any substantial pockets of unemployment existing either throughout a state, or even in a particular industry or locality when due to the factors just mentioned.

Unemployment insurance is not intended to deal with isolated individuals in otherwise prosperous communities. This is a problem for local welfare programs. These welfare objectives, if we attempt to write them into unemployment insurance systems, are sure to result in a general loosening of the system and a deteriorization of unemployment insurance principles. Liberal benefit amounts will be an inducement to abuse the system for those not intended to be helped. Uniformly long duration available to everyone is also a lure to laziness, and is not justified by the now relatively small percentage of claimants, who exhaust present limits.

There will always be benefit exhaustees. At what point will the problem ever be solved, if we keep on extending the durations as a general right. The Department of Labor's testimony on this fails to bring out that the rates and numbers of exhaustees have been *decreasing* every year since 1961.

2. CANADIAN DISASTER PROVES OUR STATE SYSTEM IS SAFER

A program of extended benefits, to tie in properly with the existing state insurance system and meet real local needs, should be triggered by state unemployment conditions, and should give each state the primary responsibility for financing and setting conditions for benefits. Any attempt to provide extended aid during prolonged individual and personal employment problems by doubling maximum benefit durations throughout the entire nation, cannot help but lead to the welfarization and destruction of the state unemployment insurance system as we know it. The experience of Canada should be a warning for those who would try to combine sound insurance principles with broad welfare aims.

Through relaxation of eligibility requirements, increases in benefit entitlement, and creation of a suplementary or seasonal benefit, Canada substantially removed the concept of an insurable risk and changed original unemployment insurance principles to meet welfare objectives—*with catastrophic results!* H.R. 8282 contains certain similar features. For example, Canada removed special rules for *pregnant* women and no longer disqualified or restricted retirees from receiving benefits. As a result, reserves created prior to such changes in the program totalling approximately 880 million dollars in 1957 were dissipated to approximately 15 million dollars within a 6 year period. A special Committee of Inquiry at this point recommended that the basic unemployment insurance program in Canada be revised to *re-establish the original unemployment insurance principles*, and that any payments beyond the regular benefits under the unemployment insurance program be financed through a separate welfare plan to be supported from general taxation.

To prove that only this makes economic sense let me cite just one specific case turned up by the Canadian Committee. The point was reached where seasonal fishermen for whom $2.9 million had been contributed to the fund, had drawn benefits of $26.7 million—roughy 9 dollars out for every dollar in!

I am afraid that if we in the United States allow ourselves to start down this path of federal welfarization, the handwriting is on the wall!

This completes our testimony on what we believe are the unsound provisions in H.R. 8282. We do not deny that there are also meritorious features which could improve the generally effective workings of our present State-focused Unemployment Compensation Systems. Better trained state administrative staffs, extension of coverage to additional employee groups, workers retraining without loss of eligibility for unemployment benefits, standby provisions for extended benefits and financing triggered by severe general unemployment conditions—are all desirable objectives. But they can and should be attained at the state level without the mass of federal-oriented provisions built into this Bill. We do

oppose the meaningless minimum, the over-liberal maximum, the more-than-double tax base, the dangerous precedent of financing from general revenues, the far-reaching federalization of matching grants and extended adjustment benefits, the relaxed rules for benefit qualification—all for reasons already noted. We feel that each is either an unnecessary intervention in a system soundly conceived and sensitive to its own needs, or an unwarranted step toward a massive federalized welfare program.

Most particularly, the members of the Council on Employee Benefits deplore the uniform tax credit and other provisions aimed at destroying the merit rating system. It is our firm conviction that this basic principle, built into our unemployment compensation systems from the beginning, is the most important constructive feature we have.

Merit rating enlists employers in a concerted effort to *reduce* unemployment. H.R. 8282 is geared instead to paying a bigger premium for it—and so to that extent *encouraging* it. One tends to curb the disease—the other only alleviates the symptoms.

Our present state systems provide incentive and tangible rewards for increasing and stabilizing *employment*—the proposed federal program substitutes increased subsidization of *unemployment*.

Gentlemen, in the final analysis the choice is clear: Are we more interested in providing *jobs*—or *benefits*?

TABLE I.—*Maximum weekly benefit amounts (as of 1/1/62 and as of 7/1/65)*

	Maximum weekly amounts as of—[1]		Percent[2] increase
	Jan 1, 1962	July 1, 1965	
Arizona	$35.00	$43	22.9
Arkansas	30.00	38	26.7
California	55.00	65	18.2
Colorado	$47.00- 59.00	51	8.5
Connecticut	45.00- 67.00	$50- 75	11.1
District of Columbia	30.00	53	76.7
Hawaii	55.00	[3] 63	14.5
Idaho	43.00	48	11.6
Indiana	26.00	40- 43	11.1
Iowa	30.00- 44.00	49	63.3
Kansas	44.00	47	6.8
Kentucky	37.00	40	8.1
Louisiana	35.00	40	14.3
Maine	33.00	[4] 44	33.3
Maryland	35.00- 43.00	48	37.1
Massachusetts	40.00	[1] 45	12.5
Michigan	30.00- 55.00	43- 72	43.3
Minnesota	38.00	[5] 47	23.7
Missouri	40.00	45	12.5
Nebraska	34.00	40	17.6
Nevada	37.50- 57.50	41- 61	9.3
New Hampshire	40.00	49	22.5
New York	50.00	55	10.0
North Carolina	35.00	42	20.0
North Dakota	36.00	44	22.2
Oregon	40.00	44	10.0
Pennsylvania	40.00	45	12.5
Puerto Rico	16.00	20	25.0
Rhode Island	36.00- 48.00	47- 59	30.6
South Carolina	34.00	40	17.6
South Dakota	33.00	36	9.1
Tennessee	32.00	38	18.8
Utah	43.00	48	11.6
Vermont	40.00	45	12.5
Virginia	32.00	36	12.5
West Virginia	32.00	35	9.4
Wisconsin	50.00	56	12.0
Wyoming	49.00- 55.00	47	−4.1
Average change (38 States) (percent)	19.4		

[1] Where 2 amounts are shown the higher includes dependent allowances. In Massachusetts the maximum with dependents is not specified and could go as high as 100 percent of the average weekly wage.
[2] Percent increase at lower amounts shown for each State.
[3] Effective January 1966.
[4] Effective April 1966.
[5] Effective July 1966.

TABLE II.—*States with taxable wage bases in excess of $3,000*

States:	Taxable wage base
Alaska	$7,200
Arizona	3,600
California	[1] 4,100
Delaware	3,600
Hawaii	4,200
Idaho	3,600
Massachusetts	3,600
Michigan	3,600
Minnesota	[1] 4,800
Nevada	[1] 3,800
Oregon	3,600
Pennsylvania	3,600
Rhode Island	3,600
Tennessee	3,300
Utah	4,200
Vermont	3,600
West Virginia	3,600
Wisconsin	[1] 3,600

[1] 1965 legislative change.

TABLE III.—*States with maximum tax rates in excess of 2.7 percent* [1]

State:	Tax rates above 2.7 percent
Alaska	4.0
Arkansas	3.6
California	3.5
Delaware	3.6
Florida	4.0
Georgia	4.2
Hawaii	3.0
Idaho	4.5
Illinois	4.0
Kentucky	4.0
Maryland	4.2
Massachusetts	3.9
Michigan	4.6
Minnesota	3.0
Missouri	3.6
Nevada	3.0
New Hampshire	4.0
New Jersey	3.9
New Mexico	3.0
New York	4.2
North Carolina	3.7
North Dakota	7.0
Ohio	4.7
Pennsylvania	4.0
Puerto Rico	3.1
South Carolina	4.1
South Dakota	3.6
Tennessee	4.0
Vermont	4.1
Wisconsin	4.45
Wyoming	3.2

[1] Maximum rates assigned to employers thus far during calendar year 1965.

TABLE IV.—*Consolidated summary survey of unemployment compensation data*

[Compiled from 110 member companies of the Council on Employee Benefits representing 3¾ million employees]

Item	Amount (estimated)	Percent
A. 10-year period 1955 through 1964:		
1. Total Federal unemployment compensation taxes paid	$395,152,000	
2. Total State unemployment compensation taxes paid	1,744,490,000	60
3. Total State maximum payable	2,916,804,000	100
4. Total tax credits (3 minus 2)	1,172,314,000	40
5. Total State reserves	706,158,000	
B. For calendar year 1964 alone:		
1. Total Federal unemployment compensation taxes paid	47,548,000	
2. Total State unemployment compensation taxes paid	255,628,000	69
3. Total State maximum payable	371,648,000	100
4. Total tax credits (3 minus 2)	116,020,000	31

INTERNATIONAL UNION,
ALLIED INDUSTRIAL WORKERS OF AMERICA,
Milwaukee, Wis., July 22, 1966.

Re S. 1991.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
United States Senate,
Washington, D.C.

