1071-3

EMPLOYMENT SECURITY ADMINISTRATIVE FINANCING ACT

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

EIGHTY-THIRD CONGRESS

SECOND SESSION

ON

H. R. 5173

AN ACT TO PROVIDE THAT THE EXCESS OF COLLECTIONS FROM THE FEDERAL UNEMPLOYMENT TAX OVER UNEMPLOYMENT COMPENSATION ADMINISTRATIVE EXPENSES SHALL BE USED TO ESTABLISH AND MAINTAIN A $200,000,000 RESERVE IN THE FEDERAL UNEMPLOYMENT ACCOUNT WHICH WILL BE AVAILABLE FOR ADVANCES TO THE STATES, TO PROVIDE THAT THE REMAINDER OF SUCH EXCESS SHALL BE RETURNED TO THE STATES, AND FOR OTHER PURPOSES

MARCH 9 AND 10, 1954

Printed for the use of the Committee on Finance

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EMPLOYMENT SECURITY ADMINISTRATIVE FINANCING ACT

TUESDAY, MARCH 9, 1954

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

The committee met, pursuant to call, in room 312, Senate Office Building, at 10 a. m., Senator Eugene D. Millikin (chairman) presiding.

Present: Senators Millikin, Martin, Williams, Carlson, Bennett, and George.

The CHAIRMAN. The committee will come to order.

The hearing today is on the bill H. R. 5173, cited as the Emergency Security Administrative Financing Act. At this point I insert a copy of the pending legislation for the record.

(The act referred to follows:)

[H. R. 5173, 83d Cong., 1st sess.]

AN ACT To provide that the excess of collections from the Federal unemployment tax over unemployment compensation administrative expenses shall be used to establish and maintain a $200,000,000 reserve in the Federal unemployment account which will be available for advances to the States, to provide that the remainder of such excess shall be returned to the States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Employment Security Administrative Financing Act of 1953".

SEC. 2. So much of title IX of the Social Security Act as precedes section 904 thereof is hereby amended to read as follows:

"TITLE IX—MISCELLANEOUS PROVISIONS RELATING TO EMPLOYMENT SECURITY

"APPROPRIATIONS

"SEC. 901. (a) (1) There are hereby appropriated to the Unemployment Trust Fund, out of any moneys in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1954, and for each fiscal year thereafter, an amount equal to the amount by which—

"(A) 100 per centum of the tax (including interest, penalties, and additions to the tax) received during the fiscal year under the Federal Unemployment Tax Act and covered into the Treasury; exceeds

"(B) the sum of (i) the unemployment administrative expenditures for such year, (ii) the refunds of such tax (including interest on such refunds) made during such fiscal year, and (iii) the amounts appropriated by section 1202 (b) for such fiscal year.

"(2) The amount appropriated by paragraph (1) for any fiscal year shall be transferred from the general fund in the Treasury to the Unemployment Trust Fund at the close of such fiscal year. Each such transfer shall be based on estimates made by the Secretary of the Treasury as of the close of such fiscal year, but proper adjustment shall be made in the amount transferred at the close of the succeeding fiscal year to the extent that such estimates prove to be erroneous. The Secretary of the Treasury shall make his estimate of those unemployment administrative expenditures for any fiscal year which are described in subsection (b) (1) only after consultation with the Secretary of Labor.

"(b) For the purposes of subsection (a), the term 'unemployment administrative expenditures' means, in the case of any fiscal year, the sum of—

"(1) the aggregate of the amounts expended during the fiscal year for—

"(A) the purpose of assisting the States in (i) the administration of their unemployment compensation laws (including administration pursuant to agreements under title IV of the Veterans' Readjustment Assistance Act of 1952), (ii) the establishment and maintenance of systems of public employment offices in accordance with the Act of June 6, 1933, as amended (29 U. S. C., sec. 49–49n), and (iii) carrying into effect section 602 of the Servicemen's Readjustment Act of 1944; and

"(B) the performance by the Department of Labor of its functions (except its functions with respect to Puerto Rico and the Virgin Islands) under (i) this title and titles III and XII of this Act, (ii) the Federal Unemployment Tax Act, (iii) the provisions of the Act of June 6, 1933, as amended, (iv) title IV (except section 602) of the Servicemen's Readjustment Act of 1944, and (v) title IV of the Veterans' Readjustment Assistance Act of 1952; and

"(2) the amount estimated by the Secretary of the Treasury as equal to the necessary expenses incurred during the fiscal year for the performance by the Department of the Treasury of its functions under this title and titles III and XII of this Act and under the Federal Unemployment Tax Act.

For the purposes of paragraph (1), payments before July 1 for any period on or after such July 1 shall be considered as expended during the fiscal year which begins on such July 1.

"AMOUNTS CREDITED TO FEDERAL UNEMPLOYMENT ACCOUNT

"SEC. 902. Whenever any amount is transferred to the Unemployment Trust Fund under section 901 (a), there shall be credited (as of the beginning of the succeeding fiscal year) to the Federal unemployment account so much of such amount as equals whichever of the following is the lesser:

"(1) The total amount so transferred; or

"(2) The amount by which $200,000,000 exceeds the adjusted balance in the Federal unemployment account at the close of the fiscal year for which the transfer is made.

For the purposes of the preceding sentence, the term 'adjusted balance' means the amount by which the balance in the Federal unemployment account exceeds the sum of the outstanding advances under section 1202 (c) to the Federal unemployment account.

"AMOUNTS CREDITED TO STATES' ACCOUNTS

"SEC. 903. (a) So much of any amount transferred to the Unemployment Trust Fund at the close of any fiscal year under section 901 (a) as it not credited to the Federal unemployment account under section 902 shall be credited (as of the beginning of the succeeding fiscal year) to the accounts of the States in the Unemployment Trust Fund. Each State's share of the funds to be credited under this subsection as of any July 1 shall be determined by the Secretary of Labor on the basis of reports furnished by the States and shall bear the same ratio to the total amount to be so credited as the amount of wages subject to contributions under such State unemployment compensation law during the preceding calendar year which have been reported to the State by June 1 bears to the total of wages subject to contributions under all State compensation laws during such calendar year which have been reported to the States by such June 1.

"(b) If the Secretary of Labor finds that on July 1 of any fiscal year—

"(1) a State is not eligible for certification under section 303, or

"(2) the law of a State is not approvable under section 1603 of the Federal Unemployment Tax Act,

then the amount available for crediting to such State's account shall, in lieu of being so credited, be credited to the Federal unemployment account as of the beginning of such July 1. If, during the fiscal year beginning on such July 1, the Secretary of Labor finds and certifies to the Secretary of the Treasury that such State is eligible for certification under section 303, that the law of such State is approvable under such section 1603, or both, the Secretary of the Treasury shall transfer such amount from the Federal unemployment account to the account of such State. If the Secretary of Labor does not so find and certify to the Secretary of the Treasury before the close of such fiscal year then the amount which was available for credit to such State's account as of July 1 of such fiscal

year shall (as of the close of such fiscal year) become unrestricted as to use as part of the Federal unemployment account.

"(c) (1) Amounts credited to the account of a State pursuant to subsection (a) shall, except as provided in paragraph (2), be used only in the payment of cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration.

"(2) A State may, pursuant to a specific appropriation made by the legislative body of the State, use money withdrawn from its account in the payment of expenses incurred by it for the administration of its unemployment compensation law and public employment offices if and only if—

"(A) the purposes and amounts were specified in the law making the appropriation,

"(B) the appropriation law did not authorize the expenditure of such money after the close of the two-year period which began on the date of enactment of the appropriation law.

"(C) the money is withdrawn and the expenses are incurred after such date of enactment, and

"(D) the appropriation law limits the total amount which may be so used during a fiscal year to an amount which does not exceed the amount by which (i) the aggregate of the amounts credited to the account of such State pursuant to subsection (a) during such fiscal year and the four preceding fiscal years, exceeds (ii) the aggregate of the amounts used by the State pursuant to this paragraph and charged against the amounts credited to the account of such State during any of such five fiscal years.

For the purposes of subparagraph (D), amounts used by a State during any fiscal year shall be charged against equivalent amounts which were first credited and which have not previously been so charged; except that no amount used during any fiscal year may be charged against any amount credited during a fiscal year earlier than the fourth preceding fiscal year."

SEC. 3. Title XII of the Social Security Act is hereby amended to read as follows:

"TITLE XII—ADVANCES TO STATE UNEMPLOYMENT FUNDS

"SEC. 1201. (a) If—

"(1) the balance in the account of a State in the Unemployment Trust Fund at the close of September 30, 1953, or at the close of the last day in any ensuing calendar quarter, is less than the total compensation paid out under the unemployment compensation law of such State during the twelve-month period ending at the close of such day;

"(2) the Governor of such State applies to the Secretary of Labor during the calendar quarter following such day for an advance under this subsection;

"(3) the Governor certifies that the contribution rate or rates in effect for the quarter in which he applies will yield an amount which he estimates will equal or exceed 2.7 per centum of the total remuneration which he estimates will constitute wages subject to contributions for such quarter under the law of such State; and

"(4) the Secretary of Labor finds that the conditions specified in paragraphs (1), (2), and (3) have been met,

the Secretary of Labor shall, from time to time, certify to the Secretary of the Treasury such amounts as may be specified in the application of the Governor, but the aggregate of the amounts so certified pursuant to any such application shall not exceed the highest total compensation paid out under the unemployment compensation law of such State during any one of the four calendar quarters preceding the quarter in which such application was made. For the purposes of this subsection, (A) the application shall be made on such forms, and shall contain such information and data (fiscal and otherwise) concerning the operation and administration of the State unemployment compensation law, as the Secretary of Labor deems necessary or relevant to the performance of his duties under this title, and (B) the term 'compensation' means cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration.

"(b) The Secretary of the Treasury shall, prior to audit or settlement by the General Accounting Office, transfer from the Federal unemployment account to the account of any State in the Unemployment Trust Fund the amounts certified under subsection (a) by the Secretary of Labor (but not exceeding that portion of the balance in the Federal unemployment account at the time of such transfer which is not restricted as to use pursuant to section 903 (b)). Any amount so

transferred shall be an advance which shall be repaid (without interest) by the State to the Federal unemployment account in the manner provided in subsections (a) and (b) (1) of section 1202.

"SEC. 1202. (a) The Governor of any State may at any time request that funds be transferred from the account of such State to the Federal unemployment account in repayment of part or all of any remaining balance of advances made to such State under section 1201 (a). The Secretary of Labor shall certify to the Secretary of the Treasury the amount stated in such request; and the Secretary of the Treasury shall transfer such amount as of the close of the calendar month in which the Governor makes such request.

"(b) (1) There are hereby appropriated to the Federal unemployment account, out of any moneys in the Treasury not otherwise appropriated, amounts equal to the amounts by which (A) 100 per centum of the additional tax received under the Federal Unemployment Tax Act by reason of the reduced credits provisions of section 1601 (c) (2) of such Act and covered into the Treasury, exceeds (B) the amounts appropriated by paragraph (2). Any amount so appropriated shall be credited against, and shall operate to reduce, the remaining balance of advances under subsection (a) to the State with respect to which employers paid such additional tax.

"(2) Whenever the amount of such additional tax paid exceeds the remaining balance of advances under subsection (a) to the State, there is hereby appropriated to the account of such State, out of any moneys in the Treasury not otherwise appropriated, an amount equal to such excess.

"(3) The amounts appropriated by paragraphs (1) and (2) shall be transferred from time to time from the general fund in the Treasury to the Federal unemployment account or to the account of the State, as the case may be.

"(c) There are hereby authorized to be appropriated from time to time to the Federal unemployment account, as repayable advances (without interest), such sums as may be necessary to carry out the purposes of this title."

SEC. 4. Section 1601 (c) of the Internal Revenue Code (Federal Unemployment Tax Act) is hereby amended to read as follows:

"(c) LIMIT ON TOTAL CREDITS.—

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

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

"(A) in the case of a taxable year beginning with the second consecutive January 1 on which such a balance of unreturned advances existed, by 5 per centum of the tax imposed by section 1600 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

"(B) in the case of any succeeding taxable year beginning with a consecutive January 1 on which such a balance of unreturned advances existed, by an additional 5 per centum, for each such succeeding taxable year, of the tax imposed by section 1600 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State.

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

SEC. 5. (a) (1) Section 303 (a) (5) of the Social Security Act is hereby amended by striking out the semicolon and inserting in lieu thereof a colon and the following: "*Provided further*, That the amounts specified by section 903 (c) (2) may, subject to the conditions prescribed in such section, be used for expenses incurred by the State for administration of its unemployment compensation law and public employment offices;".

(2) Section 1603 (a) (4) of the Internal Revenue Code is hereby amended by striking out the semicolon and inserting in lieu thereof a colon and the following:

"*Provided further*, That the amounts specified by section 903 (c) (2) of the Social Security Act may, subject to the conditions prescribed in such section, be used for expenses incurred by the State for administration of its unemployment compensation law and public employment offices;".

(3) Section 1607 (f) of the Internal Revenue Code is hereby amended by striking out the period at the end thereof and inserting in lieu thereof a colon and the following: "*Provided further*, That the amounts specified by section 903 (c) (2) of the Social Security Act may, subject to the conditions prescribed in such section, be used for expenses incurred by the State for administration of its unemployment compensation law and public employment offices.".

(b) Section 904 (a) of the Social Security Act is hereby amended by striking out "or deposited pursuant to appropriations to the Federal unemployment account" and inserting in lieu thereof ", or otherwise deposited in or credited to the Fund or any account therein".

(c) Section 904 (b) of the Social Security Act is hereby amended by adding at the end thereof the following new sentence: "Advances to the Federal unemployment account pursuant to section 1202 (c) shall not be invested."

(d) Section 904 (e) of the Social Security Act is hereby amended by adding at the end thereof the following new sentence: "For the purposes of this subsection, the average daily balance shall be computed—

"(1) in the case of any State account, by reducing (but not below zero) the amount in the account by the aggregate of the outstanding advances under section 1201 from the Federal unemployment account, and

"(2) in the case of the Federal unemployment account, (A) by adding to the amount in the account the aggregate of the reductions under paragraph (1), and (B) by subtracting from the sum so obtained the aggregate of the outstanding advances from the Treasury to the account pursuant to section 1202 (c)."

(e) Section 904 (g) of the Social Security Act is hereby repealed.

(f) (1) Clause (2) of the second sentence of section 904 (h) of the Social Security Act is hereby amended to read as follows: "(2) the excess of taxes collected under the Federal Unemployment Tax Act after June 30, 1946, and prior to July 1, 1953, over the unemployment administrative expenditures made after June 30, 1946, and prior to July 1, 1953".

(2) The third sentence of such section 904 (h) is hereby repealed.

Passed the House of Representatives July 8, 1953.

Attest:

LYLE O. SNADER, *Clerk.*

Congressman Mason, we are very happy to have you here. Will you proceed in your own way.

STATEMENT OF HON. NOAH MASON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. MASON. Mr. Chairman, members of this distinguished committee, my name is N. M. Mason, Congressman from Illinois, member of the Ways and Means Committee, and one of the joint authors of the bill that is before you, H. R. 5173. This bill is really the outcome of the Mills bill that was introduced by Congressman Mills, of Arkansas; it was introduced 2 years ago, upon which exhaustive hearings were held and I was a member of the subcommittee that held those hearings.

I was so impressed with the provisions of the original Mills bill that when the change of administration came last January, Congressman Mills asked me to introduce with him the same bill that he had had, which I did, so you might say that this bill before you is really the original Mills bill, as changed as a result of our hearings.

The bill has only one purpose, and that is to strengthen and improve the unemployment compensation program, both in the State and that part of it which belongs in the Federal Government.

The bill is designed to resolve a controversy that has been raging for 10 or 15 years as between the States and the Federal Government on this unemployment compensation program.

The situation is this, which we are trying to remedy: The United States collects—or Uncle Sam, as I like to call him—collects from this three-tenths of 1 percent unemployment compensation tax, approximately 260 or 270 or 280 million dollars a year. Of that, Uncle Sam allocates back to the States for administrative purposes approximately $200 million, and has had a surplus each year of from 60 to 70 million dollars, varying each year, a total surplus, however, over the years amounting to nearly a billion dollars which the Federal Government has used for general purposes—spent for general purposes; collected for a special purpose, spent for general purposes this surplus.

The bill is designed to correct that.

The CHAIRMAN. That is similar, is it not, to the social security situation?

Mr. MASON. Similar, only there is this difference: In the social-security fund they do put "IOU's" or Federal Government bonds—they do in the social-security fund, do maintain a fund, put bonds there in lieu of the cash they spend. They don't even do that in this fund. The surplus is spent each year for general purposes and no record kept to speak of.

The CHAIRMAN. No bookkeeping account of it at all?

Mr. MASON. No, indeed, and so we propose that every penny that is collected for unemployment compensation purposes shall go for unemployment compensation purposes, and not for general expenditures.

The bill does two things: It sets up what might be called a George loan fund of $200 million out of this surplus of 50 or 60 or 70 million each year, until it amounts to $200 million as a loan fund and then after that—after it has arrived at that point—the surplus each year then automatically is to go back to the various States in proportion to the payrolls in those States upon which it was levied for the States to use for unemployment compensation purposes; mainly for administrative purposes, but perhaps, in some cases where it isn't needed, and if the State legislature appropriates it for the benefits under unemployment compensation, but at least it will all go for the original purpose for which it was collected.

Senator CARLSON. Mr. Chairman—Congressman, I would just like to ask this question because I have had some objection to the fact that the States should not be permitted to use these allocations in trust fund for allocated purposes. What is the validity of that?

Mr. MASON. You say you do not believe the States should have this surplus to use for administrative purposes?

Senator CARLSON. I don't say it quite that way. I don't say that. I have heard some objections to it.

Mr. MASON. Well, then objections have been raised that the States should not use this for administrative purposes?

Senator CARLSON. Yes.

Mr. MASON. It was collected for administrative purposes, it should go for administrative purposes, and certainly, whoever raises that objection, loses sight of the fact that it has gone during the past 15 years for any and all purposes for which it was not collected. Therefore, it seems to me if we want to be logical, I can't see any objection for the States to use it for administrative purposes and if any is not

needed for administrative purposes in each State where it comes back I see no objection for the State legislature, closer to the people than the Federal departments out here, appropriating the balance for general purposes.

I want to say this. I was a member of the Manion Commission.

The CHAIRMAN. Are you still a member?

Mr. MASON. I am not. The Manion Commission took up unemployment compensation as one of its first studies. It has gone along on that study so far that at the last meeting that I attended, the Manion Commission approved and supports this bill, H. R. 5173, in its present form as the first step toward unscrambling the concentration of powers in Washington that has been going on for quite some time, unscrambling it in this particular field.

The CHAIRMAN. Has anyone suggested the theory justifying the general expenditure of the surplus of these funds that come in here?

Mr. MASON. No one has ever justified that. We held hearings—we had reports from the departments—and so far as I am concerned, they have never even attempted to justify collecting for one purpose, definitely, specifically for that purpose, and then spending it for any and all purposes.

The CHAIRMAN. Let me repeat the question I asked you a while ago: As you, pointed out, the Government, in the case of social security, puts in its I O U's for the money it spends for general purposes, but there is nothing of that kind so far as this fund is concerned?

Mr. MASON. There is not.

The CHAIRMAN. No bookkeeping account that the Government owes this fund?

Mr. MASON. Senator, I haven't seen any and I doubt that there is even a bookkeeping account.

The CHAIRMAN. Go ahead, Mr. Mason.

Mr. MASON. I am through, Mr. Chairman. I have abbreviated the situation and placed it in as much of a nutshell as I can.

The CHAIRMAN. Are there any questions?

(No response.)

Thank you very much, Congressman. We appreciate your being here.

Mr. MASON. Thank you.

The CHAIRMAN. The next witness is the Honorable Rocco Siciliano.

STATEMENT OF HON. ROCCO SICILIANO, ASSISTANT SECRETARY OF LABOR

Mr. SICILIANO. Thank you, Mr. Chairman. My name is Rocco Siciliano, Assistant Secretary of Labor.

Mr. Chairman, and members of the committee, I wish to express my appreciation for the opportunity to present the views of the administration with respect to H. R. 5173.

This bill, as Congressman Mason has indicated, deals primarily with the use that should be made of the proceeds of the Federal Unemployment Tax Act. The tax of three-tenths of 1 percent of covered payrolls collected under this act is not now earmarked for the use of the employment-security program.

The CHAIRMAN. In no way, whatever?

Mr. SICILIANO. No, sir.

The CHAIRMAN. The Government does not carry an account evidencing that it owes this fund the money that is surplus of this administrative fund?

Mr. SICILIANO. No, sir. To my knowledge the surplus is not accounted for.

The CHAIRMAN. No I O U's in any till to take care of it?