DEAR SENATOR: While we are aware that a tremendous amount of material relating to the hearings on unemployed compensation reform, and in particular S. 1991, have been called to your attention, we feel that the problem presented to your Committee is of such far-reaching significance that we take the liberty of adding our views to the many already expressed.

We are particularly concerned about the present lack of uniform federal standards, both in terms of the amount of weekly benefits and the duration of weekly benefits, as well as the lack of additional unemployment benefits from the federal government.

Ours is an international union. We have members in many states and we have contracts with large corporations which operate in many states. Accordingly, we are often confronted with the serious and contradictory situation in which our members who are employed at separate plants of the same employer and doing essentially the same type of work are laid off about the same time but, only because of an invisible state line, do not receive uniformity of treatment in their unemployment compensation benefits. For example, our members in the midwest area of our country, if on layoff at the same time from the same employer but at different plants in different states, can receive as low as $33.00 a week, or less than ⅓ of their average weekly wage, in Michigan (exclusive of dependency benefits) to as high as $55.00 a week, or more than ½ of their average weekly wage, in the State of Wisconsin. The benefits in between will range at levels of $38.00 in Illinois; $40.00 in Indiana; and $42.00 in Ohio, all of which will be a different percentage of the average weekly wage. It is our understanding that under the federal standard proposed by the McCarthy Bill (S. 1991) the above figures will be adjusted to result in a minimum weekly benefit of $70.00 in Wisconsin to a maximum of $83.00 in Michigan, with $73.00 in Indiana, $76.00 in Illinois, and $75.00 in Ohio. The important factor here is not so much the increase in benefits as it is that the benefits under the McCarthy Bill will all bear the same ratio to the average weekly wage, which will mean that all the employees will be treated alike in that respect.

In addition to the obvious inequity in the amounts of unemployment compensation in the states we have used as an example, there is also a very serious inequity in the duration of such benefits. While in all of the states mentioned the maximum duration may be set by statute at 26 weeks, the variation in the eligibility requirements for the maximum duration are such that employees working for the same employer but in different states will not receive the full benefit for 26 weeks.

And, of course, the provision of the McCarthy Bill which will permit additional federal unemployment compensation benefits after the 26 weeks would pick up the economic slack resulting from longer periods of unemployment.

While we have emphasized in this letter the need for greater uniformity in the computation of benefits, as well as in duration, we also subscribe to the provisions of the Bill which will require broader coverage of unemployment compensation.

We are enclosing herewith a fact sheet which was published for our membership in our monthly magazine, The Allied Industrial Worker, for July 1966. We would appreciate your making that fact sheet, together with this letter, a part of the records of the hearings before this Committee.

We earnestly urge that your Committee give the fullest and most sympathetic consideration to the McCarthy Bill because of its great forward step in eliminating the economic distortions, as well as the personal suffering caused by unemployment.

Very truly yours,

CARL W. GRIEPENTROG, *International President.*

[From the Allied Industrial Worker]

NO FEDERAL STANDARDS—SENATE ONLY HOPE AFTER HOUSE KILLS JOBLESS PAY REFORMS

WASHINGTON.—When all but 10 members of the House of Representatives votes for "improvements" in unemployment compensation, it's a safe bet that the improvements will be strictly limited.

This was precisely the case when, by a 374 to 10 vote, it approved a jobless pay amendment denuded of its most vital provisions—federal standards—which was knocked out in the House Ways and Means Committee. Supporting the watered-down measure were some of the House's most ultra conservatives.

Organized labor and the Administration are now looking to the Senate to restore this provision and other meaningful changes.

The bill, as passed by the House, would broaden unemployment compensation by bringing in 3.5 million additional workers. The Administration and organized labor had asked extension of coverage to 5 million more. The bill would provide 13 weeks of extended jobless insurance payments during periods of recession. The Administration and organized labor favored an additional 26 weeks of such extended benefits.

Prior to the House vote, Rep. Jeffery Cohelan (D–Calif.) said he was particularly distressed that the bill "ignores the plight of America's farm workers by refusing to bring even a limited number of them under the act."

Rep. William F. Ryan (D–N.Y.), expressing views of both the Administration and organized labor, listed four major respects in which the bill falls short:

"The most important shortcoming is its failure to provide for Federal unemployment compensation standards. The Administrations' measure would have required the states to meet minimum standards of compensation—50 per cent of wages, duration at least 26 weeks—and qualification. Thus, unemployment compensation would be propped up in those states which have programs that do not meet these standards, and the whole system would be more uniformly beneficial.

"Second, the committee reduced the number of employees to whom new coverage would be extended. Under H.R. 8282, 5 million workers would have been able to receive for the first time the benefits of unemployment compensation. Under H.R. 15119, the revised bill, only 3.5 million new workers will enjoy these benefits.

"Thirdly, under the Administration's proposal, the wage base would have risen to $5,600 in 1967 and $6,600 by 1971. I might point out that the wage base has not been increased in the Federal law since the inception of the program 30 years ago. Eighteen states have already adopted a wage base well in excess of $3,000. Yet the committee saw fit to cut the wage base proposal. The present $3,000 figure will remain in effect until 1969, when it will rise to $3,900, eventually rising to $4,200 in 1970.

"Finally, the committee did not adopt the supplemental benefits provision, which would have provided extended benefits for an additional 26 weeks after an unemployed worker exhausted his regular 26 weeks of payment. Instead, it has provided for 13 additional weeks, and also restricted the extended program to times of unusually high national unemployment. This is a reversal of the original objective of this provision."

STATE UC SYSTEM PROVIDES LITTLE PROTECTION FOR MOST

America's unemployment insurance system is a patchwork of state programs in which jobless workers in some states, clearly, have far less protection than in others.

To bring about some uniformity—to treat all workers approximately the same—the Johnson Administration has proposed that federal standards be established. This proposal has the solid endorsement of organized labor.

Federal standards were included in H.R. 8282, introduced by Chairman Wilbur Mills, (D–Ark.), of the House Ways and Means Committee and introduced as S. 1991 in the Senate by Senator Eugene McCarthy (D–Minn.) and 15 other Senators.

There were provisions in the bill other than federal standards but the principle of federal standards was the heart of the proposal.

So, when the Ways and Means Committee turned down federal standards, it removed the heart of the plan to modernize jobless pay. Organized labor is now looking to the Senate to restore this "heart" if unemployment compensation reforms are to have any real meaning.

The collapse of benefit ceilings

Maximum benefits as percent of average weekly wages	Number of States	
	1939	1965
Over 70	16	0
60 to 69	16	1
50 to 59	17	8
40 to 49	2	25
Under 40	0	18

Federal standards, as proposed, would cover these areas:

Increased Benefits—Higher weekly amounts would be required of the states. Maximums must be raised in steps until they reach two-thirds of each state's average weekly wage. Benefit floor will be half of each unemployed worker's weekly wage loss subject to the new maximums.

Extended Duration—Long-term adjustment benefits would go to those who use up all their state allowance. Payments would continue at the state's weekly amount for six more months, if needed, so long as the unemployed worker maintains his eligibility. Benefits are also payable during an approved training period.

Disqualification Penalties—States would be allowed to withhold benefits up to six weeks—the average duration of a spell of involuntary unemployment—in cases where the worker quits voluntarily, was discharged for misconduct or refused suitable work. Local employment offices could withhold longer, however, if there was evidence of continued violations.

To most people this would seem to be reasonable and enlightened legislation in line with other socially progressive legislation passed in recent years.

Opponents, however, charge that the bill is "a shocking grab for federal power" and "nothing less than total revolution in our system for giving benefits to the unemployed:" This is the contention of the ultra conservative Reader's Digest magazine.

Rep. Charles Vanik (D-Ohio) has answered this charge fully. He says:

"There is no 'grab' for federal power, and H.R. 8282 is not a revolutionary federalization of the unemployment compensation system. The system was created not by the states but by the taxing power of the Congress when it passed the Social Security Act of 1935 . . .

"There have always been certain standards in the federal statute that state laws must meet, for employers in that state to receive almost 90 percent credit against the federal tax. H.R. 8282 would now provide some additional standards that state laws must meet in the future for full credit to be allowed . . .

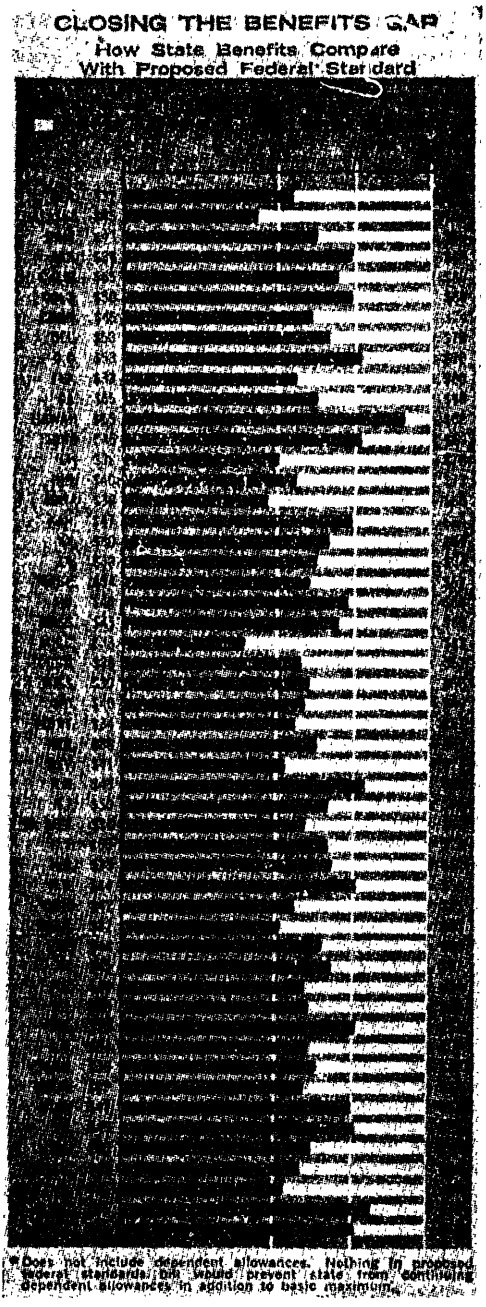
"The bill imposes no penalties—it just contains provisions for tax credit. And as several independent scholars have pointed out, the federal government must be able to use some incentive to encourage the states to make needed adjustments within a reasonable length of time. And it should be noted that the new federal 'standards' allow, as of now, great initiative and variation to be made by the states."

Opponents of federal standards also claim that employers would be saddled with an estimated increase of 60 percent or more in payroll taxes.

Vanik, however, points out that in 1965 the total cost of jobless pay was about $2.2 billion. Proposed improvements would have added less than another half a billion dollars.

If the proposed federal standards were written into the law it would make considerable difference in the benefits received by jobless workers. Here are some examples of the maximum weekly benefits in some states:
Alabama—from $32 to $58; California—from $55 to $80; Colorado—from $50 to $68; District of Columbia—from $53 to $70; Illinois—from $38 to $76; Indiana—from $40 to $73; Michigan—from $33 to $83; Minnesota—from $38 to $67; Missouri—from $40 to $69; New Jersey—from $50 to $75; New York—from $50 to $76; Ohio—from $42 to $75; Oregon—from $44 to $69; Pennsylvania—from $45 to $67 and Wisconsin—from $55 to $70.

The difference between the present maximums and proposed maximums is, unquestionably, the difference between not being able to provide for your family and being able to provide; to live in poverty and not live in poverty when you are out of work. A myth has been built up that hundreds of thousands of workers are receiving unemployment compensation illegally, getting something for nothing rather than working for it. Proposed legislation would in no way limit a state's ability to detect, prosecute and obtain criminal convictions for fraud. The important thing is that in the America of today, adequate jobless insurance is imperative. And if we are going to get it, the Senate of the U.S. now holds the key.


CLOSING THE BENEFITS GAP
How State Benefits Compare
With Proposed Federal Standard
* Does not include dependent allowances. Nothing in proposed federal standards bill would prevent state from continuing dependent allowances in addition to basic maximum.

STATEMENT OF J. BILL BECKER, PRESIDENT, ARKANSAS STATE AFL–CIO

My name is J. Bill Becker, and I am President of the Arkansas State AFL–CIO. On behalf of my organization and the working people of Arkansas I want to thank the Committee for considering our views in the interests of necessary and meaningful improvements in our unemployment insurance system. We support the general broad goals of S. 1991, but I will confine my statement to certain features with which we have had experience in Arkansas.

BENEFITS

The benefit provisions of the Act which would require that the state maximum be increased to 66⅔ percent would greatly improve the present law, although we are disappointed that you would wait until 1971 to accomplish what needs to be done now. The maximum unemployment benefits are now limited to one-half of the state average weekly wage for insured employment for the previous year. With an average wage of $76, our maximum is now $38 weekly and will be adjusted each year. This provision was adopted in the Arkansas Legislative Session of 1963. It was the first time our maximum benefits had reached 50 percent since 1950. In 1939, a unemployed worker received a benefit of half his weekly wage, up to a maximum of $15.00. The average weekly wage in Arkansas was then $16.00. Therefore, virtually all workers were able to receive benefits of half their weekly wage as our law originally intended. In 1964, however, there were over 29 percent of our claimants who drew the maximum rate; most did not get 50 percent of their wage loss; this is better than in some states, but it does not yet provide the great majority with 50 percent of their wage loss. It is discrimination. Justice and equity demand equal treatment for all workers. There is no valid economic reason why employees whose earnings are over $76 a week, with the possible exception of the highest paid, should get less than 50 percent of their wage loss restored when unemployment strikes.

Because of their higher wage, these workers have attained a higher standard of living and greater financial obligations. Although Arkansas average hourly earnings are 75 cents per hour below the United States average, thousands in our labor force make fairly decent wages. As a mater of fact, two industries, paper and allied products and chemicals and allied products, have earnings higher than the United States average.[1]

We still have a lot of catching up to do. The average weekly benefit amount for total unemployment in 1964 was only $26.49. Of 44,594 persons receiving one or more payments in 1964, 11,461 claimants exhausted their benefits. The average duration of benefits was 11.6 weeks. A standard calling for 26 weeks of benefits, if a worker has 20 weeks of employment in his base year, would certainly help stabilize the Arkansas economy and provide needed subsistence for many families.

FINANCING

At the same time that Arkansas workers benefited from the 1963 legislation, the stabilization rates were revised downward so that, in effect, 85 percent of the employers in the state received a tax break. These were employers who had a good experience rating. The old law in Arkansas provided that when the unemployment Fund level reached two times the previous year's benefit payment, all rates below 2 percent would rise to 2 percent until the Fund was stabilized. In addition, a "floor" was set in the event the Fund continued to fall; if the Fund equalled the previous year's benefit payments, an emergency feature provided that all rates would automatically go to 2.7 percent. Administration officials estimated that the 2 percent trigger point would be reached by 1964 unless the rate schedule was changed. There was an imminent 2 percent tax rate minimum facing the employers. The law changed the rate schedule so that when the trigger points were reached, the tax rate would go up by only two-tenths of a percent. We estimate that in 1963 one utility alone saved some $80,000 in unemployment insurance taxes. The emergency trigger point, or "floor", was removed entirely and it is quite possible, under the present Arkansas law, that if the Fund keeps falling it could conceivably, in a period of high unemployment, go down to zero.

[1] Average Hourly Earnings in Arkansas, Publication H–10a, Industrial Research and Extension Center, College of Business Administration, University of Arkansas, May 1965, Table 2.

While most employers received what amounted to a tax break, 15 percent of all employers with negative balances were assigned a penalty rate of 4 percent. Whereas the negative balance employer formerly had a tax rate of 2.7 percent of payrolls—regardless of how much they were overdrawn—the new statute increased their maximum rate to 3 percent on April 1, 1963; to 3.3 percent on January 1, 1964; to 3.6 percent on January 1, 1965; and will go to 4 percent on January 1, 1966. It hardly seems fair that these employers—the least able to pay—who have poor experience ratings, largely as a result of the economic nature of their business, should be punished.

Experience rating has resulted in the underfinancing of our program. Since 1938, employers have been taxed an ever smaller proportion of their payrolls. A contributing factor, of course, has been our low tax base of $3,000. The 1964 year-end balance (of our Trust Fund) was at the lowest level since the end of 1944. In the last 11 years, since 1953, the Fund balance has dropped $17,213,885. In each of these years, benefit payments have exceeded employer contributions—the excess totaling $25,591,792 during the 11 year period.[2] In spite of the advances in experience rates in the past two years, Arkansas still has a low average rate in comparison with most other states.[3] The 1964 average tax rate was 1.49. Twenty-six percent of our employers had a rate of 0.3 percent; twenty-four percent of our employers had a rate ranging from 0.5 percent to 1.1 percent. See Exhibit 1. These experience rating provisions have resulted in savings to employers of almost $150 million since the provisions first became effective in 1942.[4]

Unemployment insurance is not, as many employers believe, a system for keeping their taxes and costs down. It is designed to keep purchasing power up. We have high hope that Congress will help us solve this very serious problem of underfinancing that plagues our state program. We are fearful today that an effort might be made to freeze our present 50 percent escalator clause at its present maximum of $38 a week unless our Fund is properly financed. We do not believe that we can maintain an adequate level of benefits unless Congress sets a floor under benefits and at the same time substantially increases the tax base.