Mr. SICILIANO. No, sir. Of course, they have a bookkeeping account as to the total amount of the tax itself, what it amounts to, but as to any earmarking or any indication at all that is to be utilized or used for this particular fund or purpose I don't know of any.

The CHAIRMAN. If there is an account it is not an evidence of indebtedness to the fund; is that correct?

Mr. SICILIANO. That is correct, sir.

Senator FREAR. Mr. Chairman, isn't there a bookkeeping account which has a ledger stating the amount received by years as to States?

Mr. SICILIANO. Yes, sir. We have an accounting, the bookkeeping accounting of the amounts, actual amounts that are collected, taxwise from each State, by years, but as to the expenditure once it is received into the General Treasury fund——

Senator FREAR. It is only an accounting of receipts?

Mr. SICILIANO. That is right, so that it does go into the general fund of the Treasury and is thus available for meeting the general operating costs of the Government.

The CHAIRMAN. Is there anyone in the room that has any contrary information, that is, information to the effect that this surplus is carried in any way as an obligation to this unemployment insurance fund? What I am getting at, maybe we can accept that as an established fact in this proceeding. There seems to be no one who has any contrary information.

Senator MARTIN. Mr. Chairman, I have a question.

The CHAIRMAN. Senator Martin.

Senator MARTIN. We make an appropriation out of the general fund for the expenses.

Does this three-tenths of 1 percent meet that amount that we have been appropriating?

Mr. SICILIANO. Yes, sir. The three-tenths of 1 percent tax, since 1938, has in fact amounted to more money than in turn was appropriated by the Congress for administration.

Senator MARTIN. How much more?

Mr. SICILIANO. The best I can say there is that last year, for example, fiscal year 1953, the difference amounted to about $67 million.

Senator MARTIN. Thank you.

Mr. SICILIANO. The total amount which has been appropriated—and this I think will answer your question more fully—each year for employment security administrative expenditures, both Federal and State, has always been substantially less than the total taxes collected under the act each year. For fiscal 1953 total collections were about $276 million.

The CHAIRMAN. Does the act itself give any authority to spend this money for general purposes?

Mr. SICILIANO. For outside of the employment security program?

The CHAIRMAN. Yes.

Mr. SICILIANO. I don't know of any authority that is not given by the act. In other words, the amount that is collected—there is

nothing in the act itself that says that that whole amount collected must go back into the Federal employment security purposes.

An excess of about $67 million in Federal unemployment tax receipts was thus unavailable for use in the employment security program and was used for other purposes by the Government.

A similar excess has existed each year since 1938. The amount of the annual surplus has varied from year to year as the amounts collected and the amounts appropriated by the Congress have varied with current changes in employment and unemployment.

The CHAIRMAN. How much money altogether do you estimate does the surplus amount to since 1938?

Mr. SICILIANO. It has been estimated that that amount or those amounts would be somewhere between $650 million and $1 billion surplus.

Senator CARLSON. Mr. Chairman, on that point, if I may state, as I remember the discussion when this bill was passed before the House of Representatives it was, of course, a question of how much it would take to pay its way and we had to arrive at some figure and the three-tenths of 1 percent was selected, assuming that that would be sufficient and, of course, if it was less, we would have to make it up. If it was more it would go back to the Federal Government, as I understand.

Mr. SICILIANO. H. R. 5173 provides that those——

The CHAIRMAN. I would like to ask a question. Was it your understanding at the time that the surplus was to be used as a general Federal fund, or was there some kind of an understanding that it was to be used for unemployment purposes?

Senator CARLSON. Mr. Chairman, I do not know that there was any understanding that if there was a surplus from this fund for administering the social security program that this surplus would be transferred to the general fund for general Government expenditures. There was considerable discussion in the House Ways and Means Committee on this problem, and as I stated earlier, it was difficult to arrive at a figure that would be sufficient to care for these costs and at the same time not collect considerably more than was necessary for the operation of the program. I think it was generally agreed that if the amount collected under this percentage which was set aside for administrative purposes was not sufficient, the Federal Government would contribute whatever amount was necessary to carry on the program until we had had some experience in its cost operations.

The CHAIRMAN. Was there any general idea at that time that it might be a source of general revenue for general expenditures?

Senator CARLSON. It was not the thought, of course.

Mr. SICILIANO. This bill, then, provides that the Federal employment tax receipts each year, which are in excess of employment security administrative expenditures, shall be earmarked annually in the Federal unemployment tax fund for employment security purposes exclusively.

The CHAIRMAN. I didn't get the beginning of your statement. What did you say?

Mr. SICILIANO. I say this bill, H. R. 5173, provides for that purpose. This earmarking provision is in accordance with the President's legislative program. We do support the earmarking principle. The administration strongly endorses this provision of H. R. 5173, as do, to my knowledge, all persons familiar with the unemployment security program.

The CHAIRMAN. Does the administration object to any part of this bill?

Mr. SICILIANO. Yes, sir. I will make that clear as I go along. We recognize, however, that this earmarking of tax receipts which have been available for general revenue purposes will have a substantial impact upon the budget. The administration recommends, therefore, that the initial transfer of the excess funds be made with respect to receipts in expenditures for the fiscal year 1955.

The bill provides for excess funds so earmarked to be used as follows, and there are two major points here: One, the excess would be credited each year to the Federal unemployment account in the Federal unemployment trust fund until a total of $200 million is reached. This fund would be used to provide a source for non-interest-bearing repayable advances to States whose unemployment reserves fall to dangerously low levels. Whenever this account falls below $200 million, because of outstanding advances, it would be credited with sufficient excess funds to restore it to this $200 million level.

The CHAIRMAN. What showing does the State have to make to get that money?

Mr. SICILIANO. I will touch exactly on that in a minute.

Senator GEORGE. Could one State get $200 million if it needed it?

Mr. SICILIANO. Theoretically, I assume one State could. Actually, I don't believe there is any State that would be eligible for such an amount.

Senator GEORGE. I understand, but theoretically they could get it.

Mr. SICILIANO. That is right.

Senator GEORGE. Who would make the allocation?

Mr. SICILIANO. That will be done, based on this formula which I will describe in a minute, by the Secretary of Labor working with the Treasury Department.

The CHAIRMAN. All right. Go ahead.

Mr. SICILIANO. The second point is any surplus above $200 million—and this I might mention is the apparent controversy that might exist—any surplus above the $200 million would be distributed to the States on the basis of the relationship, as Congressman Mason indicated, of the State's taxable wages to the total taxable wages collected. These funds could then be used by the individual States for the benefit of their employment security program, including administrative expenses.

The administration strongly endorses the provision for a $200 million fund for advances to the States. On the other hand, we recommend against enactment of the provision permitting States to use any surplus funds over this $200 million figure to supplement congressional appropriations for administrative expenditures. As provided now in the bill, the excess can be used for both benefit purposes and administrative purposes. We are in accord with the use of any excess for benefit purposes but we recommend against the part that would permit them to use this excess return to the States for administrative purposes.

The CHAIRMAN. Is that because you do not recognize that the States might need the money for administrative purposes, or that you fear that that might constitute an undue aggrandizement of State machinery?

Mr. SICILIANO. I can answer that directly by saying that under the present law the States are receiving such amounts of money as the Secretary of Labor determines to be necessary for proper and efficient operation of their program, within the limit of congressional appropriations.

I would like to explain that the Department of Labor works in close cooperation with each of the States in the entire budgetary process today; that is, in determining how much moneys are needed. It may be that—this is one of the criticisms, I think—it may be that the program taken as a whole has not had enough money at times for the most effective administration; sudden and often unexpected increases in unemployment create sharp changes in administrative workloads.

The CHAIRMAN. What is the general objection to turning the surplus back to the States for the use of unemployment, whether it be administrative or benefits? What is the general objection?

Mr. SICILIANO. Our feeling on that, Senator Millikin, is that Congress is divesting in a sense its responsibility, if on the one hand it makes a determination that so much money is needed for administrative purposes, as a result of which there is a certain excess fund that is left, and then on the other hand, this excess fund is returned and given to the States, where they in turn can use those funds for administrative purpose also.

The CHAIRMAN. What is the theory that the States are not fully qualified to determine the questions that are raised by your answer?

Mr. SICILIANO. It isn't that the States aren't fully qualified yet or have been. It is that at least under the past procedure and under the act as it is now, Congress determines how much a State needs for its own administrative purposes. Once they have made a determination, it would be sort of an anomalous thing if that determination is then in a sense set aside by the States themselves by their own subsequent administrative determination.

This bill does not change the existing system under which the Congress determines and it appropriates the amounts needed by the States for the proper and efficient administration. The bill doesn't change that part. The bill, however, provides the States with additional funds, not necessarily related to the needs of each State, which could be used subject to State legislative appropriation, as has been indicated here.

The CHAIRMAN. And you favor the continuance of the determination by Congress for the administrative expenses but you are willing to allow the States to use the surplus for benefit purposes?

Mr. SICILIANO. That is right.

The CHAIRMAN. That is the whole point?

Mr. SICILIANO. That is the whole point. That is the joint position of the Treasury Department, the Bureau of the Budget and the Department of Labor. This position I am giving you is for the three departments.

The CHAIRMAN. Is that the position of the prior Department of Labor?

Mr. SICILIANO. To my knowledge, I don't know if the Department of Labor testified on the prior Mills bill, as such. I don't know if there were hearings held.

Mr. MASON. They did, very extensively, shall I say.

Mr. SICILIANO. I am not aware of that.

The CHAIRMAN. What was their position?

Mr. MASON. Their position was practically the position that the gentleman now testifying gives and the whole stress, Mr. Chairman, was on whether Congress determined the amount for administration or the Secretary of Labor determined and the Congress only approved, in general, because they have no way of determining what each individual State needs for administrative purposes.

The CHAIRMAN. Proceed.

Mr. SICILIANO. This, then, would enable the State legislature to appropriate funds it had no responsibility for raising. Furthermore, this additional amount would increase when Congress, for sound reasons, decreased appropriations for regular administrative grants. I think that is apparent, that if Congress should decide to appropriate less money for the operation of this program that would result in a greater excess. It could and it has in the past years.

The CHAIRMAN. What is the State responsibility in the raising of these funds?

Mr. SICILIANO. To answer your question, the State has no responsibility for raising three-tenths of 1 percent tax.

The CHAIRMAN. No administrative machine?

Mr. SICILIANO. None, sir.

The CHAIRMAN. It is completely controlled by congressional legislation?

Mr. SICILIANO. Yes, sir. I might say that the total tax is 3 percent; 90 percent of that 3 percent, or 2.7, is raised by the States for their own benefit program, but this three-tenths of 1 percent is paid indirectly into the Federal Treasury. That is a Federal tax.

The CHAIRMAN. As to the larger amount of the fund, the States do raise it, and do have the responsibility for its proper use?

Mr. SICILIANO. For the benefit part of the program, yes, sir. They do raise it.

Senator BENNETT. Do I understand out of the 2.7 percent retained by the State no money may be spent for administrative purposes?

Mr. SICILIANO. That is right.

Senator BENNETT. They depend entirely on the congressional grant out of the remaining three-tenths of 1 percent?

Mr. SICILIANO. That is right.

The CHAIRMAN. The Department at present determines how much of the proper administrative amount is granted?

Mr. SICILIANO. That is right. The administration strongly urges therefore that this provision of H. R. 5173 should be modified to provide that the funds the States receive from the distribution of excess Federal unemployment collections be used only for benefit purposes.

The CHAIRMAN. Have you an amendment prepared?

Mr. SICILIANO. Yes. We have some language.

(See amendments p. 34.)

The CHAIRMAN. Will you let us have it before you leave?

Mr. SICILIANO. Yes, sir. Again, I will refer to a letter to this committee that is dated July 17, 1953, which presented the joint views of the Department of Labor, the Treasury Department, and the Bureau of the Budget.

The CHAIRMAN. Mrs. Springer, may we have that letter, please? Have you a copy of it?

Mrs. ELIZABETH B. SPRINGER (clerk). Yes.

The CHAIRMAN. We will put it in the record. I think we had better put it in right now.

(The letter referred to follows:)

TREASURY DEPARTMENT,
Washington 25, July 17, 1953.

Hon. E. D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: Your committee has for consideration H. R. 5173, which revises some of the financing provisions of the employment security program. You have requested the views of the Treasury Department, the Labor Department, and the Bureau of the Budget on the bill, and this report presents the views of the three agencies.

We are fully sympathetic with the general objective of the bill to set aside the proceeds of the Federal unemployment tax for use only in connection with the employment security program. However, we would strongly recommend that the changes suggested below be made in the bill.

The bill provides for the accumulation of a fund of $200 million out of excess Federal unemployment tax collections, which currently amount to about $65 million annually, to be available for loans to the States for unemployment benefit purposes. After the accumulation of such a fund, additional excess collections would be distributed among the States to be used either for the payment of unemployment benefits, or to the extent that an appropriation is made by a State legislature, for administrative purposes. At present the Congress has the responsibility for determining what is necessary to the proper administration of the unemployment compensation system and the public employment service, and for appropriating adequate funds for this purpose. Enactment of the bill would mean that after the Congress had made these decisions, additional amounts would nevertheless be available to the States for the same purpose. Moreover, the States would be appropriating tax revenues which they had no responsibility for raising. Such practices would seem to militate against sound administration.

Administrators of State employment security systems have complained that funds made available in the past by the Federal Government have sometimes been inadequate for efficient administration or for desirable innovations in administration. However, this is a problem which should be met directly by the Congress through the appropriation procedure. The Congress has already taken an important step in this direction by providing a contingency fund appropriation of broad scope which will afford greater flexibility in meeting the needs of the States.

Administrators of State agencies have also complained that the Federal allocations of funds to the States for administration are so rigid that they are unable to finance special administrative needs peculiar to the States. However, the State administrators are free to transfer funds from one purpose to another within the total grant to the States. For example, if a State wishes to transfer funds allocated for research to fraud prevention work, they are free to do so. The only overall requirement is that the funds be used for proper administration of the employment security system.

In view of these considerations, it would seem reasonable and appropriate that the excess Federal unemployment tax collections allocated to the States be used only for benefit purposes.

As adopted by the House, the bill provides for a loan to a State if the balance in its account in the unemployment trust fund at the end of a quarter is less than the unemployment compensation paid out in the preceding 12 months, provided the State has an average 2.7 percent tax rate in effect and certain other conditions are met. The loan would be limited to the highest amount of benefits paid in any of the four preceding quarters. The bill also provides for the automatic repayment of a loan to a State after it has remained unpaid for an entire calendar year. This is achieved by a reduction of the credit allowed employers in the State against their Federal unemployment tax liability. Instead of a credit of 90 percent of the Federal tax, employers would be permitted a maximum credit of 85 percent of the tax, and for each subsequent calendar year that the loan remained unpaid, the employer credit would be reduced by an additional 5 percentage points. The additional taxes thus collected would be used to offset the loan. The effect of the compulsory repayment provision would be to impose additional Federal

payroll taxes on employers in a State suffering from continued unemployment, irrespective of the payroll tax rate applicable under State law or of any increases in tax rates which the State itself might adopt. The more prolonged the unemployment in a State, the heavier would be the Federal tax imposed on its employers, thus aggravating the problem of economic recovery.

We would urge the committee to adopt as a substitute for the loan and repayment provisions of H. R. 5173, the provisions of title XII of the Social Security Act, originally sponsored by Senator George, which was allowed to lapse at the end of 1951. Title XII was adopted by the Congress in 1944 after extensive consideration, and does not have the objectionable automatic repayment features of H. R. 5173. It provides that a loan shall be made to a State if the balance in its account on the last day of a calendar quarter falls below the higher of its annual contributions to the account during the 2 preceding calendar years. The amount of the loan would be equal to the difference between benefits paid out by the State in the quarter and an amount equal to 2.7 percent of the wages subject to tax in that quarter. Loans would be repaid by a State when, and to the extent that, the balance in its account at the end of a quarter exceeds the higher of its annual contributions in the 2 preceding calendar years. Thus the loan would be repaid by a State when economic recovery permitted the contributions to exceed benefit payments.

The principal criticism which has been made of the "George loan fund" is that under some circumstances a State need not repay a loan for an extended period of time. This might occur, for example, if a State's economy continued to be depressed, and as a result the balance in its account could not be built up to previously prevailing levels. It is questionable, however, whether it is in the national interest to require a State to repay a loan before it has had sufficient time to rehabilitate its economic structure.

The provisions of the bill are geared largely to situations where Federal tax receipts exceed administrative expenses. However, in years when administrative costs are higher than tax receipts, the deficiency would be met from the general fund of the Treasury. Nevertheless no provision is made for the recoupment of such amounts by the general fund in subsequent years when tax receipts exceed expenditures. The underlying theory of the bill would seem to justify provision for such recoupment.

Certain technical comments and drafting changes designed to clarify the provisions of H. R. 5173, as adopted by the House of Representatives, are attached as appendix A.

Sincerely yours,

M. B. FOLSOM,
Acting Secretary of the Treasury.

APPENDIX A

1. Under the loan provisions of H. R. 5173, the determination of whether the State fund balance is low enough to make the State eligible for an advance is based upon the amount standing in the account of the State in the Unemployment Trust Fund. Presumably it was intended that the balance used as a basis for determination should also include benefit funds withdrawn from the Unemployment Trust Fund and in the hands of the State, and also State tax collections which have been deposited in the State's clearing account, but have not yet been deposited in the Unemployment Trust Fund. As the term "unemployment fund" is defined in section 1607 (f) of the Federal Unemployment Tax Act it would be more appropriate, since it would include all of these moneys. Section 1201 (a) (1) and other pertinent sections should therefore be changed by substituting for the words "the account of a State in the Unemployment Trust Fund" the words "State's unemployment fund as defined in section 1607 (f) of the Federal Unemployment Tax Act."

2. Section 5 (f) of the bill authorizes the appropriation of the excess of taxes over administrative expenses for the years prior to July 1, 1953. Since section 1202 (c) of the Social Security Act, as amended by the bill authorizes the appropriation of such sums as may be necessary to carry out the purposes of title XII, the provision in section 5 (f) would seem to be unnecessary.

3. H. R. 5173 requires that the Secretary of the Treasury credit to the various State accounts as of July 1, certain excess Federal unemployment tax collections as determined by the Secretary of Labor upon the basis of prorated portions of the wages subject to tax under State laws. No date is specified in the bill for the certification of such amounts by the Secretary of Labor to the Secretary of the

Treasury. In the interest of prompt and simplified accounting it is suggested that such a date be specified in the bill, preferably July 1, or as near as possible to that date. To provide a date of July 1, the following language should be inserted after the word "Labor" on page 5, line 17 of the bill: "and certified to the Secretary of the Treasury on or before that date."

4. It is suggested that section 1202 (b) in the bill provide that appropriations of the additional tax received under the Federal Unemployment Tax Act by reason of the reduced credit provisions be made on a monthly basis. This will avoid appropriation and transfer of such additional tax collections each time a deposit is made, as may be required under the present provisions. The following is a redraft of section 1202 (b) to accomplish this change and to provide a uniform basis for making such appropriations (delete words in black brackets, and add italicized words):

"(b) (1) There are hereby appropriated to the *Unemployment Trust Fund for credit to* the Federal unemployment account, out of any moneys in the Treasury not otherwise appropriated, amounts equal to the amounts by which (A) 100 per centum of the additional tax received under the Federal Unemployment Tax Act by reason of the reduced credits provisions of section 1601 (c) (2) of such Act and covered into the Treasury, exceeds (B) the amounts appropriated by paragraph (2). Any amount so appropriated shall be credited against, and shall operate to reduce, the remaining balance of advances under [subsection (a)] *section 1201* to the State with respect to which employers paid such additional tax.

"(2) Whenever the amount of such additional tax [paid] *received and covered into the Treasury* exceeds the remaining balance of advances under [subsection (a)] *section 1201* to the States, there is hereby appropriated to *the Unemployment Trust Fund for credit to* the account of such State, out of any moneys in the Treasury not otherwise appropriated, an amount equal to such excess.

"(3) The amounts appropriated by paragraphs (1) and (2) shall be transferred [from time to time from the general fund in the Treasury], *at the close of the month in which the moneys were covered into the Treasury, to the Unemployment Trust Fund for credit* to the Federal unemployment account or to the account of the State, as the case may be[.], *as of the first day of the succeeding month.*"

Mr. SICILIANO. The administration also believes that a change should be made—this is a second point where we recommend a change—should be made in the provisions dealing with repayment of advances made to the States from the funds set up for such purposes. The bill, as now written, and as passed the House, permits voluntary repayment at any time and in any amount. The bill provides, however, that repayment must begin automatically for the year commencing with the second January after an advance is made.

The CHAIRMAN. In what amount?

Mr. SICILIANO. It is actually based upon this 2.7; this is the compulsory aspect of it: The 2.7 percent that is ordinarily credited to employers in a State—they won't be permitted to get credit for all of it. Five percent will be added the first year to the Federal share of the tax and each succeeding year an additional 5 percent will be taken from that 2.7 credit and paid in.