1965 ARKANSAS LEGISLATIVE EXPERIENCE

The close relationship between the employer's financial interest in his tax rate reflects directly on eligibility and disqualifications. At the very first opportunity, the employer groups moved to protect their low tax rate at the expense of the unemployed. The 1965 Session of the Arkansas Legislature passed amendments to the Employment Security Law that would have meant "total disqualification" for voluntary quits, simple discharge and refusal of suitable work. For example, a discharged worker would need to requalify by having earnings equal to six times his weekly benefit amount. The penalty was eight weeks. In my opinion, this feature would have given an incentive to employers to fire people rather than lay them off so that the more severe penalty would be assessed. The bill (H.B. 340) placed unfair disqualifications on pregnancy, women who follow their husbands to other places of employment, and workers who quit employment to attend school or become self-employed. It also would have disqualified many seasonal workers in construction, needle trades, lumber, food processing, and other industries that have irregular employment. Originally, Arkansas law provided that you needed earnings in one quarter of your base period; then it was altered so that you needed some earnings in at least two quarters; now it was proposed that you must have earnings equal to six times your weekly benefit amount in the last two quarters of your base period. Please see Exhibits 2 and 3.

The motivation behind the passage of this drastic law was that our Trust Fund needed stabilization. This motive cannot be denied. In an exchange on the floor of the House of Representatives during a debate on the measure, a Representative from Garland County asked the author of the bill, "Isn't it true that this would build up the Fund at the expense of the workers?" The reply was a candid "Yes."

In addition, it was argued in the Legislature and before the Committee handling the bill, that Arkansas needed to keep its tax rate low so that industry

[2] Arkansas Employment Security Division 28th Annual Report, 1964, Page 34.
[3] Memorandum to All Arkansas Employers from Arkansas Employment Security Division, February 10, 1965.
[4] Arkansas Employment Security Division 28th Annual Report, 1964, Page 36.

would be attracted to our state. We have long felt, and I hope you will agree, that efforts to attract industry or competition between companies in the same industry should be based on factors other than low wages or tax rates that result in substandard benefits.

The Employment Security Division and its administrator supported the bill. Fortunately, this restrictive legislation was vetoed by the Governor as being "too stringent." Had this law not been vetoed, a worker would have been punished for the fact that no jobs were available at that time, or in his occupation. He would have been punished by the job market situation rather than protected from it, which is supposed to be the purpose of the law. It would have caused penalties that are irregular and arbitrary in their length.

During a recession, a worker would have been punished more than at other times. Two persons with different occupations would have received different penalties, depending upon the availability of a job in their skill. Too, it is morally and socially wrong to stabilize the Trust Fund by denying benefits to unemployed workers.

ELIGIBILITY AND DISQUALIFICATIONS

Federal standards need to be set on disqualification penalties so that the Employment Security Division will be relieved of employer pressures to deny benefits to otherwise eligible workers and so that more severe penalties will not be imposed in order to save the employers tax money. In appealed cases, the worker is at a distinct disadvantage. He usually cannot afford an attorney and he is up against either a company lawyer or management personnel who are experienced in these matters.

Liberalization under the *present* law in Arkansas is needed. The *minimum* definite disqualification period is eight weeks. Moreover, an employee can be (and regularly is) disqualified for an indefinite period of time (until he has become requalified by having insured employment for ten weeks) if his employer reports he was discharged for misconduct on account of dishonesty, drinking, or willful violations of rules or customs of the employer pertaining to the safety of fellow employees or company property. Disqualifications for indefinite periods are also imposed on women employees who quit work to marry, perform customary household duties, or who are separated because of pregnancy. Likewise, an employee is disqualified for an indefinite period of time if he quits work to attend school or become self-employed. (The employee must have thirty days paid work to requalify for benefits in these latter instances.)

EXTENDED COVERAGE

The extended coverage afforded by Title II of the proposed legislation will be a most welcome blessing for employees of non-profit organizations. The present Arkansas law exempts these workers. It will extend coverage to some 7,000 employees of non-profit religious, charitable, educational, and humane organizations and would provide benefits to those in our labor force who are traditionally in low wage employment and are the least able to build up any savings or reserves for periods of unemployment. The most recent estimate by the Statistician of the Employment Security Division is that we now have 9,800 of these employees in this category and by 1967 will have 12,600.

An event reported by the *Arkansas Gazette*, Monday, June 21, 1965, dramatizes the pressing need for extending coverage to these disadvantaged workers. After an efficiency study conducted by a management consultant team to streamline the operations and reduce costs of two Little Rock hospitals a number of employees were laid off and found to be in "a plight of human misery and despair" and "impending poverty." Please see Exhibit 4.

CONCLUSION

A report of the Employment Security Division in 1954 said: "Since the enactment of the original law each biennial meeting of the Arkansas General Assembly with the exception of one, has made amendments to the law. These amendments have: (1) reduced contribution rates; (2) increased benefit amounts; and (3) tightened eligibility and disqualification provisions."[5] May I cite just

[5] Arkansas Employment Security Division, Financing Unemployment Insurance in Arkansas, October 1954, Page 5.

one example. In 1949, the legislature changed the declaration of state public policy and statutory construction. Before 1949, the Act read, "This Act shall be liberally construed to accomplish its purpose to promote employment security, etc." By the 1949 amendments, the word "liberally" was removed. The administering agency and the courts got the message, became more conservative, thus making it harder for a jobless worker to qualify for benefits.

Obviously, it is impossible to reduce rates and increase benefits unless eligibility and disqualification features are made so tough that workers will be unable to draw benefits justly due them. The thrust of this approach is a narrowing of the base of those covered by unemployment insurance. This trend has continued; it is a vicious cycle and will not be reversed unless Congress acts.

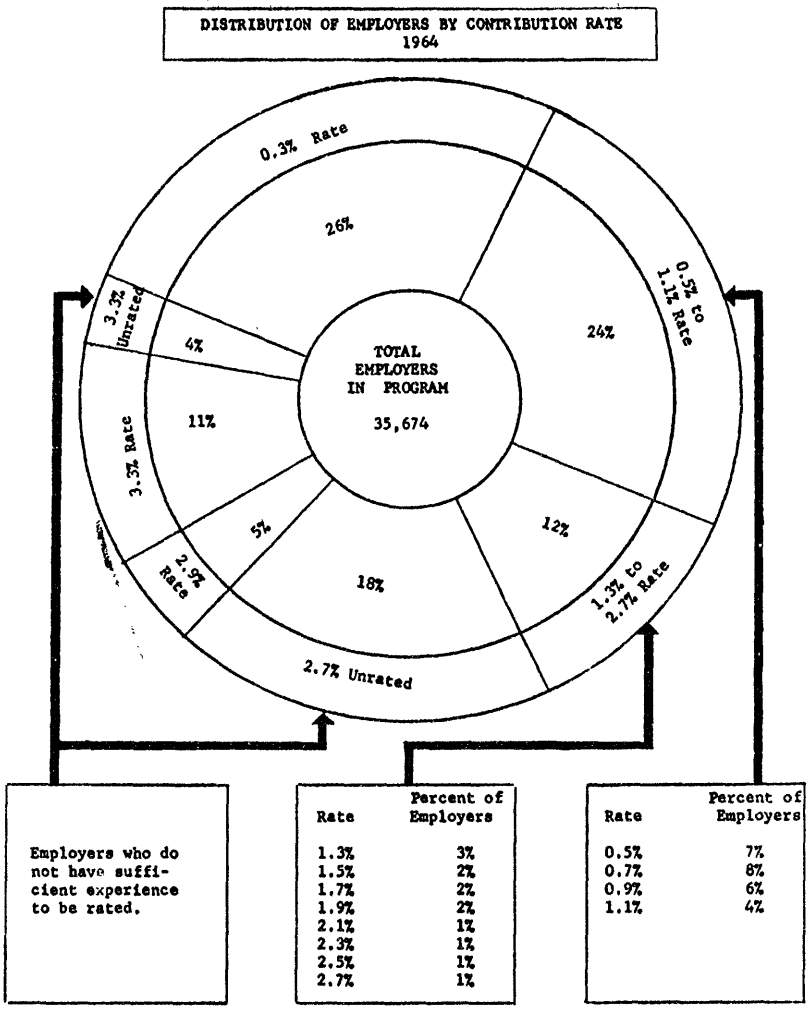
My work brings me in contact with many of our members, and non-members too, I might add, who are unemployed. Most of what they earn is immediately spent, and when they are jobless they face a serious crisis. Whatever savings they have managed to accumulate quickly vanish.

Gentlemen, we are talking about basic necessities—food for their table and shelter for their children and families. Arkansas workers are conscientious, sincere and productive; they are independent and don't want something for nothing. But, they need adequate protection against the unfortunate time when they are out of work so that they can maintain their self respect and so that their incentive to seek work is not impaired. We all have a responsibility to the unemployed. This is a well established principle in our society, but as our state makes progress our unemployment insurance program must keep abreast of this progress. Our only hope for decent protection and dignity for our workers is in legislation like S. 1991.

Thank you.