The CHAIRMAN. It accumulates, 5 plus 5?

Mr. SICILIANO. That is right, 5 the first year, 10 the second, and so forth.

The CHAIRMAN. Fifteen, and so forth?

Mr. SICILIANO. Until the whole advance has been repaid, that is right.

The bill provides, as I have mentioned, that it must begin automatically with the first January following the full calendar year after the advance was made.

This requirement is effectuated by providing for reduction in this Federal tax credit which I have just indicated how it works, allowed employers in the State. The principle of repayment in relatively small annual installments is sound.

The CHAIRMAN. What happens if a State refuses to pay? Or does not pay?

Mr. SICILIANO. Then, it is paid directly by the employer, if the State refuses to pay.

The CHAIRMAN. Is that by Federal effort or State effort or how does that come about?

Mr. SICILIANO. I am not familiar with the compulsory aspect if the State refuses to pay.

The CHAIRMAN. Congressman Mason, can you tell us?

Mr. MASON. I cannot, sir. The technical provisions of the bill, I am not too familiar with: It is the general overall picture that I always presented.

Congressman Mills has kept very close in touch with the technical provisions and usually answered those questions.

Mr. SICILIANO. Mr. Murray, I believe, can.

The CHAIRMAN. Merrill G. Murray, assistant to the Director, Bureau of Employment Security of the United States Department of Labor.

Will you answer that question?

STATEMENT OF MERRILL G. MURRAY, ASSISTANT TO THE DIRECTOR, BUREAU OF EMPLOYMENT SECURITY UNITED STATES DEPARTMENT OF LABOR

Mr. MURRAY. Yes, sir. The bill provides that at any time the State can voluntarily repay this advance, but beginning with the assessment year commencing with the second January after the loan is made this automatic provision goes into effect, and the employers, instead of paying three-tenths of 1 percent to the Federal Government which is 10 percent of the 3-percent tax, they would pay 15 percent of the 3-percent tax, which would be forty-five one-hundredths of 1 percent; the following year, six-tenths of 1 percent, etc., but that is paid by the employer directly to the Federal Government, and transferred to the loan account.

The CHAIRMAN. That is the method of assuring repayment?

Mr. MURRAY. Yes, sir.

Mr. SICILIANO. It is a direct payment to the Federal Government.

The CHAIRMAN. Who orders that done?

Mr. MURRAY. That would happen automatically. The Internal Revenue Bureau would, beginning with that year, require the employers' return, under the Federal Unemployment Tax Act, to add this 5 percent of the total tax, and that 5 percent would be transferred back to this Federal unemployment account.

The CHAIRMAN. Is it the theory that taxing the employer in that way would exert pressures on the State Government to produce a willingness to repay?

Mr. MURRAY. I don't know what the theory was of the framers of the law except that this seemed to be a convenient way, and a way that the Federal Government would be assured that they got the money back.

The CHAIRMAN. Via Federal action through the Internal Revenue Department, is that correct?

Mr. MURRAY. That is correct.

The CHAIRMAN. In the way you described?

Mr. MURRAY. That is correct.

Mr. SICILIANO. The administration believes, however, that in some cases this automatic repayment provided by the bill may hit employers too soon, burdening them with higher contribution rates at a time when recovery may have just barely gotten under way.

In the joint interdepartmental letter of July 17, 1953, the recommendation was made that title 12 of the Social Security Act, the so-called George loan plan, which lapsed in 1951, be reenacted as a substitute for the provision of H. R. 5173 on this subject.

However, in the interval which has elapsed since this letter of July 17, the administration has been exploring other ways of revising the loan provisions of this bill on this subject with a view toward preserving them to the fullest extent possible, while at the same time minimizing the undesirable characteristics of the repayment requirements.

Accordingly——

The CHAIRMAN. That is a good word. What does it mean?

Mr. SICILIANO. What I am trying to say here——

The CHAIRMAN. I am not describing your testimony, but I didn't get anything out of it.

Mr. SICILIANO. I think I can understand that. Originally we had recommended that we use the George loan plan which had expired previously. Rather than get into the provisions of the George loan plan, we thought we would rather support the bill as basically written now, but at the same time try to take away the feature that would cause an employer to immediately start having a tax rise and to immediately start repayment before he and all the other employers in this particular State may be in best financial position to do so.

In other words, the economy may still be rocky and to compel an employer within a period of 13 months after the loan is made to the State, to start repayment, might be at the wrong economic time. We want to delay that period somewhat.

The CHAIRMAN. You want authority to delay it or an automatic delay?

Mr. SICILIANO. We would want an automatic delay. The State can always begin repayment any time they want but to compel the employer to repay at this time, is something that we feel isn't economically desirable, but we do want to have a cutoff on the thing so that in any event the repayment must begin at a certain time, and our cutoff is simply that this be delayed an additional 2 years, to a maximum period of 4 years, rather than what it is now, which is roughly, that the repayment must begin for the taxable year following a full calendar year in which the loan was made. That is a minimum period then of 13 months to a possible 23 months. What we are saying and what we are recommending by our suggestions here is that this period be increased to about 4 years before the automatic compulsory repayment feature begins, because then we feel that by that time, in any event, repayment should begin, rather than compelling it at an earlier date.

The CHAIRMAN. I am still groping around to find out the field of the States in this matter. What practices in a State that might not be desirable might lead to a condition where it would apply for a loan?

Mr. SICILIANO. Well, each State, of course, administers its own program and the considerations vary just as the operation of the program varies and the situation could be as we have in some States

particularly now, where they may be hit by unemployment to a greater degree than other States. I think the No. 1 example most people think of today is Rhode Island, whose reserve is in a fairly precarious position.

The CHAIRMAN. Is that reserve being in precarious position due to the unemployment, or is it due to any governmental practice in the State?

Mr. SICILIANO. That——

The CHAIRMAN. And take the State of X. Never mind Rhode Island. What might be assigned as the cause of the difficulty of the State?

Mr. SICILIANO. Let me answer it this way: The job, or the duty of the Federal Bureau of Employment Security is to establish minimum standards for the operation of State programs. That would mean, then, of course, checking and working with the States to make certain that those standards are maintained.

The CHAIRMAN. You have that now.

Mr. SICILIANO. We have that duty now. So that to use State X as the example, we wouldn't be inclined to think it was because of a faulty operation by the state officials that their state is in such a bad position.

Actually, I think other states, potentially at least, could be in bad positions also, and I don't think there is any question but what the administration of all the state programs is good, and it would mainly rely on economic factors, unemployment or peculiar conditions—such as California, where you have a great influx of people working for temporary lengths of time and then being laid off and an immediate drain on the unemployment fund.

The CHAIRMAN. What has the state to do with the rate that falls on the employer?

Mr. SICILIANO. The state has the authority—each state can lower this 2.7 maximum rate; it can be lowered, based on an employer's own experience, its own turnover in its own plant, to a theoretical zero.

The CHAIRMAN. Could the State permit the lowering of the rates to a point that brought about its own distress?

Mr. SICILIANO. It could.

The CHAIRMAN. Has that happened?

Mr. SICILIANO. We don't think it has. For example, the State of Rhode Island has the maximum 2.7. It has had it for some length of time.

Senator CARLSON. Mr. Chairman, right on that point, I think the States like to preserve rather substantial strong balances. I know, as Governor of the State of Kansas, we were proud of our balance and secured rather high balances in the State and we made ratings to the employers. I think they try to preserve it. I can see possibilities where under stress and strain they would have their fund greatly reduced or depleted to the point it goes below.

Mr. SICILIANO. Any State, I think you are right—I definitely agree with the Senator—that the States are just as anxious as anyone else to make certain they have a sound reserve. They do immediately suspend their credit rating systems, if it appears they are approaching an unsound point.

The CHAIRMAN. Could State X by its own practices, reduce its reserves to a peril point?

Mr. SICILIANO. They could.

The CHAIRMAN. You don't know of any State that does that?

Mr. SICILIANO. I don't know of any State that does that.

Senator WILLIAMS. Could a State, by being more liberal in their payments, reduce their reserve downward?

Mr. SICILIANO. By more liberal, what do you mean?

Senator WILLIAMS. By payments and the period of time in which it is paid.

Mr. SICILIANO. Again, I could say theoretically, yes, but at the present time, there has been an appeal, as you know, by the administration for all States to review their benefit adequacy and the duration of those payments, and see if they can't be bolstered in most cases.

Senator WILLIAMS. How did the rates which were paid in a period of time with those States in trouble compare with the surrounding States? Were they more liberal?

Mr. SICILIANO. No, sir.

Senator WILLIAMS. For instance, the State of Rhode Island, did it pay more, over a more extended period of time, than some other States?

Mr. SICILIANO. Rhode Island has a maximum of $25 a week. That isn't considered one of the more liberal present day standards.

Senator WILLIAMS. What period of time did they pay that?

Mr. SICILIANO. I don't know the years in which it was paid.

Senator WILLIAMS. I don't mean that. How long a period would it be paid?

Mr. SICILIANO. Twenty-six weeks.

Senator WILLIAMS. Is that the standard for most States?

Mr. SICILIANO. It varies anywhere from 20 to 26 weeks, and the recommended is 26 weeks.

Senator WILLIAMS. Thank you.

Mr. SICILIANO. As I said, under the administration's proposed amendment to the bill, the automatic repayment provision may be delayed for 1 or 2 more years, until the State's fund condition at least has had a chance to improve.

H. R. 5173 now requires, as a condition of eligibility for an advance, that a State must maintain an average tax yield of 2.7 percent. This is the same 2.7 I mentioned before. In order to get a loan, they have got to be maintaining that average.

In order to become eligible for an advance, the State must maintain an average tax yield of 2.7 percent in the quarter in which the application for the advance is made. That is the present provision.

Mr. SICILIANO. The administration recommends elimination of this requirement. This particular requirement was included in an effort to insure that a State takes timely precaution to meet any continued danger of insolvency of its own program. However, as I understand, the proposed aid to the State will be in the nature of an advance—it is not a grant—it is an advance that has to be repaid—the State can be relied upon, we think, to levy such contribution rates as reflect its financial responsibility. This ties in with our point here a while ago.

At present, all State laws provide for some increases in rates, most for the suspension of all rates below 2.7. Thirty-six States provide that there is a suspension of anything less than 2.7 in the event their reserves become seriously depleted.

To the extent this is the case, then, the Federal requirement would add nothing, but the reason, you might say, "Why are we opposing it

if they already do it, or why are we opposing the language that is in the present bill," might be centered on this one sentence:

It might also prevent some States from using methods of financing which aim to avoid rapid increases in employers' contributions at a time when they are least able to meet it, and that is basically the only reason we feel that this should be deleted.

The CHAIRMAN. Exactly what do you want to do?

Mr. SICILIANO. We would just eliminate it, simply because the States already, in 36 instances, have mandatory return to a 2.7 rate, and in any event, it might interfere with what the other tax revenue efforts the States may want to make to get out of their dilemma.

Senator CARLSON. Mr. Chairman, right on that point, if I may, under existing law, 2.7, and under this proposal, they would be required to meet that.

Mr. SICILIANO. Yes, sir.

Senator CARLSON. Wouldn't there be some danger of some States purposely reducing it considerably below the 2.7 and that State in the future getting into financial difficulty, while if you had a 2.7 as the language in the bill, wouldn't that be better?

Mr. SICILIANO. There might be a danger of that. The State would have no reason to wantonly lower the rate. I think they would have more reason, if these were grants, rather than simply loans, to just carelessly or negligently go ahead and lower the rates.

Senator CARLSON. It is generally recognized that these rates are very important to an employer, and to an industry, and it might be that competition would enter into it, as I see the picture. It seems to me some States would maintain 2.7 and if there were no provision, they would have to maintain at least that to keep up their funds, some States might decide they would make it 1½.

Mr. SICILIANO. That is possible. That possibly could happen. You have also the problem of this very competition, sometimes, employers staying away from a State because they feel they have a 2.7 rate.

Senator CARLSON. Competition enters into it.

Mr. SICILIANO. They won't go into it for that reason. The July 17th letter made a further recommendation which we think should be given serious consideration.

This recommendation is concerned with the fact that the bill, as now geared, is geared to situations where the Federal unemployment tax revenue exceeds the actual administrative expenses. In years when administrative costs are higher than tax receipts—in other words, you might not always have the situation of an excess——

The CHAIRMAN. Have we had any such years in the past?

Mr. SICILIANO. Since 1938 you have had none, and I don't know before 1938 whether we have had any year where there was not an excess, so this may be not too real a position; but in any event, it does provide in the bill that in the event that there is no excess, that a deficiency would have to be met from the general fund of the Treasury.

We are only saying this: That there is no provision in this bill for a recoupment to the Treasury, for subsequent years. The underlying theory of this bill is to make employment security systems self-sustaining, and so we think it would seem to justify provision for recoupment in the event it is not self-sustaining, and there does have to be an allocation from the General Treasury. That is one provision that we suggest be put in.

I woud like to make one further point——

The CHAIRMAN. Again, you will have your thoughts in amendment form?

Mr. SICILIANO. Yes, sir.

In addition to the automatic appropriation of excess taxes in subsequent years, the bill has two further provisions, and rather than read what I have here—because I don't understand it too well either—I think——

The CHAIRMAN. That is very refreshing.

Mr. SICILIANO. I think there are two provisions, one of which we are in accord with, and that is in this present bill which provides that there will be appropriation of advances to the Federal unemployment account to carry out the purpose of the bill when you have no excess at all. They would be repayable, again, in the future, but we have no objection to that provision. However, the other provision is section 5 (f), referred to in the bill.

What this does is, it goes back to June 30 of 1946, to July 1 of 1953. During those years, of course, this excess tax that has been collected has never been returned to the States. This bill would say that in the event there is no excess for any one year, Congress would then go back and pick up, say, the excess for the year 1953, and put that amount into the Federal unemployment account.

What it does simply is, it always makes a potential obligation there for the so-called past—for the years 1946 to 1953.

The CHAIRMAN. There is a denial of the theory that the excess belonged to the Federal Government to spend as it pleased, isn't there? Isn't there a little recognition there that perhaps there is an obligation to repay?

Mr. SICILIANO. That is right. That is exactly what this is. This is an attempt to say that all along there should have been a recognition and all along this excess collection should have been set aside for return to the States.

The CHAIRMAN. Do you know of any sound theory or any theory that has been advanced as to why the Federal Government should have had the use of the surplus to spend as it pleased, without obligation?

Mr. SICILIANO. No. As far as I know, there has never been any maintenance on the part of the administration. I don't know the history of this thing too well—that it had the right to spend this excess. Is that your question?

The CHAIRMAN. Yes. I understand it had the right to do it and it did, but what I am trying to get at is, did anybody ever advance an argument saying it was right to do so, that it was correct to do so?

Mr. SICILIANO. No, sir. I don't know of anyone advancing that, so then this potential obligation that would exist for some 6- or 7-year period, we think, is unnecessary, and I might mention here that because it also imposes sort of a potential obligation on the Federal Treasury, that the Bureau of the Budget and the Treasury feel fairly strongly about this; that this particular provision be eliminated, and with this particular elimination in this particular bill, there is already existing language in section 904 (h) which provides for the same kind of obligation up to 1952, I think it is, or 1951, so we recommend that that language also be eliminated.

In other words, we recommend the elimination of this potential obligation that would be in the bill.

The CHAIRMAN. You do that because you don't believe that there is either any obligation in strict terms, or that there is any moral claim?

Mr. SICILIANO. We feel there is an obligation, but we think it should be prospective.

Senator CARLSON. Mr. Chairman, I think it would be interesting if the witness knows the amount that accrued or accumulated from 1946 to 1953. Do you have that figure?

Mr. SICILIANO. I know the total amount from 1938 would be $600 million to $1 billion, but I am advised here it might be about $300 million.

The CHAIRMAN. For what period?

Senator CARLSON. From 1936 to 1953, how much the accrued or accumulated amount would be.

Mr. SICILIANO. As I have indicated, we shall submit draft language to carry out all of these recommendations which I have outlined.

There are some further amendments of a minor or technical nature which we would like to submit at the same time, but I am not taking them up at this time.

The CHAIRMAN. Strictly technical?

Mr. SICILIANO. We think they are technical.

The CHAIRMAN. No real question of substance?

Mr. MURRAY. They are of a minor substantive nature.

The CHAIRMAN. Is there anything that warrants taking the time of this committee to consider them in detail?

Mr. SICILIANO. I would think not.

The CHAIRMAN. With your technical amendments, will you submit an explanation?

Mr. SICILIANO. Yes, sir.

(See amendments p. 34.)

In summary, the position of the administration—if I might just repeat them in sort of numbered form here is—(1) we favor the deposit in the Federal Unemployment Trust Fund each year of any surplus taxes collected over congressional appropriations for administrative expenditures, but we recommend that this deposit begin with the excess tax fund collected during fiscal year 1955.

The CHAIRMAN. You don't want to pay for the dead horses, is that it?

Mr. SICILIANO. That is right.

(2) We favor the distribution of excess funds to the States as proposed in H. R. 5173, but we recommend limiting the use of the funds so distributed to benefit payments only.

(3) We favor the creation of a fund from which non-interest-bearing advances can be made to States with dangerously low reserves, but we believe that the financial assistance afforded thereby would be more effective if the automatic repayment provision were made flexible enough to take account of the general business conditions.

The CHAIRMAN. I suppose we might as well get at it. What States have the reserves that are dangerously low?

Mr. SICILIANO. There is one State, the State of Rhode Island, which is very low and dangerous, and Alaska is in a very precarious position.

The CHAIRMAN. Alaska?

Mr. SICILIANO. Yes, sir.

The CHAIRMAN. Some years ago there was another State, in addition to Rhode Island, that we heard a lot about.

Mr. SICILIANO. Massachusetts.

Rather than try to blanket in, in an order of sequence, the numerical order of States, what we have done deliberately—because Alaska and Rhode Island do stand out——

The CHAIRMAN. I don't even like to mention the States, but I think before we are through we will be asked the question, so we might as well get at it.

Mr. SICILIANO. Well, we would be glad, in fact, to furnish the so-called position of the States in respect to their reserves, of all the States.

The CHAIRMAN. Will you do that?

Mr. SICILIANO. Yes, sir.

The CHAIRMAN. You will put it in the record.

(The information to be furnished follows:)

(See letter and enclosures, p. 34).

The CHAIRMAN. Is there any way in which you can indicate those which, in your opinion, are in perilous condition?

Mr. SICILIANO. We have a table whereby we state how long a reserve would last, based on an average payment over a 6-year period. That table will show you that, for example, some States will be in a position to withstand this average rate of payment for 6 years, others for 25.

The CHAIRMAN. Do the States accept your tests that you are now talking about?

Mr. SICILIANO. I would think so, yes, sir.

The CHAIRMAN. Is there any objection from any of the States you know of?

Mr. SICILIANO. It is a statistical method.

The CHAIRMAN. I know it is, but do the States accept the meaning?

Mr. SICILIANO. I don't know if the States have ever been asked to particularly accept this.

The CHAIRMAN. Anyhow, give us the benefit of your own viewpoint on that; give us the statistics of reserves of each State and indicate those that you think may be wobbly.

Senator WILLIAMS. Mr. Chairman, with that report, could he also include with each State a record of what each State pays per week and the number of weeks it pays, so we can see what effect that might have?

The CHAIRMAN. Will you supply that?

Mr. SICILIANO. Yes, sir, weekly benefits and the ratio.

(The information to be supplied follows:)

(See letter and enclosures, p. 34).

The CHAIRMAN. I think this comes from the same thing. There might be an indication of the rate that is used in the State.

Mr. SICILIANO. Yes, sir.

Senator CARLSON. On that point (3), "We favor the creation of a fund from which non-interest-bearing advances can be made to States with dangerously low reserves," do I understand your recommendation is that Congress create a new fund for this purpose?

Mr. SICILIANO. No, sir. This is the $200 million fund.

Senator BENNETT. The purpose of the bill is to create that fund.

Senator CARLSON. You favor it?

Mr. SICILIANO. Yes, sir.

(4) We recommend elimination of the requirement of a 2.7 percent average tax rate at the time of the application for an advance.

(5) We recommend that consideration be given to a provision for recoupment to the general fund of the Treasury of those administrative costs which exceed tax receipts; and (6)——

The CHAIRMAN. Read me that again, please.

Mr. SICILIANO. We recommend that consideration be given to a provision for recoupment to the general fund of the Treasury of those administrative costs which exceed tax receipts.

This is the time when the tax receipts are less than the administrative costs and when Congress must make that deficiency appropriation.

(6) We recommend——

The CHAIRMAN. Recoupment by the Federal Government is, in your view, prospective?

Mr. SICILIANO. Yes, sir.

The CHAIRMAN. Do you favor any past—there has been——

Mr. SICILIANO. We recommend elimination of all provisions which authorize appropriation of past excess tax receipts.

In concluding, I should like to make it clear that the administration will continue to keep intimately in touch with the employment situation in the country, so that it will be immediately aware of any more far-reaching financial needs of the States which may require action to insure the integrity and stability of our Federal-State employment security program.

That concludes my testimony.

The CHAIRMAN. Any questions?

Thank you very much.

Mr. SICILIANO. Thank you, sir.

The CHAIRMAN. Where do you come from, may I ask?

Mr. SICILIANO. I am from Utah.

(The following selected data was subsequently secured for the record:)

SELECTED DATA ON THE CURRENT FINANCIAL POSITION OF THE STATE UNEMPLOYMENT INSURANCE PROGRAMS

The first table containing the financial data for the calendar years 1952 and 1953 will convey to the committee the dollar amounts collected and spent during these 2 years and the amounts available in the State reserve at the close of each of the 2 years.

The second table, showing significant measures of the solvency of the several State programs, will permit the committee to make its own evaluation of the comparative solvency position of the State unemployment insurance programs. The first 2 columns of that tabulation compare average contributions with the 1953 cost of benefits, both being expressed as a percentage of 1 year's taxable wages. The last 3 columns show the State's reserve as a percentage of 1 year's taxable wages and as a multiple of both the average and the highest annual costs experienced after the war. The significance of this last measure lies in the fact that it conveys an idea of the length of time a State could remain solvent solely on the basis of its accumulated reserve without collecting any more contributions or interest, if future benefit liabilities remained within the limits of those experienced in the past.

Tables III and IV contain information on present State limits on the weekly amount and the duration of benefits.

Table V shows varying State reserves over a period of 5 years in conjunction with benefits paid and average rates at which contributions were collected in each of those years. While the average rate of contributions and the size of the benefit liability are the primary determinants of the change in the size of State reserves, other factors such as interest collected, fines, refunds exert a contributory influence.

Table VI and the chart show the total Federal unemployment tax collections for the years 1936–53 and the total grants to the States for the same period. It also shows the percentage that the grants represented of Federal tax collections for the United States and with respect to each State.

TABLE 1.—*Financial data for 1953, by State*

[In thousands; corrected to Mar. 1, 1954]

	Reserves as of Dec. 31 [1]	Contributions collected [2]	Interest credited to trust fund	Benefit disbursements
United States	$8,912,821	$1,347,630	$201,277	$962,221
Alabama	77,453	14,545	1,756	10,520
Alaska	8,115	3,809	181	5,641
Arizona	44,233	5,410	994	2,568
Arkansas	46,076	7,372	1,046	6,014
California	818,528	131,992	18,385	97,363
Colorado	70,851	3,435	1,627	2,117
Connecticut	235,540	27,365	5,239	7,966
Delaware	17,933	1,725	409	1,167
District of Columbia	56,227	3,138	1,291	2,365
Florida	85,188	9,347	1,964	7,780
Georgia	137,833	17,336	3,109	10,226
Hawaii	23,286	2,188	546	2,858
Idaho	35,609	4,653	800	3,684
Illinois	533,500	69,326	12,132	51,085
Indiana	234,142	22,804	5,356	16,748
Iowa	110,634	5,547	2,541	5,088
Kansas	79,917	8,990	1,830	7,041
Kentucky	147,135	20,594	3,338	17,665
Louisiana	127,259	18,051	2,841	10,356
Maine	44,665	7,335	1,016	5,788
Maryland	132,631	13,535	3,060	11,911
Massachusetts	250,032	102,673	5,071	41,081
Michigan	440,508	90,799	9,753	39,485
Minnesota	134,799	12,631	3,073	11,021
Mississippi	43,186	5,445	1,006	6,641
Missouri	224,259	14,073	5,213	15,534
Montana	42,058	3,939	945	2,347
Nebraska	41,331	2,500	948	2,577
Nevada	17,028	3,137	375	1,567
New Hampshire	22,504	5,963	521	5,877
New Jersey	506,649	77,246	11,480	59,757
New Mexico	34,825	4,241	784	2,455
New York	1,311,985	271,061	29,114	178,597
North Carolina	181,417	21,435	4,177	20,973
North Dakota	11,305	1,987	249	1,987
Ohio	686,487	79,413	15,323	32,542
Oklahoma	56,101	8,738	1,278	7,251
Oregon	71,666	11,485	1,706	19,208
Pennsylvania	555,958	84,580	12,939	102,359
Rhode Island	28,521	17,189	611	12,565
South Carolina	71,902	13,621	1,620	9,055
South Dakota	13,397	1,251	302	730
Tennessee	114,568	21,216	2,593	16,369
Texas	282,597	20,005	6,450	11,891
Utah	36,385	4,078	826	3,168
Vermont	17,464	2,267	392	1,299
Virginia	96,141	8,570	2,226	8,203
Washington	190,808	27,589	4,426	29,027
West Virginia	89,802	10,401	2,113	13,954
Wisconsin	255,369	19,837	5,924	17,934
Wyoming	17,013	1,765	379	814

[1] Funds available for benefits.

[2] Includes contributions, penalties, and interest from employers, and contributions from employees. Adjusted for refunds of contributions and for dishonored contribution checks.

NOTE.—State figures do not necessarily add to totals due to rounding.

Source: Department of Labor, Bureau of Employment Security, Division of Actuarial and Financial Services, Mar. 10, 1954.

Financial data for 1952, by State

[In thousands; corrected to Aug. 1, 1953]

	Reserves as of Dec. 31 [1] (table A-1)	Contributions collected [2] (table A-2)	Interest credited to trust fund (table A-3)	Benefit disbursements (table A-4)
United States	$8,327,560	$1,367,676	$177,351	$998,237
Alabama	71,672	15,592	1,542	11,167
Alaska	9,766	3,775	194	4,171
Arizona	40,409	5,943	838	1,390
Arkansas	43,704	8,198	924	5,707
California	765,514	176,987	15,717	101,678
Colorado	67,927	6,254	1,435	1,311
Connecticut	210,922	35,723	4,353	11,044
Delaware	16,966	1,889	361	1,023
District of Columbia	54,162	4,019	1,165	1,700
Florida	81,710	9,710	1,783	7,483
Georgia	127,645	16,269	2,726	9,491
Hawaii	23,410	2,149	518	2,336
Idaho	33,857	4,613	711	2,862
Illinois	502,954	75,758	10,788	57,345
Indiana	222,729	21,291	4,875	20,842
Iowa	107,634	4,814	2,352	4,937
Kansas	76,142	8,849	1,613	3,912
Kentucky	140,869	19,472	3,021	15,193
Louisiana	116,761	21,320	2,455	13,181
Maine	42,106	7,316	895	5,326
Maryland	127,975	15,177	2,762	10,930
Massachusetts	183,369	97,995	3,518	59,133
Michigan	379,441	76,533	8,061	61,987
Minnesota	130,146	11,698	2,820	11,612
Mississippi	43,377	5,253	956	6,066
Missouri	220,507	15,152	4,837	13,624
Montana	39,526	5,324	824	2,155
Nebraska	40,467	2,691	878	2,172
Nevada	15,103	2,601	313	1,243
New Hampshire	21,908	6,094	465	5,790
New Jersey	477,680	68,129	10,228	51,163
New Mexico	32,256	4,083	679	1,541
New York	1,191,005	291,173	24,697	185,211
North Carolina	176,777	20,796	3,857	20,162
North Dakota	11,056	1,892	231	1,616
Ohio	624,457	75,354	13,217	35,876
Oklahoma	53,336	8,946	1,134	6,175
Oregon	77,684	11,794	1,698	15,000
Pennsylvania	561,058	47,932	12,826	109,952
Rhode Island	23,286	16,225	476	16,404
South Carolina	65,715	14,075	1,358	7,292
South Dakota	12,574	1,357	268	673
Tennessee	107,156	19,017	2,311	17,900
Texas	268,168	22,258	5,745	7,943
Utah	34,668	3,790	744	3,054
Vermont	16,108	2,407	352	2,365
Virginia	93,579	8,994	2,034	7,041
Washington	187,832	27,144	4,082	23,270
West Virginia	91,239	12,817	2,010	13,936
Wisconsin	247,563	18,928	5,379	14,128
Wyoming	15,686	2,106	325	725

[1] Funds available for benefits.

[2] Includes contributions, penalties, and interest from employers, and contributions from employee Adjusted for refunds of contributions and for dishonored contribution checks.

NOTE.—State figures do not necessarily add to totals due to rounding.

TABLE 2.—*Significant measures of the solvency of unemployment insurance, by State*

[Corrected to Mar. 1, 1954]

	Average contribution rate as a percentage of taxable wages		1953 benefit payments as a percentage of taxable wages [1]	Reserve on Dec. 31, 1953 as a percentage of taxable wages [1]	Reserve on Dec. 31, 1953 as a multiple of—	
	1952	1953 [1]			1946-52 average annual costs	Highest annual cost in 1946-53
United States	1.4	1.3	0.9	8.8	6.3	3.8
Alabama	1.2	.9	1.0	7.0	5.0	3.0
Alaska	2.7	2.7	4.0	5.8	2.9	1.4
Arizona	1.5	1.2	.6	10.6	15.1	7.1
Arkansas	1.5	1.3	1.1	8.6	7.2	5.1
California	2.1	1.3	1.1	8.8	4.0	2.2
Colorado	1.0	.4	.3	10.7	26.7	13.4
Connecticut	1.8	1.3	.4	11.4	9.5	3.6
Delaware	.6	.5	.4	5.6	9.3	5.1
District of Columbia	.7	.5	.4	9.8	19.6	12.2
Florida	.8	.6	.6	6.9	8.6	4.9
Georgia	1.2	1.2	.7	9.8	12.2	7.0
Hawaii	.8	.8	1.2	9.5	9.5	4.3
Idaho	1.8	1.7	1.4	13.5	15.0	9.0
Illinois	1.1	.9	.7	7.3	6.1	4.1
Indiana	.7	.6	.5	7.4	10.6	5.7
Iowa	.5	.5	.5	11.0	22.0	15.7
Kansas	1.0	1.0	.8	8.8	11.0	4.0
Kentucky	1.7	1.7	1.5	12.6	10.5	6.6
Louisiana	1.8	1.3	.8	10.0	7.7	5.0
Maine	1.6	1.5	1.3	9.7	5.7	3.1
Maryland	1.0	.7	.7	8.0	6.2	3.2
Massachusetts	2.7	2.7	1.1	6.6	3.5	1.8
Michigan	1.5	1.5	.7	7.6	5.8	3.3
Minnesota	.8	.6	.7	8.3	10.4	6.9
Mississippi	1.3	1.2	1.5	9.7	7.5	4.6
Missouri	.6	.6	.6	9.3	10.3	6.2
Montana	1.9	1.2	.8	14.5	16.1	8.5
Nebraska	.5	.5	.5	8.6	17.2	10.7
Nevada	1.8	1.8	.9	10.2	7.8	4.2
New Hampshire	1.9	1.7	1.8	6.7	3.7	1.7
New Jersey	1.5	1.5	1.4	11.9	6.6	4.2
New Mexico	1.3	1.3	.8	10.8	21.6	13.5
New York	2.4	2.0	1.4	10.3	4.9	3.1
North Carolina	1.2	1.1	1.2	10.5	10.5	6.6
North Dakota	1.5	1.4	1.5	8.5	9.4	4.7
Ohio	1.1	1.1	.4	9.4	11.7	6.3
Oklahoma	1.1	1.0	.9	6.7	6.1	3.2
Oregon	1.2	1.1	1.9	7.2	4.2	2.8
Pennsylvania	1.0	1.1	1.2	6.4	4.9	3.2
Rhode Island	2.7	2.7	2.0	4.5	1.5	.7
South Carolina	1.6	1.5	1.0	7.9	7.9	3.9
South Dakota	1.0	.7	.5	9.7	19.4	10.8
Tennessee	1.5	1.4	1.2	8.3	5.5	3.5
Texas	.6	.5	.3	7.3	24.3	10.4
Utah	1.1	1.1	.9	9.8	8.2	4.9
Vermont	1.5	1.3	.8	10.1	7.2	3.4
Virginia	.6	.6	.6	6.7	9.6	4.8
Washington	1.7	1.6	1.8	11.8	5.6	2.7
West Virginia	1.2	.9	1.3	8.6	7.8	4.5
Wisconsin	.9	.8	10.8	11.2	18.7	10.2
Wyoming	1.4	.9	.5	10.6	17.7	7.6

[1] Taxable wages are estimated for 12 months ending Sept. 30, 1953.

Source: U. S. Department of Labor, Bureau of Employment Security, Division of Actuarial and Financial Services, Mar. 10, 1954.

TABLE 3.—*Maximum weekly benefit amount and ratio to average weekly wages of covered workers, 1939 and 1953*

State	Maximum weekly benefit amount		Average weekly wages, covered workers		Maximum as percent of weekly wages	
	December 1939	December 1953 [1]	1939	1953	December 1939	December 1953 [2]
Total	-------	----------	$26.15	$69.09	----------	----------
Alabama	$15	$22.00	17.64	55.84	85.0	39.4
Alaska	16	35.00 (70)	35.23	119.08	45.4	29.4 (58.8)
Arizona	15	20.00 (26)	24.52	68.62	61.2	29.1 (37.9)
Arkansas	15	22.00	15.98	48.85	93.9	45.0
California	18	25.00	30.40	75.04	59.2	33.3
Colorado	15	28.00 (35)	24.79	67.30	60.5	41.5 (51.9)
Connecticut	15	30.00 (45)	27.41	72.81	54.7	41.2 (61.8)
Delaware	15	25.00	27.02	71.68	55.5	34.9
District of Columbia	15	[1] 20.00	25.74	65.28	58.3	30.6
Florida	15	20.00	18.44	56.89	81.3	35.2
Georgia	15	26.00	17.65	53.37	85.0	48.7
Hawaii	15	25.00	18.53	56.45	80.9	44.3
Idaho	18	25.00	21.60	63.48	83.3	39.4
Illinois	16	27.00	29.27	76.33	54.7	35.4
Indiana	15	27.00	26.44	73.07	56.7	37.0
Iowa	15	26.00	23.00	64.05	65.2	40.6
Kansas	15	28.00	22.62	67.45	66.3	41.5
Kentucky	15	28.00	21.29	62.13	70.5	45.1
Louisiana	18	25.00	20.56	59.09	87.5	42.3
Maine	15	27.00	20.28	57.90	74.0	46.6
Maryland	15	30.00 (38)	23.78	61.15	63.1	49.1 (62.1)
Massachusetts	15	[1] 25.00	26.49	62.71	56.6	39.9
Michigan	16	27.00 (35)	30.30	83.33	52.8	32.4 (42.0)
Minnesota	15	30.00	24.29	66.37	61.8	45.2
Mississippi	15	30.00	15.71	47.81	95.5	62.7
Missouri	15	25.00	25.02	66.56	60.0	37.6
Montana	15	23.00	25.43	64.52	59.0	35.6
Nebraska	15	26.00	23.17	60.93	64.7	42.7
Nevada	15	30.00 (50)	26.87	74.35	55.8	40.3 (67.2)
New Hampshire	15	30.00	20.73	56.98	72.4	52.7
New Jersey	15	30.00	27.51	74.36	54.5	40.3
New Mexico	15	30.00	21.48	63.06	69.8	47.6
New York	15	30.00	30.55	74.31	49.1	40.4
North Carolina	15	30.00	17.17	51.90	87.4	57.8
North Dakota	15	26.00 (32)	21.83	61.96	68.7	42.0 (51.6)
Ohio	15	30.00 (35)	27.92	74.57	53.7	40.2 (46.9)
Oklahoma	15	28.00	24.77	66.51	60.6	42.1
Oregon	15	25.00	28.81	73.47	52.1	34.0
Pennsylvania	15	30.00	25.81	66.08	58.1	45.4
Rhode Island	16	25.00	23.28	62.67	68.7	39.9
South Carolina	15	20.00	15.32	55.18	97.9	36.2
South Dakota	15	25.00	22.20	59.32	67.6	42.1
Tennessee	15	26.00	19.58	57.09	76.6	45.5
Texas	15	20.00	23.01	65.47	65.2	30.5
Utah	16	27.50	23.92	63.58	66.9	43.3
Vermont	15	25.00	22.29	60.61	67.3	41.2
Virginia	15	22.00	20.45	57.32	73.3	38.4
Washington	15	30.00	26.96	72.52	55.6	41.4
West Virginia	15	30.00	25.03	68.33	59.9	43.9
Wisconsin	15	33.00	27.40	71.50	54.7	46.1
Wyoming	18	30.00 (36)	23.42	64.15	76.9	46.8 (56.1)

[1] Figures in parentheses represent maximum including dependents' allowances, except in Colorado where the maximum is higher for claimants meeting certain requirements. The District of Columbia maximum is the same with or without dependents. Figure not shown for Massachusetts since it would necessarily be based on an assumed maximum number of dependents.

[2] Rates based on average weekly wages of covered workers for 1952 since 1953 data not yet available. Figures in parentheses based on maximums including dependents' allowances.

TABLE 4.—*Summary of duration provisions, December 1949 and 1953*

[Duration in 52-week period]

State	December 1949			December 1953		
	Proportion of wages in base period	Weeks of benefits		Proportion of wages in base period	Weeks of benefits	
		Minimum	Maximum		Minimum	Maximum
Alabama	1/3	10	20	1/3	11+	20
Alaska	1/3	8	25	32-30 percent	12	26
Arizona	Uniform	12	12	1/3	10	20
Arkansas	1/3	10	16	Same as 1949		
California	1/2	[1] 12+	26	do		
Colorado	1/3	10	20	1/3	[2] 10–26	[2] 20–26
Connecticut	1/4	[1] 6+	26	1/3	[1] 10	26
Delaware	1/4	[1] 11	26	Same as 1949		
District of Columbia.	1/2	[1] 11+	20	do		
Florida	1/4	7+	16	do		
Georgia	Uniform	16	16	Uniform	20	20
Hawaii	do	20	20	Same as 1949		
Idaho	40–22 percent	10	20	40–29 percent	10	26
Illinois	56–33 percent	[1] 10	26	46–32 percent	[1] 10	26
Indiana	1/4	[1] 6+	20	Same as 1949		
Iowa	1/3	6+	20	do		
Kansas	1/3	6+	20	do		
Kentucky	Uniform	22	22	Uniform	26	26
Louisiana	1/3	10	20	Same as 1949		
Maine	Uniform	20	20	do		
Maryland	1/4	7+	26	do		
Massachusetts	3/40	[1] 5+	23	3/40	[1] 6	26
Michigan	3/5 week of employment	9+	20	Same as 1949		
Minnesota	47–23 percent	14	25	41–26 percent	15	26
Mississippi	Uniform	16	16	Same as 1949		
Missouri	1/4 in 8 quarters	[3] 1+	20	1/3	[3] 1	24
Montana	Uniform	18	18	Uniform	20	20
Nebraska	1/3	[1] 8+	20	1/3	10	20
Nevada	1/3	10	26	Same as 1949		
New Hampshire	Uniform	23	23	Uniform	26	26
New Jersey	1/3	[1] 10	26	3/4 weeks of employment	13	26
New Mexico	3/5	12	20	3/5	12	24
New York	Uniform	26	26	Same as 1949		
North Carolina	do	20	20	Uniform	26	26
North Dakota	do	20	20	Same as 1949		
Ohio	3/4	[1] 12+	26	1/2	[1] 9+	26
Oklahoma	1/3	6+	22	Same as 1949		
Oregon	1/4	6+	26	1/3	8+	26
Pennsylvania	3/40	9	24	43–34 percent	13	26
Rhode Island	52–27 percent	5+	26	35–27 percent	[1] 6+	26
South Carolina	Uniform	18	18	Same as 1949		
South Dakota	48–22 percent	[1] 6+	20	36–22 percent	10	20
Tennessee	Uniform	20	20	Uniform	22	22
Texas	1/6	[1] 5	24	Same as 1949		
Utah	[4]	[1] 15	20	[4]	[1] 15	26
Vermont	Uniform	20	20	Same as 1949		
Virginia	1/4	6	16	do		
Washington	25–31 percent	15	26	do		
West Virginia	Uniform	23	23	Uniform	24	24
Wisconsin	3/5 weeks of employment	9+	26+	7/40 weeks of employment	10	26+
Wyoming	1/4	6	20	31–26 percent	8	26

[1] Minimum applies to claimant with minimum qualifying wage concentrated largely or wholly in high quarter and weekly benefit amount above minimum. Larger number of weeks for claimant with minimum weekly benefit. Statutory minimum for Alaska, Delaware, Illinois, New Jersey (1949), and Utah.

[2] Higher figure applies to claimants who have been employed in Colorado for 5 consecutive calendar years with wages in excess of $1,000 per year and no benefits received during period.

[3] If benefit is less than $3 (1949) or $5 (1953), benefits are paid at rate of $3 (1949) or $5 (1953); no qualifying wage and no minimum or annual benefits are specified (1953).