65-992—66——53

EXHIBIT 1



Source: Arkansas Employment Security Division
28th Annual Report, 1964
Page 39

EXHIBIT 2

HOW HB 340, PASSED BY THE ARKANSAS LEGISLATURE BUT VETOED BY GOVERNOR FAUBUS, WOULD HAVE AFFECTED ELIGIBILITY AND DISQUALIFICATIONS

HB 340 CHANGES	PRESENT LAW
Voluntarily quit is disqualified until he becomes employed and earns 6 times his weekly benefit amount.	Voluntarily quit is eligible after a penalty period of 8 weeks.
Discharged worker, whether fired justly or unjustly, is disqualified until he goes to work and has earnings equal to 6 times his weekly benefit amount.	Discharged worker qualifies after serving 8 week penalty.
If a worker fails to accept suitable work he is disqualified until he earns 6 times his weekly benefit amount.	Eligible after serving 8 week penalty period.
Pregnant woman disqualified until she earn 6 times her weekly benefit amount.	Pregnant woman disqualified until she has 30 days of paid work.
A female who leaves work to accompany or join her husband in a new place of residence must have paid work equal to 6 times her weekly benefit amount.	Female who leaves work to accompany or join her husband in a new place of residence is not subject to any disqualification.
Also applies to female who quits to marry or perform household duties.	Female who quits to marry disqualified until she has 30 days of paid work.
Worker who quits employment to attend school or self-employed is disqualified and treated as a new worker entering labor market.	Worker who quits employment to attend school or self-employed is disqualified until he has 30 days paid work.

EXHIBIT 3

HOW HB 340, PASSED BY THE ARKANSAS LEGISLATURE BUT VETOED BY GOVERNOR FAUBUS,

WOULD HAVE AFFECTED THOUSANDS OF SEASONAL WORKERS

1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	5th Quarter
January February March	April May June	July August September	October November December	January February March
EARNED * $520.00	EARNED $520.00	EARNED $ 50.00 only	EARNED $ 50.00 only	EARNED $520.00 NOT COUNTED IN FIGURING BENEFITS CALLED LAG QUARTER

BASE PERIOD (First 4 of 5 Quarters)

$ 520.00
520.00
50.00
50.00

$1,140.00 BASE PERIOD EARNINGS

APRIL

LAID OFF FOR LACK OF WORK

UNDER PRESENT LAW CLAIMANT WOULD GET $20.00 WEEK.

NEED SOME EARNINGS IN LAST 2 QUARTERS

UNDER HB 340 CLAIMANT WOULD GET NOTHING BECAUSE DID NOT HAVE EARNINGS EQUAL TO 6 TIMES HIS WEEKLY BENEFIT AMOUNT IN LAST 2 QUARTERS.

Weekly benefit amount is figured as 1/26 of Highest Quarter earnings (1/26 of $520.00= $20.00 Benefit) and during Base Period has been paid wages 30 times his weekly amount ($20 x 30= $600.00)

* Typical example from ESD schedule of benefits

EXHIBIT 4

[From the Arkansas Gazette, Monday, June 21, 1965]

HOSPITAL LAYOFFS SHOW NEED FOR JOBLESS PLAN, ALLEN SAYS

The executive secretary of the Arkansas Council of Churches said Sunday that interviews with several persons who were dismissed recently from Arkansas Baptist Hospital underscored a need for unemployment compensation programs at hospitals to protect employes.

Rev. Sam J. Allen said he interviewed six employes who were laid off work at Baptist Hospital in January and April as part of the Council's program against poverty and found "a plight of human misery and despair" and "impending poverty."

"One [employee] said that she went into a state of despair and depression after her layoff because she had given many years of her life to the hospital and loved the work of humanitarian service and was now over the age of 45, which is making it impossible for her to find other employment," Mr. Allen said in a statement, which did not mention the hospital by name.

He said the six he interviewed reported that others who were laid off at the same time were facing a similar situation.

About 75 of the nearly 1,000 employes at Baptist Hospital have been laid off during an efficiency study conducted by a management consultant team to streamline the operation of the Hospital and reduce costs. Most of the layoffs have been in the housekeeping, kitchen and laundry departments and reportedly have lowered morale among the Hospital personnel.

About five persons have been laid off in a similar study at St. Vincent Infirmary. Neither hospital has made layoffs among technical and professional workers.

None of those laid off at either hospital may draw unemployment pay because neither hospital has an unemployment compensation program. Hospitals, as charitable institutions, are not required by law to participate in the unemployment insurance program and generally do not.

A hospital administrator said this was so because usually 70 per cent of a hospital's income goes for payrolls and because hospitals generally have excellent fringe benefit programs.

"Management should be encouraged always in its attempt to streamline operations and cut costs," Mr. Allen said, "but in doing so it should make every possible effort to insure that layoffs are made fairly and that those to be laid off will not be put out on the street with no place to go for protection from poverty."

He said if an unemployment compensation program were in effect, it would tide dismissed employes over until they find another job.

Mr. Allen said the Missouri Pacific Hospital "has had no serious problems in making employe adjustments in streamlining and updating their operations and in spite of some layoffs employe morale remained high."

He said he called Carl E. Reis of St. Louis, executive secretary of the Missouri Pacific hospital system, to find out why. Reis told him, Mr. Allen said, that the main reason for Missouri Pacific's success was the work done by the Hospital, Hotel, Motel and Restaurant Workers Union, which represents the employes there, to shift employes fairly and according to seniority to other parts of the hospital, to help those whose jobs were eliminated to find temporary employment outside the hospital before they were laid off and to give them the right of resuming work at the hospital as soon as a new job opening came.

Earl F. Yeargan, international representative of the union, said last week that many of the employes at Baptist Hospital had come to him and that he had begun a union campaign at the Hospital. The Missouri Pacific Hospital is the only one represented by his union in Arkansas. The Missouri Pacific Hospital also doesn't have an unemployment compensation program, Yeargan said.

"Let the hospitals streamline and cut costs wherever this can be done, but let them also express their humanitarianism to their employes as well as the patients," Mr. Allen said.

He said that several former employes at the hospitals had given from 12 to 18 years of service to the hospital and expressed disbelief when their jobs were eliminated with no advance notice. Two had received five-year pins and reported that they were not given seniority consideration, he said.

ACTORS' EQUITY ASSOCIATION,
New York, N.Y., July 21, 1966.

HON. HERMAN E. TALMADGE,
Senate Office Building,
Washington, D.C.

MY DEAR SENATOR TALMADGE: During the course of my appearance before the Senate Finance Committee on Monday, July 18, 1966 in connection with H.R. 15119, you raised a question as to the possibility of an unemployed worker claiming in more than one State if the amendment suggested by Actors' Equity Association were incorporated in the bill.

I am most happy to clarify this as follows:

When a claim is filed in which covered employment in more than one State is cited, the State in which claim is filed—which will become the "paying" State if the claim is validated—must contact all of the States in which employment occurred and request a transfer of wage credits. Each participating State processes such request in accordance with its own individual statutes and regulations and transfers wage credits only when earnings and coverage have been verified, and, under present law, when the employment falls within the individual base period in such State. It may take as many as six to eight weeks for the processing to be completed, during which time the claimant must continue to meet reporting requirements in the State in which he files. Once any wage credit is transferred to the paying State and a claim validated, the employer's account is charged in accordance with the individual State's procedures, and the employment cannot legally be cited on a further claim.

Accordingly, assuming it were physically possible for a claimant to file in a second State while still meeting reporting requirements in the first, it would be impossible for him to validate his claim as the wage credits would no longer be available.

The amendment which Actors' Equity Association suggests would require merely that the base period criteria applied in transferring any unused wage credits be that of the paying rather than the transferring States, and that all States participate. It would not in any way alter or seek to alter any other criteria applied by the individual States or the general procedures now followed in processing combined and extended claims and transferring wage credits.

Once again, I wish to thank you for all the courtesies extended to us, and respectfully request that you have this letter inserted in the record of the committee hearing together with my testimony.

Sincerely yours,

HELENE TETRAULT,
Business Representative.

GENERAL ELECTRIC CO.,
EMPLOYEE RELATIONS SERVICE,
New York, N.Y., July 26, 1966.

HON. RUSSELL B. LONG,
Senate Finance Committee, U.S. Senate,
Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: On behalf of the General Electric Company, I should like to outline for the record our comments on H.R. 15119—"Unemployment Insurance Amendments of 1966"—now before your Committee. Additionally, and for the reasons to be explained, General Electric wishes to endorse H.R. 15119 and to urge that your Committee report it favorably to the Senate for early enactment.

At the outset, you should know that the General Electric Company continues to support the present, soundly-conceived Federal-State unemployment compen-

sation system. Within the framework of that system, we have made suggestions as to how it could be improved to work better.[1]

H.R. 15119, we believe, contains many positive steps, improving the unemployment compensation system.

Specifically, we commend for your approval the concept found in H.R. 15119, which extends the normal duration of state benefits from twenty-six weeks to thirty-nine weeks only during periods of recession as determined within each state. An extended duration system, which operates only when jobs are more difficult to find, makes far greater sense—both economically and socially—than any permanent extension of benefits, expending valuable reserve funds during better times when jobs are easier to find.

We would hope that Congress, at some future date would recognize the merits of financing this program 100 percent within the existing state arrangements in place of the shared 50 percent federal-50 percent state financing contained in H.R. 15119.

We also commend for your approval the provisions of H.R. 15119, which broaden the coverage of unemployment compensation. It is desirable and appropriate to cover bona fide employers who have one or more employees—not four or more as at present under Federal law.

The bill before your Committee deserves special merit for what it does not contain, as well as for what it contains. Significantly, as a substitute or alternative to H.R. 8282, the bill fails to incorporate, and thus wisely rejects, the more questionable features contained in H.R. 8282.

In this connection, we would hope that you would concur in maintaining the deletion of all those sections of H.R. 8282, which would have, in effect, abolished the sound experience-rating provisions of state laws. Experience-rating is a keystone of the system, rewarding employers with lower tax rates if they stabilize employment, as well as equitably allocating the costs of the program.

Additionally, we trust that you will share the opinion of the bipartisan sponsors of the H.R. 15119—that the states merit the continued confidence that they can keep their benefit protection up to date without the imposition of Federal benefit standards. As noted in our earlier testimony, General Electric supports, within the limits of a public program, the 50 percent wage-replacement concept. It supports as well the general concept that the state maximum weekly benefits should be adjusted periodically by the states, so that at least the majority of claimants can receive 50 percent of their wages. Indeed, the record still clearly demonstrates that the states, by and large, have discharged reasonably well their responsibility here, even though in some states further adjustment is appropriate and is now under current consideration.

Furthermore, we can see no need or justification for any plan to subsidize with Federal funds those states meeting suggested Federal benefit levels. This would be the same as imposing Federal benefit standards under another name and could only have a harmful effect upon the progress now being made at the state level.

There has been dramatic improvement in state benefit protection over the past few years. It is incontrovertible that the current average weekly benefit check will buy over 54 percent more goods and services—measured in constant dollars—that its 1939 counterpart. That progress should not be hampered by Federal "standards."

In connection with this subject, we are still somewhat concerned that the record made in the House did not, in our opinion, adequately reflect the need to obtain better data as to how the state system is operating—particularly as to the extent that actual beneficiaries receive 50 percent of their normal wages in benefits. While the best data available generally indicates that at least a majority of beneficiaries are receiving at least 50 percent of their wages, this point can and should be verified directly. Perhaps your Committee may desire to explore with the Department of Labor and the state agencies the desirability of obtaining more significant and specific data in this vital area.

In conclusion, General Electric believes that H.R. 15119 makes a positive contribution to the continuation of a sound and workable unemployment compensation system, not only for what it contains, but also for what it rejects. It merits your support, and we are pleased to support its enactment.

Sincerely,

E. S. WILLIS, *Manager.*

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[1] Most recently see General Electric testimony—August 18, 1965—pages 943–968 of the House Hearings on H.R. 8282.

WHIRLPOOL CORP. STATEMENT ON UNEMPLOYMENT COMPENSATION BILL

Whirlpool Corporation supports the Federal-State Unemployment Compensation System as it exists today—designed to financially assist the worker who becomes jobless through no fault of his own. This assistance should be temporary until new employment is obtained.

The current Unemployment Compensation System continues to encourage employers to stabilize employment. Whirlpool's employment records at its major facilities in Michigan, Minnesota, Indiana, and Ohio are testimony to the effectiveness of the present system. A prime reason for our careful planning of job-stabilizing measures is due to the financial incentives inspired by the present Unemployment Compensation System. These job-stabilizing measures generally affect as many as 1,000 employees a year. One division has not had a layoff in six years; another division in nearly three years. Another division reduced layoffs from about 50% in 1957 to about 0.5% in 1961, and since 1964 there have been no layoffs. Meanwhile, still another manufacturing division reduced layoffs from 13.2% in 1961 to 4.9% in 1965.

As time progresses, revisions are necessary to keep programs of social legislation—such as the Federal-State Unemployment Compensation System—in tune with economic progress and modern needs.

H.R. 15119 supplies needed improvements to the present Unemployment Compensation System. *In general, Whirlpool endorses and urges support of H.R. 15119, with only limited reservations.*

Whirlpool agrees with these provisions of H.R. 15119:

1. Experience Rating System is retained, thus encouraging employers to stabilize employment and reduce layoffs.
2. The net Federal unemployment tax rate increase of .2% is adequate to meet present and anticipated expenses.
3. Eligibility standards retain reasonable individual incentives.
4. The Judicial Review Clause would give a State a justifiable recourse to appeal the Secretary of Labor's decision regarding its conformity to Federal law.
5. The Unemployment Compensation program continues to be administered by the States, thus permitting each State to apply its experience to best meet its individual needs whether it be an agricultural economy or an industrial economy with varying work forces, costs-of-living, seasonal productivity cycles, income levels, etc.

Whirlpool continues to maintain that the Unemployment Compensation System could be more fairly improved if the tax rate—not the tax base—were to be increased or decreased according to the revenue needed to support the program. Increased UC tax *rates* would mean that employers with high layoff records would contribute a fairer amount. Since a considerable number of employers pay employees less than the proposed taxable wage base, Whirlpool therefore does not endorse any increase of taxable wage base which would add unnecessary financial burdens on, or discriminate against, employers who pay higher wages.

CONCLUSION

In general, Whirlpool endorses and urges support of H.R. 15119, with only limited reservations.

In reference to attempts to federalize the UC System, Whirlpool strongly opposes any consideration of S. 1991 which embodies all objectionable features of the former proposal known as H.R. 8282.

A. J. TAKACS.

RESEARCH & NEGOTIATING SERVICE,
Louisville, Ky., July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

SIR: I am writing at the behest of Mr. Richard Miller, Secretary Treasurer of the Greater Louisville Labor Council AFL-CIO. Will you please include the following comments on S. 1991 the Unemployment Insurance reform bill, in the printed record of your committee hearings:

It is little realized that the present Federal Social Security law and regulations enabling the wide divergence among the fifty, separate state Unemployment Insurance programs is analagous to, and has the same impact as allowing the several states to enact so-called "right to work" legislation. For under the present federal standards are built-in inducements which encourage a state to enact and promulgate unemployment insurance programs with limited coverage, difficult eligibility requirements and low benefits. And such states advertise their low standards—a promise of a lower cost of doing business—as an inducement to attract new industry. Sanction for this unfair wage competition is found in the federal standards allowing for experience ratings. That is, the rate of annual insurance premiums paid into the state unemployment insurance fund is determined by the Employer's experience—layoffs; terminations; quits; etc.—with his workforce. Therefore, an Employer is encouraged to challenge, and try to limit the number of his former employees trying to exercise their right to unemployment insurance benefits, regardless of the merits of the particular employment separation. It might be conceded that the Employer has the right to "police" a program for which he pays most of the cost, but there is often the further advantage in that unfair rules and regulations require the state agency administering the program to act as yet another agent of the Employer.

Of course, S. 1991 does not eliminate the experience rating, but it does allow the individual states to correct the matter if they wish—a small step in the right direction. Further, the bill establishes uniform disqualification penalties allowing a state to withhold benefits up to six weeks instead of indefinitely as is the present case in the low standards states. And another provision in the measure which would also tend to eliminate unfair wage competition is the gradual raising of benefits until the weekly amount is equal to one-half the worker's former weekly wage. Enough cannot be said of the present inadequacy of the benefit payment, but what is of equal importance is the provision to include additional workers under the program, many of whom are employed in the vital hospital and medical care industry, and other service trades.

Thank you for your thoughtful consideration of this testimony.

Very truly yours,

RESEARCH & NEGOTIATING SERVICE,
THOS. BOND, Jr.

U.S. SENATE,
COMMITTEE ON COMMERCE,
Washington, D.C., July 26, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a copy of a letter I have received from Governor William Egan analyzing the impact of H.R. 15119 on the state of Alaska. I would appreciate your making this letter a part of the hearing record.

Sincerely yours,

E. L. BARTLETT.

STATE OF ALASKA,
OFFICE OF THE GOVERNOR,
Juneau, Alaska, July 19, 1966.

Hon. E. L. BARTLETT,
U.S. Senate, Senate Office Building,
Washington, D.C.

DEAR BOB: We have completed our preliminary analysis of HR 15119 relating to unemployment compensation.

Although the federal standards which would have resulted in large increases in our benefit costs have been removed from the revised version of the original bill, the prohibition against payment of reduced benefits to interstate claimants remains.

As you may know, Alaska imposes an interstate reduction of benefits in order to maintain some semblance of control over the migratory nature of our seasonal work force, particularly in the food processing and logging and lumbering in-

dustries. About one-fourth of those who claim benefits in these industries are presently interstate claimants. It is feared that significantly larger proportions will outmigrate seasonally because of higher benefit entitlement, causing seasonal delays at spring startup while employers attempt to round up an adequate work force. Qualified loggers of all types are always in short supply.