[4] Weighted schedule in percentage of average State wage.

TABLE 5.—*Reserves, benefits paid, and average contribution rates collected 1949–53, by State*

[Amounts in thousands]

State	1949			1950			1951			1952			1953		
	Reserve	Benefit payments	Contribution rate (percent)	Reserve	Benefit payments	Contribution rate (percent)	Reserve	Benefit payments	Contribution rate (percent)	Reserve	Benefit payments	Contribution rate (percent)	Reserve	Benefit payments	Contribution rate (estimate) (percent)
United States	$7,009,586	$1,735,992	1.31	$6,972,295	$1,373,114	1.50	$7,782,048	$840,411	1.58	$8,327,560	$998,237	1.45	$8,912,821	$962,221	1.3
Alabama	56,415	19,323	1.08	56,850	13,758	1.17	65,705	8,219	1.20	71,672	11,167	1.15	77,453	10,520	.9
Alaska	10,335	2,578	1.50	9,141	3,313	2.29	9,968	1,785	2.70	9,766	4,171	2.70	8,115	5,641	2.7
Arizona	28,377	3,801	1.47	30,265	2,888	1.61	35,018	1,281	1.68	40,409	1,390	1.54	44,233	2,568	1.2
Arkansas	37,951	6,653	1.21	36,559	7,344	1.32	40,326	4,484	1.56	43,704	5,707	1.52	46,076	6,014	1.3
California	591,309	253,084	1.84	573,884	182,738	2.41	674,488	95,082	2.37	765,514	101,678	2.09	818,528	97,363	1.3
Colorado	54,729	3,575	.67	56,137	3,691	.80	61,550	1,236	.96	67,927	1,311	.97	70,851	2,117	.4
Connecticut	157,541	46,639	.75	156,130	22,474	1.22	181,915	10,419	1.84	210,922	11,044	1.85	235,540	7,966	1.3
Delaware	14,546	2,346	.68	14,560	1,798	.64	15,739	964	.69	16,966	1,023	.63	17,933	1,167	.5
District of Columbia	45,433	3,922	.62	46,775	3,438	.75	50,678	1,557	.81	54,162	1,700	.68	56,227	2,365	.5
Florida	71,821	11,121	.92	73,589	7,632	.89	77,757	6,560	.89	81,710	7,483	.84	85,188	7,780	.6
Georgia	102,728	13,465	1.24	108,989	10,015	1.27	118,170	8,455	1.23	127,645	9,491	1.22	137,833	10,226	1.2
Hawaii	22,271	4,342	1.17	21,778	3,376	1.17	23,080	1,815	1.15	23,410	2,336	.84	23,286	2,858	.8
Idaho	26,187	2,797	1.98	27,747	3,429	1.98	31,413	1,902	1.94	33,857	2,862	1.76	35,609	3,684	1.7
Illinois	484,011	105,384	1.01	450,344	93,020	.76	473,873	56,877	1.09	502,954	57,345	1.10	533,500	51,085	.9
Indiana	187,731	27,026	.75	199,094	15,210	.97	217,405	13,957	1.03	222,729	20,842	.74	234,142	16,748	.6
Iowa	92,736	5,312	1.34	100,710	5,449	1.34	105,405	3,094	.42	107,634	4,937	.49	110,634	5,088	.5
Kansas	64,350	5,450	1.02	64,631	7,145	.98	69,596	3,849	1.00	76,142	3,912	1.03	79,917	7,041	1.0
Kentucky	117,874	15,415	1.68	123,670	13,459	1.79	133,681	10,812	1.74	140,869	15,193	1.68	147,135	17,665	1.7
Louisiana	99,717	18,117	1.61	97,640	20,007	1.67	106,198	13,254	1.87	116,761	13,181	1.82	127,259	10,356	1.3
Maine	38,658	11,402	1.67	36,744	9,098	1.69	39,218	5,559	1.67	42,106	5,326	1.63	44,665	5,788	1.5
Maryland	116,344	29,838	1.10	112,176	18,754	.98	121,001	8,758	1.02	127,975	10,930	.96	132,631	11,911	.7
Massachusetts	107,949	115,219	1.41	92,605	76,699	1.91	140,988	48,523	2.70	183,369	59,133	2.70	250,032	41,081	2.7
Michigan	297,095	80,783	1.78	317,847	48,813	1.36	356,834	47,120	1.56	379,441	61,987	1.52	440,508	39,485	1.5
Minnesota	122,946	13,342	.72	119,633	15,597	.76	127,274	9,195	.95	130,146	11,612	.77	134,799	11,021	.6
Mississippi	43,052	6,380	1.33	41,983	6,201	1.25	43,234	4,541	1.28	43,377	6,066	1.26	43,186	6,641	1.2
Missouri	187,516	22,479	1.34	194,674	19,854	1.23	214,143	12,050	1.31	220,597	13,624	.56	224,259	15,534	.6
Montana	31,257	2,668	1.77	32,032	4,280	1.80	35,535	2,285	1.92	39,526	2,155	1.91	42,058	2,347	1.2
Nebraska	34,854	2,016	.70	35,635	3,169	.91	39,079	1,518	.95	40,467	2,172	.43	41,331	2,577	.5
Nevada	13,190	2,163	1.62	12,537	2,460	1.57	13,444	1,275	1.74	15,103	1,243	1.83	17,028	1,567	1.8
New Hampshire	22,069	10,659	1.60	19,863	7,765	1.90	21,144	5,282	1.91	21,908	5,790	1.87	22,504	5,877	1.7
New Jersey	427,806	87,390	1.09	421,227	64,143	1.26	450,485	43,844	1.44	477,680	51,163	1.49	508,649	59,757	1.5
New Mexico	21,450	1,786	1.87	24,393	1,965	1.90	29,034	1,027	1.91	32,256	1,541	1.30	34,825	2,455	1.3

New York	887,033	356,432	1.91	904,616	296,471	2.70	1,060,516	189,095	2.70	1,191,005	185,211	2.35	1,311,985	178,597	2.0
North Carolina	154,107	19,470	1.36	162,036	16,656	1.61	172,287	17,464	1.49	176,777	20,162	1.22	181,417	20,973	1.1
North Dakota	9,637	848	1.76	9,622	1,981	1.57	10,549	1,183	1.60	11,056	1,616	1.53	11,305	1,987	1.4
Ohio	530,196	79,542	.77	514,683	80,698	1.04	571,893	28,125	1.17	624,457	35,876	1.14	686,487	32,542	1.1
Oklahoma	47,963	7,987	1.22	46,332	9,558	1.03	49,431	5,848	1.10	53,336	6,175	1.13	56,101	7,251	1.0
Oregon	81,379	19,277	1.71	74,731	20,427	1.40	79,192	10,446	1.38	77,684	15,000	1.17	71,666	19,208	1.1
Pennsylvania	574,070	140,505	.92	537,488	110,211	1.04	610,440	66,336	1.01	561,058	109,952	1.04	555,958	102,359	1.1
Rhode Island	24,983	31,396	1.78	23,290	16,216	2.70	22,990	17,408	2.70	23,286	16,404	2.70	28,521	12,565	2.7
South Carolina	50,077	12,052	1.12	50,830	9,183	1.40	57,574	6,171	1.57	65,715	7,292	1.55	71,902	9,055	1.5
South Dakota	9,823	649	1.05	10,495	1,119	1.31	11,622	712	1.18	12,574	673	.98	13,397	730	.7
Tennessee	96,874	23,459	1.32	96,177	18,040	1.48	103,754	14,039	1.56	107,156	17,900	1.51	114,568	16,369	1.4
Texas	219,046	11,918	.92	229,327	13,573	.59	248,274	5,986	.62	268,168	7,943	.57	282,597	11,891	.5
Utah	32,400	5,194	1.07	31,321	4,874	1.04	33,188	2,358	1.03	34,668	3,054	1.09	36,385	3,168	1.1
Vermont	14,880	3,908	1.27	14,290	2,824	1.47	15,718	1,374	1.56	16,108	2,365	1.48	17,464	1,299	1.3
Virginia	79,776	14,025	.74	81,040	10,573	.94	89,630	5,901	1.01	93,579	7,041	.60	96,141	8,203	.6
Washington	150,768	35,031	2.66	158,221	31,506	2.70	179,877	15,004	1.90	187,832	23,270	1.74	190,808	29,027	1.6
West Virginia	86,733	17,325	1.34	83,172	15,343	1.01	90,351	8,195	1.32	91,239	13,936	1.24	89,802	13,954	.9
Wisconsin	216,648	19,562	.74	222,140	13,056	.76	237,406	7,354	.87	247,563	14,128	.90	255,369	17,934	.8
Wyoming	12,884	906	1.09	12,641	1,822	.95	13,983	793	1.38	15,686	725	1.41	17,013	814	.9

Source: U. S. Department of Labor, Bureau of Employment Security, Division of Actuarial and Financial Services, Mar. 12, 1954.

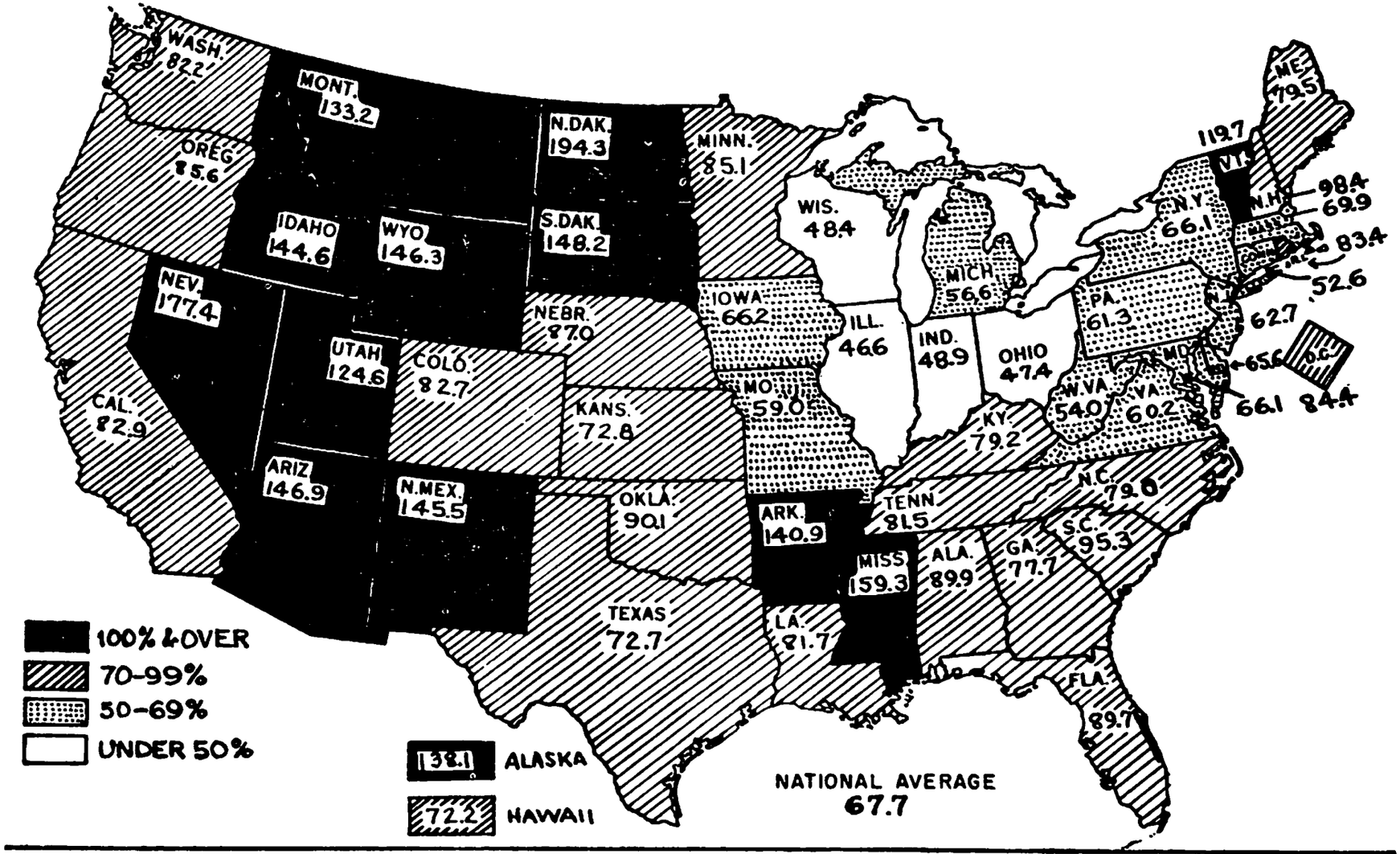
TABLE 6.—*Estimated expenditures for State Employment Security Administration compared with FUTA collections and expressed by percent of Federal unemployment tax collections, by State, fiscal years 1936–53*

[In thousands]

State	Federal unemployment tax collections	Total expenditures	
		Amount	Percent of tax collections
United States	$2,827,802	$1,914,058	67.7
Alabama	31,396	28,210	89.9
Alaska	2,989	4,129	138.1
Arizona	8,249	12,115	146.9
Arkansas	12,204	17,191	140.9
California	221,265	183,431	82.9
Colorado	16,957	14,015	82.7
Connecticut	61,838	32,543	52.6
Delaware	7,578	4,969	65.6
District of Columbia	16,190	13,668	84.4
Florida	29,242	26,226	89.7
Georgia	36,585	28,443	77.7
Hawaii	6,974	5,037	72.2
Idaho	6,040	8,731	144.6
Illinois	222,672	103,674	46.6
Indiana	85,421	41,784	48.9
Iowa	27,985	18,533	66.2
Kansas	22,268	16,220	72.8
Kentucky	28,381	22,488	79.2
Louisiana	31,493	25,720	81.7
Maine	15,050	11,963	79.5
Maryland	45,549	30,119	66.1
Massachusetts	117,234	81,955	69.9
Michigan	168,018	95,123	56.6
Minnesota	40,352	34,341	85.1
Mississippi	11,450	18,235	159.3
Missouri	66,409	39,150	59.0
Montana	6,481	8,632	133.2
Nebraska	13,046	11,350	87.0
Nevada	3,147	5,584	177.4
New Hampshire	9,663	9,510	98.4
New Jersey	124,285	77,933	62.7
New Mexico	5,431	7,900	145.5
New York	395,736	261,514	66.1
North Carolina	44,160	34,892	79.0
North Dakota	3,167	6,153	194.3
Ohio	197,463	93,554	47.4
Oklahoma	23,450	21,118	90.1
Oregon	28,461	24,370	85.6
Pennsylvania	255,271	156,597	61.3
Rhode Island	20,829	17,368	83.4
South Carolina	20,666	19,702	95.3
South Dakota	3,712	5,502	148.2
Tennessee	37,353	30,425	81.5
Texas	93,662	68,060	72.7
Utah	9,148	11,402	124.6
Vermont	5,218	6,284	119.7
Virginia	38,708	23,295	60.2
Washington	45,671	37,531	82.2
West Virginia	35,126	18,979	54.0
Wisconsin	64,513	31,241	48.4
Wyoming	3,613	5,285	146.3
Puerto Rico	----------	1,812	----------
Virgin Islands	----------	46	----------

Source: U. S. Department of Labor, Bureau of Employment Security, Division of Actuarial and Financial Services, Mar. 11, 1954.

EXPENDITURES FOR STATE EMPLOYMENT SECURITY ADMINISTRATION AS A PERCENT OF ESTIMATED UNEMPLOYMENT TAX COLLECTIONS — FISCAL YEARS 1936–1953



U.S. DEPARTMENT OF LABOR
BUREAU OF EMPLOYMENT SECURITY
DIV. OF ACTUARIAL & FINANCIAL SVCS.

(The following letter and enclosures was subsequently submitted for the record:)

(See p. 62 for amendments submitted by State Employment Security Administrators:)

U. S. DEPARTMENT OF LABOR,
OFFICE OF THE ASSISTANT SECRETARY,
Washington, March 12, 1954.

The HONORABLE EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.

DEAR SENATOR MILLIKIN: Pursuant to my statement to the Committee on Finance during the hearings on H. R. 5173, March 9, 1954, I have the privilege to transmit to you the following four documents: (1) a draft of the 6 substantive amendments of H. R. 5173 recommended by the administration and discussed in my March 9, 1954, statement; (2) a brief description of these 6 substantive amendments; (3) a draft of certain minor and technical amendments of H. R. 5173, also recommended by the administration; and (4) a brief summary and explanation of these minor and technical amendments.

I wish to express again my appreciation of the courtesy afforded me by the committee. If there is any further way in which the Department of Labor can be of service, do not hesitate to call upon us.

Sincerely yours,

ROCCO C. SICILIANO,
Assistant Secretary of Labor.

DRAFT OF SIX SUBSTANTIVE AMENDMENTS OF H. R. 5173, RECOMMENDED IN DEPARTMENT OF LABOR'S STATEMENT FOR THE ADMINISTRATION BEFORE THE SENATE COMMITTEE ON FINANCE, MARCH 9, 1954

Amend the July 9, 1953, Senate print of H. R. 5173, as follows:

1. *Change of effective date of earmarking*

On page 2, line 7, strike out "ending June 30, 1954" and insert in lieu thereof "beginning July 1, 1955."

On page 2, line 11, insert "preceding" before "fiscal."

On page 2, line 14, strike out "for such year" and insert in lieu thereof "during such preceding fiscal year."

On page 2, line 16, insert "preceding" before "fiscal."

On page 2, line 17, strike out "for such fiscal year" and insert in lieu thereof "during such preceding fiscal year."

On page 2, line 20, strike out "close" and insert "beginning" in lieu thereof.

On page 2, lines 22 and 23, strike out "as of the close of such fiscal year."

On page 2, line 24, strike out "close" and insert "beginning."

On page 4, line 18, strike out "succeeding."

On page 5, line 1, insert a period after "account" and strike out "at the close of the fiscal year for which the transfer is made."

On page 5, line 10, strike out "close" and insert "beginning."

On page 5, line 13, strike out "succeeding."

2. Permit excess taxes distributed to State accounts to be used for benefit purposes only

On page 6, lines 24 and 25, strike out the commas, and strike out "except as provided in paragraph (2),"

On page 7, strike out all of lines 3 through 25 and on page 8 strike out all of lines 1 through 7.

On pages 13 and 14 strike out all of subsection (a) of section 5 of the bill, and redesignate subsections (b), (c), (d), (e) and (f) as (a), (b), (c), (d), and (e).

3. Extend from 2 to 4 years the period during which repayment of advance is not required

On page 12, line 21, insert the following after the word "State" and before the semicolon "unless, prior to such January 1 and subsequent to the latest calendar quarter in which an advance was made, the balance in the State fund has failed to equal or exceed the highest annual benefit payments made in the five years preceding such taxable year;".

On page 12, line 22 through page 13, line 4, strike out all of subparagraph (B) and insert the following in lieu thereof:

"(B) in the case of a taxable year beginning with the third consecutive January 1 on which such a balance of unreturned advances existed, by 5 per centum (or, in the event of a previous credit reduction under paragraph (A) by an additional 5 per centum) of the tax imposed by section 1600 with respect to the wages attributable to such State paid by such taxpayer during such taxable year unless, prior to such January 1 and subsequent to the latest calendar quarter in which an advance was made, the balance in the State fund has failed to equal or exceed the highest annual benefit payments made in the five years preceding such taxable year; and

"(C) in the case of a taxable year beginning with the fourth consecutive January 1, or any succeeding consecutive January 1, on which such a balance of unreturned advances existed, by 5 per centum (or, in the event of a previous credit reduction, by an additional 5 per centum for each such taxable year) of the tax imposed by section 1600 with respect to the wages attributable to such State paid by such taxpayer during such taxable year."

4. *Eliminate maintenance by State of 2.7 percent average tax rate for eligibility for advance*

On pages 8 and 9, strike out all of paragraph (3) of subsection (a) of section 1201, except the word "and" after the semicolon.

On page 9, line 4, renumber paragraph (4) as paragraph (3).

On page 9, line 5, strike out the commas after "(1)" and "(2)", insert the word "and" between "(1)" and "(2)", and strike out "and 3".

5. *Provide for recoupment of excess administrative costs*

Add a new subsection to section 901 as set forth in section 2 of the bill to read as follows:

"(c) No moneys shall be appropriated under subsection (a) of this section if in any fiscal year or years prior thereto the employment security administrative expenditures have exceeded the tax received under the Federal Unemployment Tax Act, until an amount equal to the total of such excess has been deducted from the moneys which would otherwise be appropriated, such amount to remain in the general fund of the Treasury."

6. *Eliminate authority to appropriate excess tax funds for year prior to passage of bill*

On page 15 strike out all of paragraphs (1) and (2) of subsection (f) of section 5 of the bill, redesignate subsection (f) as subsection (e) [in accordance with amendment No. 2 above] and insert the following:

"(e) Subsection (h) of section 904 of the Social Security Act is hereby amended by repealing everything except the first sentence."

Explanation of Six Substantive Amendments of H. R. 5173 Recommended in Department of Labor's Statement for the Administration Before the Senate Committee on Finance, March 9, 1954

Amendment No. 1. Change of effective date of earmarking

This amendment postpones for one fiscal year the annual earmarking of those taxes collected under the Federal Unemployment Tax Act which are in excess of the annual Congressional appropriations for expenses of administering the employment security program. The first excess taxes which can be appropriated under the present bill are those for fiscal year 1954; under the proposed amendment they would be those for fiscal year 1955. The first actual transfer of these excess taxes to the Federal unemployment account would take place under the bill at the close of fiscal year 1954; under the amendment on July 1, 1955.

Amendment No. 2. Excess taxes not to be used for administrative expenses

This amendment eliminates the provisions of subsection (b) (2) of section 903 which authorizes the States to use for administrative expenses of the employment security program, any surplus unemployment taxes in excess of the $200 million fund for advances. The States would thus be permitted, under this amendment, to use such surplus taxes only for benefit purposes.

Amendment No. 3. Extend period of compulsory repayment of advances

This amendment would change section 4 of the bill to give a State 4 instead of 2 years in which to begin repaying any advance which may be made to it, unless prior thereto it has rebuilt its reserves to a point which exceeds the highest annual benefit payments in the preceding 5 years.

Amendment No. 4. Eliminate 2.7 percent tax rate requirement

This amendment would eliminate the bill's requirement that a State maintain an average 2.7 percent tax rate during the quarter in which application is made for an advance in order to be eligible for the advance.

Amendment No. 5. Recoupment of excess administrative costs

The Federal Government would be permitted to recoup to the general funds of the Treasury any sums paid out for administrative expenses of the employment security programs which are in excess of taxes collected under the Federal Unemployment Tax Act. This would be effectuated by prohibiting any appropriation of excess tax receipts until all excess administrative costs have been deducted from the surplus taxes.

Amendment No. 6. Eliminate appropriation of past excess taxes

This amendment would eliminate the provisions of section 5 (f) of the bill and of section 904 (h) of the Social Security Act which authorize the appropriation of amounts equal to excess taxes collected under the Federal Unemployment Tax Act for years prior to passage of the bill.

DRAFT OF MINOR AND TECHNICAL AMENDMENTS OF H. R. 5173 REFERRED TO IN DEPARTMENT OF LABOR'S STATEMENT FOR THE ADMINISTRATION BEFORE THE SENATE COMMITTEE ON FINANCE, MARCH 9, 1954

Amend the July 9, 1953 Senate print of H. R. 5173, as follows:

Amendment No. 1

Strike out the term "unemployment compensation" in the title of the bill and insert "employment security" in lieu thereof.

Amendment No. 2

On page 1, line 4, strike out "1953" and insert "1954" in lieu thereof.

Amendment No. 3

On page 2, line 13, and page 3, lines 2 and 6, strike out the term "unemployment" and insert the term "employment security" in lieu thereof.

Amendment No. 4

On page 3, lines 9 and 10, make subparagraph "(A)" part of paragraph (1) by striking out the dash on line 9, striking out the quotation marks and the designation "(A)" on line 10, and redesignating "(i)", "(ii)", and "(iii)" as "(A)", "(B)" and "(C)", respectively.

On page 3, line 20, redesignate "(B)" as "(2)" and insert the following language immediately after the "(2)":

"(2) the amount estimated by the Secretary of Labor as equal to the necessary expenses incurred during the fiscal year for".

On page 4, line 5, redesignate paragraph "(2)" as paragraph "(3)".

Amendment No. 5

On page 3, line 19, and page 4, line 2, insert the words "as amended", after "the Servicemen's Readjustment Act of 1944".

Amendment No. 6: On page 4, strike out all of lines 11 through 13.

Amendment No. 7

On page 5, line 17, insert the following language immediately after the word "Labor":—"and certified by him to the Secretary of the Treasury on or before that date".

On page 5, line 17, insert the following immediately after the word "States":—"to the Secretary of Labor by June 1".

On page 5, lines 22 and 24, strike out "June 1" and insert "May 1" in lieu thereof.

Amendment No. 8

On page 8, line 13, strike out the word "account" and insert "unemployment fund" in lieu thereof.

Amendment No. 9

On page 8, lines 14 and 15, strike out "September 30, 1953" and insert "June 30, 1954" in lieu thereof.

Amendment No. 10

On page 9, line 7, strike out the commas and the words "from time to time".

Amendment No. 11

On page 11 add a new section at the end of section 3 of the bill, to be designated section 1203, to read as follows: "When used in this title, the term 'Governor' shall include the Commissioners of the District of Columbia".

Amendment No. 12

On page 10, line 15, strike out "section 1201 (a)" and insert "section 1201" in lieu thereof.

Amendment No. 13

On page 10, lines 18 and 19, insert the word "promptly" between the words "shall transfer", insert a period after the word "amount", and strike out "as of the close of the calendar month in which the Governor makes such request"

Amendment No. 14

Insert the term "Unemployment Trust Fund for credit to the" on page 10, line 20, and page 11, line 15, before the word "Federal", and on page 11, line 10, before the word "account".

Amendment No. 15

On page 11, lines 5 and 9, strike out "subsection (a)" and insert "section 1201" in lieu thereof.

Amendment No. 16

On page 11, lines 8 and 9, insert the words "received and covered into the Treasury" before the word "exceeds".

Amendment No. 17

In page 11, lines 14 and 15, strike out the words "from time to time from the general fund in" and insert in lieu thereof the words "at the close of the month in which the moneys were covered into".

On page 11, line 16, strike out the period at the end of the sentence and insert "as of the first day of the succeeding month".

Amendment No. 18

On page 11, line 18, strike out the words "from time to time".

SUMMARY AND EXPLANATION OF MINOR AND TECHNICAL AMENDMENTS OF H. R. 5173 REFERRED TO IN DEPARTMENT OF LABOR'S STATEMENT TO SENATE COMMITTEE ON FINANCE, MARCH 9, 1954

Amendment No. 1

Change "unemployment compensation" to "employment security" administrative expenses in the title of the bill.

This change is necessary because the administrative expenses charged against the Federal unemployment tax include not only the expenses of the unemployment compensation system, but also those for operating the public employment offices.

Amendment No. 2

Change the date 1953 in the short title of the bill to 1954.

This change is necessary only because the bill was not enacted in 1953.

Amendment No. 3

Change the term "unemployment administrative expenditures" wherever it appears to "employment security administrative expenditures".

The need for this is explained under Amendment No. 1.

Amendment No. 4

Amend the definition of "employment security administrative expenditures" to cover estimated costs of Department of Labor rather than amounts expended by Department.

This merely conforms this statutory language to that used in paragraph (3) of subsection (b), dealing with Treasury Department costs, and is the only practical method for arriving at those cost figures for which it is difficult to determine the exact proportion of Departmental costs allocable to a particular function.

Amendment No. 5

Include the amendments to the Servicemen's Readjustment Act of 1944 in the definition of employment security administrative expenditures.

This amendment is necessary to cover expenses of the employment service functions the Department of Labor and the State employment services perform for Korean veterans, which are provided by the amendment to the Servicemen's Readjustment Act of 1944 which was made by the Veterans' Readjustment Assistance Act of 1952.

Amendment No. 6

Eliminate the provision of section 901 which requires Federal grants to be considered as expended after July 1 even though made before then if they are for State operations after July 1.

Elimination of this provision merely permits the Treasury Department to continue its present bookkeeping practices, which is to charge advances as expenditures to the month in which they are made rather than to the later month in which they are spent by the State.

The change would affect the calculation of the excess only for the first fiscal year. In that year the excess would be somewhat increased.

Amendment No. 7

Amend section 903 to provide specific and appropriate dates on or before which the various reports and the certification required thereby must be made.

Insertion of the dates suggested in the draft amendment are necessary to enable the Secretary of Labor and the Secretary of the Treasury to perform promptly, in the interest of simplified accounting, the requirement imposed upon them by section 903 to credit certain excess taxes to each State account by July 1 of each year in which there are such excess funds.

Amendment No. 8

Change the term "account" in section 1201 (a) to "unemployment fund" so as to include in the calculation of the State balance any unemployment taxes collected by the State but not yet deposited in the unemployment trust fund.

Amendment No. 9

Change the first date after which a governor may apply for an advance from September 30, 1953, to June 30, 1954. With the delay in the enactment of the bill, this would be the first practicable date any State could aplpy for an advance.

Amendment No. 10

Eliminate the words "from time to time" in the provision of section 1201 requiring the Secretary of Labor to certify to the Secretary of the Treasury a State's application for an advance.

These words are unnecessary.

Amendment No. 11

Define the word "Governor" to include the Commissioners of the District of Columbia.

The term "Governor" is not used in the present provisions of section 1201, which this bill would amend, and so has not been defined.

Amendment No. 12

In section 1202 eliminate the reference to subsection (a) after section 1201 as unnecessary and confusing.

Amendment No. 13

Require the Secretary of the Treasury in section 1202 (a) to transfer promptly any sums the State may wish to repay to the Federal unemployment account. And eliminate the words "as of the close of the calendar month in which the governor makes such request". The governor's request might be received too late in the month to make transfer at the close thereof possible.

Amendment No. 14

Amend section 1201 (b) (1), (2), and (3), to make it clear that all funds are deposited in the unemployment trust fund to the credit of the various accounts, State and Federal, rather than directly in each account. This conforms to the actual practice.

Amendment No. 15

Change the reference to subsection (a) in section 1202 (b) (1) and (2) as the section under which advances are made, to section 1201, the correct section.

Amendment No. 16

Make it clear in section 1202 (b) (2) that the tax is received and covered into the Treasury. A technical amendment to conform with Treasury practice.

Amendment No. 17

Specify the dates in section 1202 (b) (3) as of which the transfer and credit of appropriated funds provided for therein shall be made.

The present provision merely requires the transfer to be made from time to time.

Amendment No. 18

Eliminate the words "from time to time" in section 1202 (c) which authorizes appropriations for repayable advances to the Federal unemployment account. These words are unnecessary.

The CHAIRMAN. The next witness is Mr. Bernard Teets, who, I am proud to say, is from Colorado, and is director of the Employment Security Commission, Denver, Colo.

Make yourself comfortable, Mr. Teets, and identify yourself for the record.

STATEMENT OF BERNARD TEETS, DIRECTOR, EMPLOYMENT SECURITY COMMISSION, DENVER, COLO.

Mr. TEETS. Thank you, Senator.

Senator Millikin, and members of the committee, my name is Bernard Teets. I am executive director, Department of Employment Security, State of Colorado. I am also a member of the legislative committee of the Interstate Conference of Employment Security Agencies.

The CHAIRMAN. What is that legislative committee?

Mr. TEETS. The Interstate Conference, Senator——

The CHAIRMAN. Would that be a lobbying organization by any stretch of the imagination?

Mr. TEETS. By no stretch of the imagination. It is a working committee representing the States in those matters of interest coming before it.

The CHAIRMAN. You wouldn't dream of telling Congress the conclusions you reached, would you?

Mr. TEETS. Only upon requests of the Senators representing the States.

The CHAIRMAN. I am requesting that you tell us what you know about that.

Mr. TEETS. Thank you, Senator.

The CHAIRMAN. I don't want you to get in jail, because you are a valuable man.

Mr. TEETS. Thank you.

I might explain that the Interstate Conference is an organization representing the top administrators in the employment security field representing all of the States of the Union and the Territories, and they have, as a part of that organization, working committees that study the technical phases of employment security.

Today, it is the pleasure of the States to have three administrators, including myself, represent the views of the State administrators.

We have been admonished to be brief and we will do so. Our entire presentation will not take more than 30 minutes.

Approaching it from this angle, you will appreciate that our presentation must, of necessity, be the once-over-lightly variety. It is our hope that by conserving time in this manner that we will afford ourselves of an opportunity to answer any questions of a specific or special nature that you or the committee members may have.

The CHAIRMAN. By being brief, you emphasize your points in the committee's mind rather than diffusing your points with an endless amount of words.

Mr. TEETS. Thank you, Senator.

The CHAIRMAN. You serve your cause.

Mr. TEETS. Thank you, sir.

There is one request, if it isn't out of order, I should like to make on behalf of the State administrators.

I understand that the Assistant Secretary is going to introduce to the committee some so-called technical amendments.

The CHAIRMAN. Yes.

Mr. TEETS. Obviously, we haven't had an opportunity to look at those amendments.

The CHAIRMAN. Is Mr. Siciliano here?

(No response.)

Mr. Murray, can't we get these technical amendments for the representatives of the States real quick?

Mr. MURRAY. I will be glad to get them for you.

(See amendments subsequently submitted at p. 34.)

The CHAIRMAN. Will you get in touch with the gentleman and see that you get them right away? Then if you have anything that should be brought to the attention of the committee, bring it, and put it in writing, if that will serve. If it should take an extraordinary session of the committee, I think we could arrange it, but I hope it will not be necessary.

Mr. TEETS. If one considers for a moment the wide diversity of political setups and economic differences in the several States, I think it immediately becomes apparent that it is rather unusual that all of the State administrators, except one, have indicated that they are in support of the provisions of the bill you are now considering, or at least have made no protest.

The CHAIRMAN. As is?

Mr. TEETS. As is, and we would like to——

The CHAIRMAN. Which is the one?

Mr. TEETS. The administrator from Rhode Island.

The provisions of the bill, in our judgment, fall into three major simplified categories: (1) An earmarking of the 9/10 funds so that the funds may be used only for purposes of the employment-security program; (2) the creation of a loan or advance fund from which States, if their trust funds become nearly depleted, may borrow; and (3) a redistribution of a part of the excess back, under certain conditions, to the States, in order to give the States a little freedom from purse-string control.

Now, on point No. 1, with regard to the earmarking of funds, I think I know of no interested group who opposes the earmarking of the money so that the moneys taxed for this purpose may be spent for

the same purpose for which they were taxed. The only difference arises in how those moneys should then be spent.

No. 2, the creation——

The CHAIRMAN. Is there any desire to impound funds or earmark funds retroactively?

Mr. TEETS. No, sir.

The CHAIRMAN. In other words, you are agreed with the suggestions that it start now or a year from now or sometime in the future?

Mr. TEETS. That is correct.

The CHAIRMAN. All right.

Mr. TEETS. No. 2—the creation of this loan fund—I think it well to point out that it is not a new thought so far as Congress is concerned——

The CHAIRMAN. By the way, what is the status of Colorado at the present time? What are your reserves in Colorado?

Mr. TEETS. Colorado has a reserve of something in excess of $70 million. I think it is in the strongest position in the country, Senator.

The CHAIRMAN. Thank you.

(Discussion off the record.)

Mr. TEETS. Congress has recognized the need, and I think all interested groups believe in the principle that there should be some fund established available for States, should they find themselves in the position of depleted trust funds. This need is recognized in the principles in this bill, as we analyze them. In addition the provisions of the bill go on to define how the funds should be created specifically out of new moneys; then how a State goes about getting funds out of it, and then how repayment should be made.

And I think it well to touch upon those points. In the first place, the $200 million fund would be established out of moneys not otherwise appropriated by Congress out of the three-tenths, until these moneys reach a $200 million figure.

Once those moneys have been established, then any given State finds itself——

The CHAIRMAN. Those moneys will be set aside until you get the $200 million, would they not?

Mr. TEETS. Yes, set aside until the fund reaches $200 million. Once the fund has been so established, any State may get those funds, if the governor of a State certifies to the Secretary of Labor to the effect that the condition of the State fund has been so depleted, as to warrant, under the provisions of the bill, I won't go into the technical phases of that, but merely to say that the governor certifies in effect that the funds are in that condition, that the rate in his State at that time is 2.7, or more, and that he needs funds not to exceed the total amount that have been paid in the highest quarter of the last four completed calendar quarters. That is the maximum amount he can draw for any one quarter, but there is no limitation as to the total amount that he can draw.

Senator BENNETT. Mr. Chairman, may I ask the witness a question? Is it possible, legally, to collect more than 2.7?

Mr. TEETS. Yes, sir.

The CHAIRMAN. Does the State establish that?

Mr. TEETS. The State establishes that, yes, sir.

The CHAIRMAN. And it goes down?

Mr. TEETS. Yes, sir.

The CHAIRMAN. Established by the State?

Mr. TEETS. Yes, sir.

Senator BENNETT. I was not aware that the State had the power to raise the total, the top limit.

Mr. TEETS. In our own State, for example, Senator, initially our rates ranged from 2.7 to 3.6. We have since abolished the 3.6 rate, but it was in our law and some of the other States had similar provisions.

The CHAIRMAN. It helps you accumulate part of your surplus, doesn't it?

Mr. TEETS. Yes, sir.

Senator BENNETT. Moving back out of the States—excuse me, you may go ahead.

Mr. TEETS. Certainly. Providing these conditions prevail, the State may then receive the moneys.

Now, with regard to repayment of the moneys, the bill provides that a State may voluntarily repay, as conditions warrant, and also provides—we refer to it quickly as a 2-year period when the State must have begun to make repayments of this amount. Or, the amount of tax credit is decreased in the amount of 5 percent. That starts automatically, as has been expressed here on the second consecutive January——

The CHAIRMAN. Make that a little clearer, please.

Mr. TEETS. Let us assume that State X has borrowed money from the fund. It has made no repayment into the fund for this 23-month period, or roughly 2-year period. Then, at that time, as it gets its tax offset credit from the Federal Government—let me refer to that, now, to clarify the tax offset: The Federal tax is a full 3-percent tax on employers of 8 or more workers. The Federal Government says, in effect, "If the State has an approved law which meets certain minimum requirements, then the State may subtract up to 2.7 of the amount it owes the Federal Government.

The CHAIRMAN. Yes.

Mr. TEETS. Now, in that case, it is saying to the employers of the State, "You have got to get your house in order. If you don't, you can't subtract the 2.7. You subtract the 2.7, less 5 percent, the first year. Now, if you don't do anything, if you don't get the money started paying back, then the next year it is 5 percent more."

Now, that is necessary for the protection of all the other States. Let's keep in mind, if you will, please, gentlemen, that if the State gets into this kind of a position, it doesn't happen overnight.

The State doesn't get into this position overnight. It comes about slowly and gradually. The States, today, that are in a position of being fearful of having their funds depleted, have had ample opportunity under very good business conditions to remedy that situation.

Now, it has been testified here that States can't or don't get into these positions through administration decisions. I want to differ with that. I want to say that a State can very well get into a difficult position merely by reason of administrative decisions. Furthermore, a failure to recognize seasonality by industries and the use of unemployment compensation funds to extend and expand wages, of seasonal employees, and others will unseasonably deplete trust funds.

I think the best example of that is illustrated by a comparison of the trust fund and the economy of the State of Colorado, with that of, for example, Rhode Island. I am sure my friend Senator Millikin would agree that Colorado's economy is one of the best in the Nation, but it isn't proportionately that much better than the economy of the State of Rhode Island. There has to be some other factors coming to bear in order to result in the difference in the conditions of the trust funds of the two States.

One of the Senators inquired as to whether or not benefit amounts had any bearing in this matter. Well, I won't try to answer the question directly, but I would like to give you a few facts.

In Alaska, they see fit to pay a maximum benefit, including dependents allowances, of $75 a week.

In Rhode Island, they took an amount of some $25 million or better in order to set up another fund. I understand these moneys have been paid back, but at least the interest was lost on it. There are many factors to be taken into consideration in determining how a State would get into such a position. We do know that at least one State with depleted funds has had such depleted funds for quite some time, and all States have had, we feel, ample opportunity to correct such situations.

And I might say for the benefit of the committee that even last year the size of the Rhode Island fund increased some $5 million.

Now, testimony was made here by the Assistant Secretary, that this 2.7——

The CHAIRMAN. How did it increase $5 million?

Mr. TEETS. Their collections and their payments, the total difference amounted to an increase of $5 million.

The CHAIRMAN. Is that because of more employment or did they change the rates or anything of that kind?

Mr. TEETS. Well, there, again, Senator, I am not really—and I think in all fairness—I am not really in a position to be too specific. It could have come about by better employment conditions. It could have come about by a tightening up of administration by recognizing that something had to be done about it. Certainly, their rate is 2.7, but maybe if our fund in Colorado was in the same condition, I would recommend to our legislature that we raise it during these good periods of time when profits are relatively high.

Some action should be taken.

But the comment was made that the 2.7 requirement is too tough. I want to call the attention of the committee to the fact that the States, in making their original proposal, did not have that condition in the proposal. The 2.7 requirement was insisted upon by opponents of the bill, at a previous time.