Passage of Amended Section 3304(a)(10) will result in a significant increase in Alaska's program costs. It is estimated that costs for interstate claims will rise by at least 9.6 per cent. Our present cost rate, including the recently enacted benefit increases, will be 2.99 per cent of taxable wages. This will rise to 3.28 per cent if the provision is enacted. Thus, our margin of reserve accumulation will be reduced significantly.

The provision for extended benefits during state and national recession has not as yet been fully evaluated. We favor the general concept, but have not as yet evaluated the full impact as considerable latitude is provided for in regard to the claimant's eligibility for extended benefits.

Kindest regards.

Sincerely,

WILLIAM A. EGAN, *Governor.*

INTERNATIONAL ORGANIZATION OF MASTERS, MATES & PILOTS,
New York, N.Y., July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: The International Organization of Masters, Mates and Pilots wishes to record its support of the subject McCarthy bill seeking several very important unemployment compensation reforms that directly affect our membership.

S. 1991, by providing additional payments for 26 weeks from a Federal fund after Unemployment Compensation benefits have ended, would surely soften any hardship regularly employed licensed deck officers may face in the event of a long-term depression of this vital industry. In so doing, highly skilled Commanders and Officers would be less likely to leave the sea for more stable employment ashore. The manpower crisis in this industry is especially critical now, as you are aware.

Adjustment of the benefit level to that outlined in S. 1991 is an indispensible companion feature of the extended payments for the same reason. Seagoing Officers, Mr. Chairman, cannot be trained overnight, and it is surely in the interest of our defense posture to maintain the skilled and unskilled manpower requirements for our Fourth Arm of Defense.

You are at liberty to include these observations on Senator McCarthy's bill in the Committee's record.

Respectfully,

Capt. LLOYD W. SHELDON,
International President.

INDUSTRIAL UNION DEPARTMENT,
Washington, D.C., July 27, 1966.

Hon. RUSSELL LONG,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: I regret very much that pressing matters prevented my appearing before your Committee to testify on unemployment compensation legislation, because I believe that action is urgently needed to prevent our federal-state unemployment compensation system from becoming ineffective and obsolete.

The unemployment compensation bill which was passed by the House of Representatives and which is now before your Committee is totally inadequate to meet modern needs. In its present form, H.R. 15119 will discourage states from making improvement in their own laws.

The provisions of S. 1991 would provide federal standards to assure most unemployed workers benefits equal to half their wage, to eliminate certain restrictive disqualifications, and would have provided a state-federal duration period of 52 weeks.

On behalf of the seven million members of the Industrial Union Department, I urge you to vote to restore these provisions to the Finance Committee bill.

Sincerely yours,

WALTER P. REUTHER,
President.

AMERICAN TRUCKING ASSOCIATIONS, INC.
Washington, D.C., July 27, 1966.

HON. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: The American Trucking Associations, Inc., wishes to be recorded in opposition to S. 1991, the Bill to provide for the establishment of federal standards for unemployment compensation. We also speak against proposals to write such federal standards back into the House-passed bill H.R. 15119.

In general we are, among other things, opposed to—

(1) Federal encroachment on state control over a matter traditionally within the province of the states.

(2) Liberalizing the amount and duration of benefits so as to provide an incentive not to work.

(3) Increasing costs resulting from the imposition of Federal standards.

(4) Extending the coverage to every employer without exception.

In keeping with your Committee's wish that those having like interests should designate a common spokesman, we authorize the U.S. Chamber of Commerce to amplify on our reasons for not further liberalizing the House-passed bill.

Sincerely yours,

W. A. BRESNAHAN.

AMERICAN NATIONAL CATTLEMEN'S ASSOCIATION.
Denver, Colo, July 26, 1966.

HON. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: As representatives of the beef cattle industry in the major cattle producing states of the nation, we are concerned and perplexed by some proposed amendments to the Federal Unemployment Compensation laws.

From the average sized beef cattle producer standpoint, the proposed amendments would *not* aid his occasional and seasonal workers . . . virtually the only labor hired outside the family. Instead, it would only serve to inflict longer evening hours of bookkeeping upon the rancher's wife and build a fund of no benefit to anyone involved.

It appears to us that the proposal to include seasonal workers under unemployment provisions is a further invitation to automate cattle operators that can only result in another nose-dive in farm labor employment, and still further depression of rural areas.

First, few persons are employed on a regular basis on small and medium sized ranches today outside the family. We do not have full figures on just the ranch segment of agriculture, but USDA reports show that the total farm labor (average) employment is now only 1,604,000 compared with 2,679,000 in 1940—one million less in 25 years and the trend is continuing.

Secondly, while ranchers hire very few migratory workers they do employ local youths of upper high school and college age during summer months. These young people would have no opportunity to collect benefits because they would not have worked sufficient number of days to qualify, but most important they would be returning to school rather than trying for another job.

Where seasonable labor would come under the regulations, it could only mean more book work for the ranch family, and little or no value to the employee who generally is not a part of the regular work force of a community. Logically, persons regularly employed are not available for part-time summer jobs.

Relative to full-time labor there is a shortage of even semi-skilled agricultural workers. These people have no concern for unemployment. They can and do move from one job immediately to another if at all qualified.

It would appear to be contradictory policy on the part of our government to pour millions of dollars into rural areas for redevelopment from one hand, while with the other hand it cuts still further into income of local residents—particularly for the young people who might otherwise have employment at home during the summer months or other vacation periods.

For these reasons we strongly protest to the inclusion of agricultural workers directly involved in production in provisions of the federal unemployment compensation statutes, and ask that H.R. 15119 be accepted as passed by the House.

We respectfully request that this letter be included in the hearing record during current consideration by the Senate Finance Committee of the unemployment compensation amendments of 1966.

Thank you.

Cordially,

C. W. McMILLAN.

NORTHWEST CANNERS & FREEZERS ASSOCIATION,
Portland, Oreg., July 22, 1966.

Hon. RUSSELL B. LONG,
Chairman, Senate Committee on Finance,
Senate Office Building, Washington, D.C.

DEAR SENATOR LONG: We are advised that hearings by your Committee on the House-passed unemployment compensation bill, H.R. 15119, were opened July 13th. We did not find it practicable to ask for time to appear before you in person to express our views, and we therefore respectfully request that this statement of our views be accepted in lieu of such appearance, and if possible at this date, made a part of the record of the hearings.

The Northwest Canners and Freezers Association is a trade association of canners and freezers of fruits and vegetables in the states of Oregon, Washington and Idaho. Its members, numbering 55 companies, account for approximately 85 to 90 percent of the total production of such products in these states. You will find attached to this letter a list of the present members of the Association.

The members of the Association by unanimous vote at their annual meeting held April 15, 1966 adopted a resolution (see copy attached) opposing the proposed federalization and centralization of the present Federal-State Unemployment Compensation system and urging its rejection by the Congress. Fortunately, the House of Representatives, in its wisdom, was quite similarly persuaded, and the bill as finally passed contained modified language which substantially removed most of our major objections to the original proposal (H.R. 8282). H.R. 15119 as passed by the House is regarded by us as a basically good bill, and we are opposed to restoration of any of the controversial sections of H.R. 8282 which were removed in the House.

Thank you for your consideration of our views.

Respectfully submitted.

By Legislative Coordinating Committee.

L. V. WISE,
Chairman, California Packing Corp.

Attest:

C. R. TULLEY,
Executive Vice President.
N. W. MERRILL,
Blue Lack Packers, Inc.
F. M. MOSS,
Idaho Canning Co.

MEMBERSHIP LIST OF THE NORTHWEST CANNERS & FREEZERS ASSOCIATION

Listed below are the names and mailing addresses of fruit and vegetable canners and freezers in Oregon, Washington and Idaho who are *members* of the Northwest Canners and Freezers Association:

Albany Frozen Foods, Inc., P.O. Box 609, Albany, Oregon 97321
Allen Fruit Company, Inc., P.O. Box 352, Newberg, Oregon 97132
Bagley Canning Company, P.O. Box 405, Ashland, Oregon 97520
Berryland Packers, Inc., P.O. Box 26, Snohomish, Washington 98290
Berry Valley Farm Pak, Inc.,[1] Route 1, Lake Stevens, Washington 98258
Blue Lake Packers, Inc., P.O. Box 5038, Salem, Oregon 97304
Blue Lake Packers, Inc., 637 N. Ninth St., Corvallis, Oregon 97330
Blue Ribbon-Big Y Growers, P.O. Box 1587, Yakima, Washington 98901
Bradley's Frozen Foods, Inc., P.O. Box 34, McMinnville, Oregon 97128
California Packing Corporation, 215 Fremont St., San Francisco, Calif. 94105[2]
California Packing Corp., P.O. Box 2109, Portland, Oregon 97214[2]
California Packing Corp., P.O. Box 790, Salem, Oregon 97308
California Packing Corp., P.O. Box 71, Toppenish, Washington 98948
California Packing Corp., P.O. Box 150, Vancouver, Washington 98660
California Packing Corp., P.O. Box 1528, Yakima, Washington 98901
Canby Fruit Packers, Rt. 1, Box 144A, Canby, Oregon 97013
Centralia Farms, Inc., Rt. 1, Box 345, Centralia, Washington 98531
Columbia Fruit Growers, P.O. Box 539, The Dalles, Oregon 97058
Conroy Packing Company, P.O. Box 211, Woodburn, Oregon 97071
Corvallis Packing Company, P.O. Box 607, Corvallis, Oregon 97330
Country Gardens, Inc., P.O. Box 706, Warden, Washington 98857
Diamond Fruit Growers, Inc., P.O. Box 180, Hood River, Oregon 97031
Dole Company, P.O. Box 245, San Jose, California 95103[2]
Dole Company, P.O. Box 351, Salem, Oregon 97308
Eugene Fruit Growers Assn., P.O. Box 1266, Eugene, Oregon 97401
Eugene Fruit Growers Assn., Junction City, Oregon 97448
Fruitland Canning Assn., Inc., P.O. Box 268, Fruitland, Idaho 83619
Gem Canning Company, P.O. Box 98, Emmett, Idaho 83617
Green Giant Company, LeSueur, Minnesota 56058[2]
Green Giant Company, Dayton, Washington 99328
Green Giant Company, Waitsburg, Washington 99361
Green Giant Company, Buhl, Idaho 83316
Idaho Canning Company, P.O. Box 160, Payette, Idaho 83661
Idaho Canning Company, Nyssa, Oregon 97913
Idaho Potato Growers, Inc., P.O. Box 978, Idaho Falls, Idaho 83402
Kale, C. S., Canning Company, P.O. Box 228, Everson, Washington 98247
Kolstad Canneries, Inc., P.O. Box 67, Silverton, Oregon 97381
Kolstad Canneries, Inc., P.O. Box 26, Dallas, Oregon 97338
Lamb-Weston, Inc., P.O. Box 12145, Portland, Oregon 97212[2]
Lamb-Weston, Inc., P.O. Box 428, American Falls, Idaho 83211
Lamb-Weston, Inc., P.O. Box 118, Weston, Oregon 97886
Libby, McNeill & Libby, 200 S. Michigan St., Chicago, Ill. 60604[2]
Libby, McNeill & Libby, 455 Beach St., San Francisco, Calif. 94119[2]
Libby, McNeill & Libby, P.O. Box 400, Grandview, Wash. 98930
Libby, McNeill & Libby, Fourth Ave. & Shinn, Kent, Wash. 98031
Libby McNeill & Libby, P.O. Box 170, Mt. Vernon, Wash. 98273
Libby, McNeill & Libby, 3625 S.E. 26th, Portland, Oregon 97202
Libby, McNeill & Libby, Walla Walla, Washington 99362
Libby, McNeill & Libby, 901 N. First St., Yakima, Washington 98901
Lynden Berry Growers, P.O. Box 487, Bellingham, Wash. 98225
National Fruit Canning Company, P.O. Box 9366, Seattle, Washington 98109[2]
National Fruit Canning Company, P.O. Box 447, Burlington, Washington 98233
National Fruit Canning Company, P.O. Box 479, Chehalis, Washington 98532

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[1] Birds Eye Div. Gen. Foods Corp., Walla Walla, Washington 99362.
Birds Eye Div., Nampa, Idaho 83651.
Birds Eye Div., Woodburn, Oregon 97071.
Birds Eye Div., Hillsboro, Oregon 97123.
[2] Administrative Offices Only.

North Marion Fruit Company, Inc., 150 N. First Street, Woodburn, Oregon 97071
Northwest Berry Packers, Inc., 3510 Magnolia Blvd., Seattle, Wash. 98199 [2]
Northwest Berry Packers, Inc., P.O. Box 456, Winslow, Washington 98110
Northwest Packing Company, P.O. Box 11126, Portland, Oregon 97211
Ore-Ida Foods, Inc., P.O. Box 60, Ontario, Oregon 97914
Ore-Ida Foods, Inc., Burley, Idaho 83318
Othello Packers, Inc., 925 N. Broadway, Othello, Washipgton 99344
Portland Canning Company, Inc., Suite 303 E., Pan Am Bldg., N.Y., N.Y. 10017 [2]
Portland Canning Company, Inc., P.O. Box 368, Sherwood, Oregon 97140
Prosser Packers, Inc, 1001 Bennett, Prosser, Washington 99350
Robinson, C. A., Cold Storage, Inc., Rt. 1, Box 602, Ridgefield, Washington 98642
Rogers Walla Walla Canning Company, P.O. Box 1002, Walla Walla, Washington 99362
Rogers Walla Walla Canning Co., P.O. Box 5, Milton-Freewater, Ore. 97862
Rogers Walla Walla Canning Co., Athena, Oregon 97813
Rogue River Packing Corporation, 149 Calif. St., San Fran., Calif. 94111 [2]
Rogue River Packing Corporation, P.O. Box 408, Medford, Oregon 97501
San Juan Islands Cannery, P.O. Box 335, LaConner, Washington 98257
Seabrook Farms Company, Seabrook, New Jersey 08303 [2]
Seabrook Farms Company, P.O. Box 647, Lewiston, Idaho 83501
Seiter's, Inc., P.O. 218, Post Falls, Idaho 83854
Simplot, J. R., Company, P.O. Box 51, Caldwell, Idaho 83605
Simplot, J.R., Company, Heyburn, Idaho 83336
Smucker, The J. M., Company, P.O. Box 87, Oregon City, Oregon 97045
Smucker, The J. M., Company, Woodburn, Oregon 97071
Starr Foods, Inc., 303 Columbus Ave., San Fran., Calif. 94133 [2]
Starr Foods, Inc., P.O. Box 749, Salem, Oregon 97301
Stayton Canning Company Co-op., Stayton, Oregon 97383
Stayton Canning Company Co-op., Dayton, Oregon 97114
Stokely-Van Camp, Inc., 5625 E. 14th Oakland, California 94621 [2]
Stokely-Van Camp, Inc., Albany, Oregon 97321
Stokely-Van Camp, Inc., P.O. Box 141, Bellingham, Washington 98225
Stokely-Van Camp, Inc., P.O. Box 427, Kent, Washington 98031
Stokely-Van Camp, Inc., P.O. Box 61, Mt. Vernon, Washington 98273
Stokely-Van Camp, Inc., P.O. Box 252, Stanwood, Washington 98292
Stokely-Van Camp, Inc., P.O. Box 308, Zillah, Washington 98953
Symons Frozen Foods, Inc., P.O. Box 97, Sumner, Washington 98390
Symons Frozen Foods, Inc., Ridgefield, Washington 98642
Umatilla Canning Company, P.O. Box 26, Milton-Freewater, Ore. 97862
United Elav-R-Pac Growers, Inc., P.O. Box 3288, Salem, Oregon 97302
United-Flav-R-Pac Growers, Inc., P.O. Box 589, Gresham, Oregon 97030
United Flav-R-Pac Growers, Inc., P.O. Box 310, Newberg, Oregon 97132
U.S.P. Corporation, P.O. Box 230, San Jose, California 95103 [2]
U.S.P. Corporation, P.O. Box 309, Salem, Oregon 97308
Washington Canners Co-op, P.O. Box 30, Vancouver, Washington 98660
Washington Canners Co-op., P.O. Box 1342, Yakima, Washington 98901
Washington Rhubarb Growers Assn. P.O. Box 535, Sumner, Washington 98390
Western Oregon Packing Corp., 637 N. Ninth St., Corvallis, Oregon 97330
Puyallup & Sumner Sales Corp., P.O. Box 393, Puyallup, Washington 98372

RESOLUTION RE UNEMPLOYMENT COMPENSATION ADOPTED AT ANNUAL MEETING OF NORTHWEST CANNERS & FREEZERS ASSOCIATION, APRIL 15, 1966

Whereas the existing Federal-State Unemployment Compensation system has demonstrated over many years that it provides an effective and fully responsible means of solving the problems of involuntary industrial unemployment; and

Whereas the existing system properly places primary responsibility with the states to tailor their unemployment compensation laws and regulations to the needs and conditions of their own industries, labor forces, and over-all economies; and

Whereas current proposals in Congress to effect sweeping changes in this system would violate sound principles of Unemployment Compensation theory

[2] Administrative Offices Only.

and practice, as above specified, and would create unprecedented new Federal authority at the expense of the ability and right of each state to meet its own unemployment problems in a responsible and efficient manner: Now therefore

Resolved by the members of the Northwest Canners and Freezers Association, in meeting assembled this 15th day of April, 1966, That we deplore such proposals to federalize and centralize the present Federal-State Unemployment Compensation system and urge their rejection by the Congress.

(Whereupon, at 11:10 a.m., the committee adjourned to reconvene at 10 a.m., Wednesday, July 27, 1966, in executive session.)

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