What are the merits, aside from who put it in or who left it out—what are the merits of the 2.7 provision? It is true that if the 2.7 provision is applied at that particular time, to wit, at the end of the 2-year period, a State could be in a very bad economic position, and not able to easily assume the 2.7. Or, you might find, if you delayed it to 4 years, that that was the worst time to take action. The point is—and we think it is really significant and controlling in the matter—in either case, the legislature of the State has had ample

time to do something about it, and I think most reasonable men would agree that a 2.7 figure, if you are in a position of having had to borrow moneys, is not too stringent a requirement.

But, as I said before, we think such a requirement or rate would probably come about anyway and we don't resist the point. We merely want to call the attention of the committee to the fact that it wasn't our idea in the first place. Somebody else asked for it. The 2.7 provision is in the bill and now they are asking to get it out.

Senator CARLSON. Mr. Chairman, right on that point, do I understand, Mr. Teets, you are in accord with Mr. Siciliano on that provision that we eliminate from H. R. 5173 that section which makes it mandatory?

Mr. TEETS. The elimination of it, we don't care. We think that is a matter the committee may well decide either way. Reasonable men can differ on that point.

With regard to the extension of time, on this 4-year period, we differ. We definitely don't like 4 years; somebody else might think 6 years better; somebody else might think 10. Certainly, there are people who will appear before you who think it ought never to be returned, that it ought to be on a grant basis.

So far as I know, when a man is in the position of having to repay a loan, there is no easy time to do it. But I think, also, that the sooner you get at it, the better.

We think, therefore, that the 2-year period is the correct period, since that gives the State legislature ample time within which to take the action which is needed to be taken.

The CHAIRMAN. Is there any legislature that does not meet at least every 2 years?

Mr. TEETS. I don't know.

The CHAIRMAN. Does anybody know of any legislature that does not meet at least once in 2 years? There seems to be no evidence.

Senator BENNETT. Mr. Chairman, as I understand the earlier testimony, it is possible under the provisions that are now written into the draft of the bill, that this repayment period could come as soon as 13 months.

Mr. TEETS. That is possible, but it would have to be after the second January. That is the way it reads. So that the legislature would have been in session during this second January.

Senator BENNETT. Not necessarily. I just want to clear this up, because I think we must not overlook the possibility.

The legislature in my State meets in the odd-numbered years. They were meeting in 1953. Now, under this provision, there might have been a crisis in December 1951. There might have been a borrowing in 1951, and the legislature had met in January 1951, and the repayment would have to begin in January 1953, and the legislature would not meet until January of 1953 and probably wouldn't get around to this kind of a problem until March or April of 1953.

So, is there any chance that this is cut down too fine, even from your point of view?

Mr. TEETS. Well, if you reason it in that vein, Senator, that is possible. It doesn't seem to me practical that if the employers of my State are faced with a double taxation there, or increase in taxation, that our legislature could be unmindful of that and let that kind of a

problem dangle on while other matters were being handled. I agree with you that it could, but I don't think that it would.

In any event, the position of the States would be that the soonest practical date after the legislature has had an opportunity to treat with the problem would be the correct length of time.

Now, if there are those instances where a State legislature would not have an opportunity to deal with it, certainly they should have that opportunity and we would subscribe to that theory.

Senator BENNETT. Well, I don't know the reasoning behind the 4-year suggestion made by the Department, but conceivably, within 23 months there wouldn't be much question but what a State legislature would meet in every State. But when this thing is twisted down so that it becomes only—that there is a potential decision after 13 months or 14 months—you might not be able to get legislative action by the second January.

The CHAIRMAN. Mr. Murray, what is the view on the 4 years?

Mr. MURRAY. There is another consideration, sir. And that is that the State might still be in a bad condition on this second January, and the suggestion of 2 more years would give them more time to get in good condition, so that this increased Federal tax would not come into effect until the State was in good condition.

Mr. TEETS. We might agree with that if we had any assurance that the economic condition of the State at the end of 4 years would be any better than it was at the end of 2 years. We think any extension of time beyond that provided in the bill is putting off the evil day when they have to get their house in order to take care of their obligations.

Senator BENNETT. Of course, they have had the opportunity to start repayment at any time, and if they have a sense of responsibility, you would expect the legislature to begin to move more or less at its first opportunity, to set up a program of repayment.

The CHAIRMAN. Mr. Murray——

Mr. MURRAY. May I make this point: In our proposal, this additional period would only be permitted to a State if it had not built up its reserves equal to its highest expenditures in any 1 of the last 5 years. In other words, if it builds its reserves so that they are equal to its highest annual cost within the last 5 years, then the automatic provision would start the second January or the third January. And it would be the fourth January if it had been unable to rebuild its reserves during that period.

The CHAIRMAN. Do you have any comment on that?

Mr. TEETS. No; I think that speaks for itself, Senator. He is just saying through other means or other action taken by the State, if they build it back up and don't need it, then it wouldn't go into effect. I quite agree with that, but I am only saying that this long period is not, in the opinion of the State administrators, a good or a necessary amendment to the bill, as you have it before you.

The CHAIRMAN. What period are you recommending?

Mr. TEETS. The period contained in the bill, which is the second consecutive January, which does or is subject to the difficulty, as the Senator has expressed. And it is a matter, therefore, of actually running through the period to find out whether or not that should be extended somewhat in order to give the legislature an opportunity to get at it.

Senator BENNETT. That is a comparatively minor part of the bill. It is a matter which you think there is a difference of opinion worth noting, but it is not so important as the actual setting up of the fund or the actual creation of a system by which loans can be made?

Mr. TEETS. That is very true.

Now, as to the third point, the redistribution of moneys back to the States to permit of some flexibility from purse-string control, that assignment has been given to my fellow administrator, Mr. Newell Brown, from New Hampshire.

The CHAIRMAN. He will be the next witness.

Mr. TEETS. I will conclude my testimony at that point.

The CHAIRMAN. Any further questions? Thank you very much.

Mr. Brown, make yourself comfortable and identify yourself for the reporter.

STATEMENT OF NEWELL BROWN, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, CONCORD, N. H.

Mr. BROWN. My name is Newell Brown, director, Division of Employment Security, New Hampshire.

I am also chairman of the Interstate Conference Legislative Committee.

I am taking the particular bone of contention in this thing, the matter of the use of this redistributed money on which Mr. Siciliano dwelt at some length.

Perhaps, first, I will touch on what the law does. When this fund reaches $200 million, in succeeding years, as and when there is an excess, the excess money, the additional money not needed to keep the fund at that point, will be redistributed to the States on a basis which we consider as equitable. That is the relationship between a State's covered payroll to the total national covered payroll. It seems to be as good a method as we can think of at the moment.

Now, the law requires that that money go into the State's benefit trust fund. That is where it goes. It doesn't lie around on the table somewhere, waiting for disposition. It goes into the benefit fund. And there it stays, unless and until the State legislature, by affirmative, positive action, reaches into that kitty and takes some out for administrative purposes.

The CHAIRMAN. This is according to the bill?

Mr. BROWN. This is according to the bill; that is correct, sir.

The further condition is that the State legislature cannot reach in and take out more—this is some years hence—take out more than has been accumulated in the last 5 years. In other words, 10 years from now, if you haven't touched it at that point, you can't take the whole 10-year loan to go and build an office building.

So I want to stress the point that it isn't a question of the money being used for administration and any left over for benefits. The fact is that the money will be for use in benefit payments and will be touched only where there is affirmative action to use it for administration.

Senator CARLSON. Mr. Brown, I wonder if you would tell us how you might anticipate using that fund. For instance, we have a setup in our own State that is operating very successfully, based upon funds we received through congressional action. Now, can you tell me of

some instances where we might want to take some money out of that fund for administrative purposes?

Mr. BROWN. Yes, sir. I could tell you in New Hampshire how I would use it if it was available today, which perhaps would be a similar situation.

New Hampshire has a very extensive business development program, the basis of which, or one of the bases of which, is thorough labor market analysis, research for local communities who are trying to attract industry, and so on. I can, to a degree with my present staff, in the analytical side of the business, give them some help, but I can't begin to give them as much help as I would like to. They like to run house-to-house labor surveys. I could do that for them. It is definitely within my province. It is an employment security objective, because more business, more jobs, more employers, more tax. That is one objective.

Secondly, the bureau has, over the years, given me enough money only for less than two people on fraud detection. The business of following up people who may be——

The CHAIRMAN. Mr. Brown, I am not quarreling with what you would like to do with the money if you had it. Isn't that rather a chamber of commerce activity that you are talking about?

Mr. BROWN. Well, in New Hampshire it is primarily sponsored by a State department, the State planning and development commission, which works with local chambers of commerce, which also works with, let's say, the public service commission, on water power questions. It is a statewide common effort.

The CHAIRMAN. From your viewpoint, it is a sort of preventive-medicine thing, is that right?

Mr. BROWN. Exactly, sir.

The CHAIRMAN. Rather than dealing with unemployment after it occurs, you are trying to build up a sound economy to minimize unemployment, is that it?

Mr. BROWN. Exactly, sir.

I think I need more people for fraud. I have been unable to get the money. I have been diverting money from other purposes to my fraud program to build the staff which I think is necessary. With some additional cash available, I should go to the legislature and ask for 3 or 4 additional positions, which make it unnecessary for me to take people out of some other function in order to get the staff I need, as I do presently.

Senator CARLSON. On that point, you submit a budget, I assume, of your operations in the State, to the Secretary of Labor?

Mr. BROWN. Yes. I will cover that process in a moment.

And a third thing: Just recently, the question of bonded Canadians who come over into our woods to cut timber has come to a head. Labor is getting organized up there. CIO and AFL have expressed concern. It is a problem that will take a lot of research. It is also important to enforce the tighter regulations for which we are responsible and that we are going to put in. It will take policing. Under the current procedures, I can't get men to do that kind of a job. I also spoke of an office building. That is another thing that might conceivably come out of it, if Federal funds weren't available to build, as they sometimes are.

Now, I thought I would hit on three things, in my remarks: (1) the need for this money, which I have covered generally just now; (2) how this law fills the need; and (3) the propriety of using this money for the purpose of administration, which I think is the key point brought up by the Assistant Secretary.

Now, present budgetary procedure consists of the State sitting down with its regional office and estimating a budget. The regional office represents the Labor Department and it's the Bureau of Employment Security. The State and region get together and work out a budget, that is more or less agreeable to both. There are a lot of rules already set up, workload, etc., and most figures are fairly readily determined, and the budget is worked out within this fairly rigid frame of reference. That budget goes to the Bureau, which in turn may take a piece out of it, may add, may vary it to some degree.

I bring this next point up particularly because Mr. Siciliano said that the States and departments work together closely throughout the entire budgetary process. That isn't quite so. Once the budget leaves the region of New England I have no further control over it. The Bureau of Employment Security goes to the Budget Bureau, where, in turn, there is more pulling and hauling and eventually the budget comes to the Congress. At that juncture, I can come around again and see my Congressman and howl about something I don't like, if I feel I should. Then, once the appropriation is made, it goes back to the Labor Department, which allocates the funds to the States, according to fairly rigid formulas.

Now, the point to be made is that Congress, the Bureau of the Budget and the Labor Department, are all more or less remote in time and space from the local problem on the State level—in the nature of things, not as a matter of criticism, but there you have it. They are, however, appropriating funds to handle these local State problems.

There is one further factor, and that is that the Labor Department, by definition, and by charter, is an organization devoted to the welfare and interests of labor. State administrators, like myself, on the other hand, have to tread a middle ground, to the extent there is a middle ground in our States. Thus our Federal partner in this thing has a set of biases which we can't have on our own State level. The extent to which that may affect the budgetary allocations is an intangible that you can't put your finger on. But nevertheless, it is there, so you have that problem.

Now, what that means is that with these formulas, with this rather remote control, we wind up with considerable lack of administrative flexibility, of elbowroom. And it might be interesting to note that this is sanctioned in law, in the social-security laws applicable.

Section 303 (a), subsection 8, states that the Secretary will not certify money for a State unless the State act includes this provision, among others:

> That the expenditure of all moneys received pursuant to the section in question of this title is spent solely for the purposes and in the amounts found necessary by the Secretary of Labor for the proper and efficient administration of such State law.

In other words, he can insist, although he does not in fact insist, in a direct way, that if he gives me $6,000 for fraud, I spend it for fraud and no more for fraud. As a practical matter, that doesn't happen. They say, "You have some flexibility within the money we give you."

But that turns out to be the law of diminishing returns, because where you rob Peter to pay Paul, according to your own best judgment, next year you find you get enough money to pay Peter what you actually did with him, and over here on Paul, whose job you expanded, you only got what originally you got for Paul. So you get into a law of fast diminishing returns if, in fact, you do deviate too considerably from what they lay out as your program.

So the end result is, as I say, that the States are not able to realize, I think, the full potential of the programs on the local level, primarily good service and control of benefit payments. Those are the two main facets of the thing.

Now, the law——

The CHAIRMAN. Will this bill remedy that?

Mr. BROWN. Yes, sir; this bill will remedy that, not 100 percent, but it goes a long way.

The next point I want to bring up is how the law fills the need. With this money coming back to the States after a period it means I can go to my legislature, which is the body closest to the immediate problem, and say to them, "I need more money for, let's say, Canadian policing and research work. My budget doesn't provide for it and probably won't provide for it. Can I sell you the idea of giving me another $10,000."

The law gives the legislature, then, the right to dip into this money that comes back to give me for that $10,000 if, in the legislature, they think the request is a bona fide one.

The CHAIRMAN. What is that Canadian situation to which you referred several times?

Mr. BROWN. Since the year 1, in northern New Hampshire, Vermont, Maine, and New York—and I don't know about the Western States—a great deal of the cutting of pulpwood and lumber has been by bonded Canadians who come across the border by agreement berween Canada and the United States on a 6-months' bond. They come into this country and work up to 6 months and then they must return. They can't change jobs once they are here. They are not citizens. For the most part they come without their families and live in the bush the entire time. But the problem here is whether or not they are displacing Americans, whether or not the rate we are allowing employers to pay these Canadians has the effect of depressing the American rate in the area, and so on.

The CHAIRMAN. Mr. Teets, did you busy yourself with that problem in Colorado?

Mr. TEETS. No, sir; not that problem. We have other problems of like nature, but not that particular problem.

The CHAIRMAN. We just recently had legislation having to do with the so-called wetback situation. I was wondering whether the policing of that in anyway came under your jurisdiction.

Mr. TEETS. No, sir; fortunately it does not.

Mr. BROWN. I am on a border. That is our distinction. Our problem is comparable but not identical to the wetback situation. Anyway the legislature has the right to use this money, and having so used the money, we get the elbowroom, the flexibility or what have you, that we do not now have.

The CHAIRMAN. How large is your legislature?

Mr. BROWN. Four hundred in the House and twenty-four in the Senate, sir.

The CHAIRMAN. It is amazing.

Mr. BROWN. It is the third largest English speaking legislature in the world, exceeded only by the Congress and the House of Parliament. Every 1,500th person in New Hampshire sits in the legislature—1 out of every 1,500.

Now, the third thing I wanted to cover, and perhaps the most critical end of this thing, has to do with the propriety of using these funds for administration, and it has been attacked on several bases.

It has been attacked on the basis that one level of Government shouldn't be spending money that is raised by another level of Government.

It has been attacked on the basis that it is using money administratively that should be devoted to benefits. Questions are also raised as to whether or not States are apt to be profligate in the use of this money, whether or not it opens the pocketbook so they can reach in and do things that are foolish; and whether or not the bill permits overriding congressional intent to use these moneys. I think that sums up the points that Mr. Siciliano has raised, and we have heard them raised before, of course.

Now, as to the question of one branch of Government raising the money, appropriating the money perhaps in a lump sum, and another branch of Government spending it—which is the No. 1 problem—I think it is best to answer it in this way: That the whole employment security program is unique, as a Government setup: a Federal-State relationship, partners in effect, operating a program. Now, already under that unique system, to which I think ordinary rules might not apply, already, I say, under this system Congress appropriates for the administration of laws which are made by State legislatures, which are administrated by State employees and which are interpreted by State courts. So that in your initial, in your present current program, you already are violating the principle, if it is a principle.

Now, good, bad, or indifferent, I don't think there is anybody left today, with very few exceptions, that doesn't think the system is a good one, that it works—it obviously is working. It needs improvement but nevertheless there it is, and labor, management, and the public all think it is a good deal. So when you get to this question of whether it is proper for States to be spending money which is raised by Congress, and which in the case of this bill would come back to them through a redistributed fund, I think you can simply say that it is an extension of a system already in existence, that it is an attempt to use this money as it is already being used, according to the same principles, but to use it to further improve the program.

It is a question then of degree rather than kind when you get to the matter of principle. And I might make this point, that in some States the congressional grant, going to the State, has to go through the State legislature. The State legislature does not have the right to increase that grant except by adding some State money to it. But it actually goes through the physical process of taking the Federal money and appropriating it for the use of its State employment security agency.

So I am simply making the point that there is no difference between this proposition, in my opinion, and one which is currently in existence

and one which everybody seems to feel is satisfactory. And I would like to make this point——

The CHAIRMAN. What are the possibilities for local abuse?

Mr. BROWN. I will get to that in a second. I won't be very much longer on this.

I would say that their position is inconsistent to this extent: If they agree to put this money into a State's benefit fund, who determines what money comes out of that benefit fund? The State legislature and the State administrator. They are the ones that set the size and duration of the benefits, and therefore set what drain there will be on that fund. Once you agree you are going to redistribute any of it back to the States, there is no difference between putting it in the benefit fund and allowing some of its use for administration.

Now, as to the administrative use of this redistributed money, I think that is easily answered just this way: The money was raised originally for administration of employment security. If there is a diversion of the money that needs to be defended, it is a question of putting it into Federal and State benefit funds. There is no running against congressional intent in using it for administration in whatever way it may be used for administration. And, therefore, I see no problem there. The money was raised for that purpose. The only really sound position, I suppose, would be that none of it should be used for benefits at all; it all should be used for administration.

However, since there is an excess, everybody agrees to use it to contribute to the program through such reserve funds.

Now, on this question of whether a State is going to go hogwild when it gets this money—in the first place let me recall the language of the bill—that the legislature has to take some action. Furthermore, that action is very closely limited. Reading the bill's provisions very briefly might be in point:

> A State may, pursuant to a specific appropriation made by the legislative body of the State, use money withdrawn from its account in the payment of expenses incurred by it for the administration of its unemployment compensation law and public employment offices if and only if—
>
> the purposes and amounts were specified in the law making the appropriation,
>
> the appropriation law did not authorize the expenditure of such money after the close of the two-year period—

In other words, there are close limits.

And, finally, there is this 5-year proviso of which I have spoken.

Then, second and most important, the people who control legislative decision in this field have a paramount interest in leaving the money in the benefit fund. In my legislature—and I presume all of them—the people who take interest in employment security problems are organized labor and organized management, and they are the people to whom the legislature listens, because they are the people who have a first interest in the field.

Now, both of those people have a primary interest in not withdrawing that money for administration. A larger benefit fund, as a result of these accumulations from Washington, to management can mean lower taxes, and to labor can mean higher benefits.

There are occasions when management may go along with the release of some of this money for tighter controls on benefit payments, or labor might go along for prompter benefit payments or prompter

appeals. There may be reasons why they would see fit to let you have some of the money. But generally speaking, in the long run, their primary interest is in keeping it in the benefit fund. Therefore, you have your decision-making body, sitting right there in the State and it is unlikely that the administrator is going to go too wild under those circumstances.

Them, as to the question of overriding congressional intent, I simply wanted to point out that the Congress and the Labor Department have the obligation to give us States enough money for the proper and efficient administration of our State laws. There is nothing in the law, so far as I know, that says more than that. It simply says, "Enough to accomplish that purpose."

It seems to be stretching things a good deal to say that supplementing or extending or improving a program by the addition of a few more dollars is overriding the intent of Congress or destroying the Congress' obligation to provide at least enough for their initial purpose.

The CHAIRMAN. Do you see any practical possibility of legislatures using funds that might be obtained in this way for an unnecessary expansion of the administration of the fund?

Mr. BROWN. Well, I think it is a possibility.

The CHAIRMAN. To put it in blunt terms, it would make a greater political institution out of the administration of the fund, by loading the payroll with political people.

Mr. BROWN. I would say this, on the politics, that we are all under the Hatch Act, so if it is done, it is done in violation of the law. But the possibility is certainly there. The probability is remote, I would say.

The CHAIRMAN. You think the probability is remote?

Mr. BROWN. Right.

The CHAIRMAN. You think the interests of the worker and management are such that they could not very well afford to be indifferent to that type of use of money that they raise, and therefore they would be alert and exert proper pressures on the legislatures?

Mr. BROWN. Exactly, sir.

The CHAIRMAN. To prevent that kind of use of the money?

Mr. BROWN. Right.

Senator BENNETT. May I ask a question, Mr. Chairman?

Mr. CHAIRMAN. Yes.

Senator BENNETT. Going back to your early suggestion that you might like to have funds to conduct a house-to-house labor survey, is that contemplated now, within the funds that are provided for you by the Labor Department? Do they give you money to conduct such a survey?

Mr. BROWN. No; we have a very extensive countrywide labor analysis program, collection of data, analyzing it and so on. But nothing that goes into that much detail is a general rule.

Senator BENNETT. Maybe I am not here in the blue, but following Senator Millikin's question, suppose the legislature of your State decides it wants to develop promotion program for the State as a local, and here is the source of funds. It can be presumably appropriated to set up an organization inside of your Department, to conduct labor surveys, but it might also be used, at the same time, to develop chamber of commerce material. So, if the legislature doesn't want to appropriate locally raised taxes for that kind of a program,

here is a source of funds that can be set up for a program not now recognized by the Department in Washington, but of interest to the State legislature. Isn't that a possibility?

Mr. BROWN. The law says—

expenses incurred by it for the administration of its unemployment compensation law and public employment offices.

In other words, it is pretty restrictive. You may have raised the question of whether my idea would be acceptable and legal. But I think it does highlight this point, that there is a restriction as to what purposes——

Senator BENNETT. You gave us that as an example of where you could use more funds if they were available. It seems to me that that is an area where it would be very easy to get over the line and be using these funds for questionable purposes, and the Department of Labor would have no power over those funds unless it did, as you have indicated it sometimes does, restrict it in other funds in order to more or less force you to take these funds and put them back into the program, rather than operate a parallel program.

Mr. BROWN. As I say, the law would be there, presumably to catch up with anybody who went over the bounds too far. But it seems to me, in regard to the comment I have made, that any proper effort devoted to increasing jobs, thus decreasing unemployment and so on, falls well within the employment security general program.

The CHAIRMAN. You know, just offhand, I haven't reached a final conclusion, but the illustration you give me sort of impresses me as pretty close to the border line. I mean there isn't anything in the economic field, if properly handled, that doesn't tend to decrease unemployment. And it seems to me you go pretty far afield with that kind of approach to this kind of a fund.

In other words, the example you gave me was not entirely persuasive so far as I am concerned.

Mr. BROWN. Perhaps I better not press it any further.

The CHAIRMAN. Go ahead with your presentation.

Mr. BROWN. I am through with one other comment——

The CHAIRMAN. Folks, we have here, Senator Don Collins, a member of the State Legislature of Colorado. I hope you are listening closely, Senator.

Mr. BROWN. I simply want to wind up with summarizing what I think are the facts: There is a definite need for this money, a need which can't be met or isn't being met under present procedures. And the procedure that we have outlined here, I think fulfills the requirement of being based upon sound principles to the extent that the original program is based upon sound principles. And if it is the opinion of the committee, perhaps, that there should be a more restrictive provision as to the use of these funds, that is a question of judgment.

The CHAIRMAN. I would like to intervene at this point and say I am not one of those who believes that all the wisdom of the Nation is here in Washington and that our State legislatures are unable to take care of our problems and should be denied jurisdiction over their proper field. I don't want to give that impression at all, because I feel very much the other way.

Mr. BROWN. I might say that the 51 State administrators emphatically agree with you.

The CHAIRMAN. Thank you very much. It is a wonderful thing for a man in my job to have 51 people agree with him.

Mr. BROWN. I have no further comments.

The CHAIRMAN. Thank you very much.

We will hear from Mr. Marion Williamson, director of the Employment Security Commission, Atlanta, Ga.

STATEMENT OF MARION WILLIAMSON, DIRECTOR, EMPLOYMENT SECURITY AGENCY, GEORGIA DEPARTMENT OF LABOR

The CHAIRMAN. Make yourself comfortable and identify yourself for the reporter.

Mr. WILLIAMSON. Thank you, Mr. Chairman, and gentlemen of the committee. My name is Marion Williamson, director, employment security agency, Georgia Department of Labor. I am also appearing representing the Interstate Conference of Employment Security Agencies.

The State administrators of the employment security program are vitally interested in sound programs. We have marched up this hill and down this hill to preserve those systems. Consequently, we have, in the Federal Treasury now, nearly $9 billion for the payment of benefits.

Senator BENNETT. The testimony previously was between $600 million and $800 million, or is this a different figure?

Mr. WILLIAMSON. This is the total of benefit trust funds, Senator. It is nearly $9 billion.

The CHAIRMAN. All of the States?

Mr. WILLIAMSON. Yes, sir.

Senator BENNETT. All security funds——

Mr. WILLIAMSON. That is the funds that the States have collected, that has been offset by the total 3-percent tax, which the State collected on the 2.7 rate, or lower, according to the individual employer's experience. Now, that is different from the three-tenths of 1 percent collected by the Federal Government for administration cost, Senator. There has been approximately a billion dollars in excess of the appropriated funds, if you exclude the time that the United States Employment Service ran the Employment Service during the war.

The CHAIRMAN. This is the Unemployment Service that you are talking about?

Mr. WILLIAMSON. Almost $9 billion; yes, sir.

Senator BENNETT. Currently on hand?

Mr. WILLIAMSON. Invested in guaranteed Government bonds, and the State trust-fund accounts in the United States Treasury get interest on it each quarter, according to the daily income on those bonds.

Senator BENNETT. It was hard for me to jump from the testimony of Mr. Teets, that there was $70 million in Colorado.

Mr. TEETS. That is correct, sir.

Senator BENNETT. And $9 billion for the whole United States.

Mr. TEETS. That is correct, sir.

Mr. WILLIAMSON. Now, all of this money is supposed to be in the Treasury over there in the United States. In our account, in the Georgia account, we have $140 million. I will agree that Georgia has done a good job on that, too, Senator.

The CHAIRMAN. Sure. I tell you, you witnesses from Georgia, whether you have a good case or not now—I am not intimating you never have a good case—have a way of talking so that you charm a bird out of a tree. I am unusually susceptible to any witness from Georgia. Go ahead.

Mr. WILLIAMSON. Thank you, sir. I don't think the finger has been put on the nigger in the woodpile here though, yet. Everybody is afraid to get under somebody's skin. But, the whole question in this bill is that the States haven't had any elbowroom; they have been told exactly what you can spend the money for. If you don't spend it in the exact amount and for exactly the things that Federal officials say expend it for, you are in the doghouse.

Now, what we think will help our programs is for the administrators back in the States that are close to the people, where they are accountable to the people back there, to have a little latitude.

Now, take one instance in Georgia. We would like to get the wage records in there, so that if a claim is filed, we will have the wage credits on hand there so we won't have to spend time and money to send a man out looking for wage records after a claim is filed. They say, "You are a little above the national average so we will pull you down to the national average."

And there are a lot of instances like that that come up.

Now, recently, the Congress appropriated some money up here for grants to the States for administrative purposes. The United States Department of Labor held half a million dollars over there and said, "You can have some of this now if you will make a fraud investigation just like we want to make it."

We had cases there where we suspected fraud, you see, but didn't feel like we could put somebody out running down those where we suspected it. But they didn't want to run those particular ones down. They wanted to take a broad random sample.

I thought, personally, it was better to investigate the cases that we suspected of fraud, rather than just go out hog wild and shake the bushes.

The CHAIRMAN. Let me ask the gentleman from the Labor Department: Why would you not give us appropriations enough to make that kind of an investigation?

STATEMENT OF ROBERT GOODWIN, DIRECTOR, BUREAU OF EMPLOYMENT SECURITY, UNITED STATES DEPARTMENT OF LABOR

Mr. GOODWIN. My name is Robert Goodwin. I am Director of Employment Security.

We merely asked all States to meet certain criteria in this investigation so that the results could be compared as between the States.

The CHAIRMAN. If the State of Georgia wants to run an investigation as to, oh, a limited number of people that it might suspect, would you compel the State to go into some broad scale statistical investigation, rather than doing it the way they wanted to do it?

Mr. GOODWIN. No, sir; they are completely free to make that kind of investigation. We merely requested that on this special study, for which expenditures were allocated, that they be made so that the

results could be compared as between the States. The type of thing that Mr. Williamson is talking about, we have always recommended that the States do out of their regular administrative funds.

The CHAIRMAN. Senator, this is Mr. Williamson of your own State.

Senator GEORGE. Yes; I know Mr. Williamson quite well.

The CHAIRMAN. I am still curious as to whether it is the broad purpose of the Unemployment Service to be developing national statistics, or what would be wrong with getting after some particular crooks in a State—you have no crooks in the State of Georgia, but in X State.

Mr. GOODWIN. There is nothing wrong with it.

The CHAIRMAN. Why shouldn't it be taken out of the funds?

Mr. GOODWIN. We recommend, sir, that they do it out of regular administrative funds. I think it is quite obvious though, that if in the special study you do what Mr. Williamson described, which is to take those cases where you suspect fraud, and chase those down, that you can't tell from the results on that what your incidence of fraud is.

This special study, which we finance, is to find out what our problem was nationwise. And one of the criteria that we asked the States to follow, was to have a random sample, so that you could then get a reliable percentage as to what the fraud problem was. The type of thing Mr. Williamson is talking about is the regular administrative problem, which should be pursued from the total grants given the State, as a day-to-day administrative problem.

The CHAIRMAN. Well, you haven't answered the point that is in my mind, but you will never put anybody in jail in Georgia on a random sample. We will pass that. It is not important anyway.

(The following letter was subsequently received for the record:)

MARCH 10, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: In the course of the hearings on the Reed bill (H. R. 5173) before your committee on March 9, 1954, your attention was drawn by Mr. Marion Williamson of Georgia to an investigation of fraud in unemployment insurance which the Bureau of Employment Security was said to have required of the State agencies. I should like to give you a brief statement of what the Bureau has done in this connection.

The Bureau has not required any State to follow a specific pattern of checking and investigating for fraud. The annual appropriation from Congress for State grants for employment security administration includes an item designated for "overpayments and fraud," which we in turn allocate to all the States. The States have used such allocations in a wide variety of activities which they deemed most suitable for the detection and prevention of improper payments. The amount so appropriated and allocated to the States for the fiscal year 1954 was approximately $3,050,000.

In the current year, however, a separate and additional allocation was made to nearly all States for purposes related to overpayment and fraud control. Because of our growing concern over reports that the problem of improper payments was more serious than was generally believed, we concluded that all States should be asked to conduct investigations on a number of cases selected at random. We asked that the cases be selected at random in order to get a reliable estimate of the extent of the fraud problem. One of the principal reasons for asking the States to furnish information in this way was so that we might furnish the congressional appropriation committees information on the extent of the fraud problem, in order that the Congress could take a more informed action in appropriating funds for State employment security administration. We expect that

the results of this program will also be of importance to the States in finding unsuspected loopholes for improper payments in the system.

I hope this will clear up any misunderstanding regarding this matter. I would appreciate your placing this letter in the record of the hearings.

Sincerely yours,

ROBERT C. GOODWIN, *Director.*

Mr. WILLIAMSON. I think Mr. Goodwin hit the nail on the head when he said thay can do it in Georgia, but we aren't going to pay for it. And what we want is a little elbow room, that is all.

Now, every now and then I get into an argument with the Bureau. They are all my friends—but I argue with my wife sometimes——

The CHAIRMAN. I bet you don't win those arguments.

Mr. WILLIAMSON. No, sir. I had an argument with an insurance man the other day about changing the method of payments to my beneficiary, so much a month instead of a lump sum. He wanted to get my wife's consent. I said, "This is one argument I am going to win. She isn't going to know about it until I am dead and gone."

The CHAIRMAN. I hope that is long deferred.

Mr. WILLIAMSON. We questioned a man that comes into the local office about his eligibility, whether to wait a while or do it on the first trip or the end of the first week, or waiting period week, or first compensable week. And the different States want to do it different ways. And the Bureau tells me that you can do it on the first go around, whenever you want to, but if you aren't going to do it like we say, we are not going to give you the money for it. And it is mighty hard when you have to pinch here, and steal from this part, and know the next year they are not going to get money to finance the program for any higher, because you are limited to your experience or national average whichever is lower. That is one of the reasons we need that elbow room.

This money is not going to be distributed to the States, as such. That is a sort of erroneous impression. This excess will go over here, in the United States Treasury, and there it will land. It can only be spent for benefit purposes, unless the State passes rigid, very rigid requirements on it. Now, if I went ahead, and they took exception to my using some money for fraud purposes over and above that which was granted or something like that, they have done nailed this thing down now in this bill to where I couldn't pay that exception. I would have to—because they said your payment must be made after the appropriation is made. And they got all sorts of safeguards there, but I can live with this bill.

We have worked on this bill. We have knocked off the sharp edges, and we have come up here and fought the United States Department of Labor on grants. They wanted to grant these moneys to these benefit funds. They didn't want to pay them back. and sometimes I doubt whether they ever want the loans paid back. They talk about extending the time of repayment here, extending it there, and they will frankly tell you that they were up here on the Hill last year, after the administration changed, still arguing for grants, instead of loans. The President came out though, in his economic message, asking for repayable advances, that is, the President recommended loans, and not grants.

The CHAIRMAN. Whatever the feeling was, let's say, in the preceding administration, whatever the notion there was about grants, I don't think they ever had much support on the congressional side.

Mr. WILLIAMSON. No, sir, we figure, and the Congress seemed to be with us, that if you give folks money to pay benefits, there is nothing that is going to keep them from making the job insurance program a gravy train. We want to keep this program sound, and if you don't have the responsibility to keep your benefit payment level consistent with your income with which to pay, any State is going to go broke. Rhode Island took $29 million out of this fund to pay sick benefits. It is still out.

The CHAIRMAN. Is that out of depleted funds?

Mr. WILLIAMSON. They did that subsequent to 1946, I believe, Mr. Chairman, and if that $29 million was in there today and had it been in there all that time, and had been drawing interest on it, they would be in pretty good shape today. Now, they will tell you that $29 million was put in there on account of an employee contribution. That is true, but they had their program geared so that they would eke up that employee contribution, when they took the $29 billion out of their unemployment trust fund and ceased getting interest on it——

The CHAIRMAN. You said billion, you meant million?

Mr. WILLIAMSON. Yes, million.

When they took out that $29 million and quit getting the interest on it, they didn't regear their benefit structure to conform to their limited resources.

Now, I think one of the best things you can do for Rhode Island is to pass this bill and put them on notice that you are not going to hand out the money as grants to encourage lax laws and lax administration.

The CHAIRMAN. Do you approve of this bill?

Mr. WILLIAMSON. Yes, sir.

The CHAIRMAN. As is?

Mr. WILLIAMSON. As is. I don't approve of it in every detail. It is a compromised bill. We have knocked off the sharp edges. We can live with it. The Federal department can live with it. We have worked hard on it, and it will strengthen the State program. I not only believe in this bill, and the principles here—both houses of the State legislature in Georgia have endorsed the principles here. The Ways and Means Committee in the House had extended hearings and tried to negotiate, and the United States Department of Labor brings proposals in and proposals back, and we adopted some. Now, this morning we hear that some we adopted they don't want now. There are all sorts of delays in tactics which have been thrown into this situation all the way through. The House passed this bill—I believe it was 294 to 71—and this is a good bill. And I would like to see, and the State administrators practically unanimously favor the principles of this bill, and we urge your favorable consideration.

Unless some member of the committee has some questions, that would finish my testimony. I would like permission to put a statement into the record.

The CHAIRMAN. It will be put in.

(The statement referred to follows:)

STATEMENT OF MARION WILLIAMSON, DIRECTOR, EMPLOYMENT SECURITY AGENCY, GEORGIA DEPARTMENT OF LABOR

Mr. Chairman and members of the committee, my name is Marion Williamson. I am director of the employment security agency, Georgia Department of Labor, and a past president of the Interstate Conference of Employment Security

Agencies. I am now serving on the legislative committee of the conference. We who are concerned with the day-to-day administration of this program wholeheartedly believe in a system of sound unemployment insurance. It is my opinion that established insurance principles must be retained and strengthened in this program and that the present concept of State responsibility must remain in the forefront. For this reason, I strongly urge enactment of H. R. 5173.

The major aspects of H. R. 5173 have been almost universally accepted by State administrators, employers, and others. These include: (1) The earmarking for employment security purposes of all funds collected under the Federal unemployment tax; (2) the establishment of a loan fund to assure the solvency of every State trust fund; and (3) distribution of the excess of Federal unemployment tax collections over direct appropriations by the Congress to the States for the payment of benefits and for administrative costs of employment security administration. In the interest of conserving your time I will limit my remarks primarily to these major points.

The earmarking of all funds paid into the Federal Treasury under the Unemployment Tax Act is a matter that has received the careful study of State administrators over a period of years. The earmarking of funds collected through a tax levied for a specific purpose has long been widely accepted as a sound principle of government. It is one that has been followed from the beginning with respect to all moneys paid into the respective State unemployment insurance trust funds. It is a principle that has received practically unanimous endorsement from those best informed as to the operations and purposes of the employment security program. It is my considered opinion, as well as that of my fellow administrators, that all of this tax should be used exclusively for employment security purposes.

With regard to the loan-fund principle contained in H. R. 5173, there are two definite schools of thought. Those who oppose the present State-Federal system for the administration of unemployment insurance generally oppose the repayable loan provisions of this bill. Instead, they advocate outright grants to depleted State trust funds. Apparently they seek to establish a dependent relationship between the States and the Federal Government and thereby to move toward accomplishment of their ultimate goal of complete federalization of the employment security program. As you know, this idea of complete federalization has found little favor before either the general public or the Congress. On the other hand, it is my conviction as well as that of nearly all of the other State administrators that a repayable loan fund will help to implement the principle of State responsibility in a simple and practical way. We believe that any loan fund established should operate as such. The bill under consideration would accomplish this as it clearly sets forth the conditions for obtaining and repaying loans. The bill wisely provides for automatic repayment under certain specified conditions which assure that funds borrowed will be replaced within a reasonable period of time.

We who are charged with the administration of State laws recognize that the essential ingredient of a sound long-range unemployment insurance program is the proper gearing of tax rates and benefit payment rates. As with any insurance plan, potential income and costs must be considered simultaneously and constantly reviewed in the light of current and prospective conditions. It is my belief that the very nature of the program as an insurance operation necessitates adjustments from time to time, and State by State, to meet changing economic conditions in different localities. Only through a State-Federal system can this type of flexibility be achieved. The repayable loan fund would assure the continuance of State responsibility in making such needed administrative or legislative adjustments as may be required by local conditions. As in other insurance programs, the tax rates, or premium, will inevitably vary from State to State and even from employer to employer. The elimination of the rate differential and the making of outright Federal grants to pay benefits to workers in States which permit their trust funds to become depleted without taking corrective action would be a complete departure from the insurance concept. Personally, I believe in operating an insurance program for the worker temporarily without a job. Should we depart from the insurance concept, we would become simply another relief agency.

When the Congress enacted the Federal Unemployment Tax Act, there was general recognition that a successful program of this type, which would so vitally affect the economic life of every community, should be established under a system that would provide administrative control close to the people directly affected—employers and workers. The Federal act, therefore, provided that operation of the program would be in accordance with laws enacted and administered by the

States. The Congress limited the Federal aspect of the program to adminiatrative financing and the setting of a few basic minimum standards to be incorporated into the respective State laws. Every State accepted its responsibility in this field and enacted legislation necessary to put the program into effect. Thus, it was possible for each State to adapt the specific provisions of its own law to meet local conditions. This concept of local responsibility has produced a healthy, continuing, and active interest on the part of the citizens in every State and community.

While the enactment and administration of the respective State laws is a State responsibility, funds for administration are collected from taxpayers of the various States by a Federal tax levy. Some of these funds are then made available to the States through annual appropriations by the Congress. The differing concepts of State and Federal responsibility have produced opposing views regarding the use of any excess Federal unemployment tax collections by the respective States for administrative purposes. The bill now under consideration would eventually make limited funds available for administrative purposes through State legislative appropriations. Each State would be individually responsible for the expenditure of such funds. As you know, the volume of activity experienced in the employment security program is subject to violent and unexpected fluctuation in short periods of time. Aside from fluctuating economic conditions, another important element is that administrative costs are affected by amendments to State laws, which may occur at any time during a fiscal year. It is also well known that the Federal unemployment tax collections have produced an amount more than adequate to cover administrative costs. Since the amount of administrative funds that may be needed for a particular fiscal period cannot always be forecast exactly, it appears to me that the logical answer is to earmark this tax as it is collected. Under this bill the amounts distributed to the respective States from excess tax collections will be added to the individual State's benefit trust fund in the United States Treasury. This bill assures that excess funds credited to the States' accounts will be used for benefit payments and under rigid State legislated control to finance administrative costs not otherwise provided for. Thus, flexibility will be provided that will enable each State to more fully meet its responsibility under the law.

The enactment of the measure under consideration will assure the continuation of State responsibility in the field of employment security. It provides a soundly financed permanent loan fund, strengthens State trust funds, and provides needed flexibility in State administration.

Gentlemen, I urge your favorable consideration of the bill.

The CHAIRMAN. Any questions, Senator George?

Senator GEORGE. I don't believe I have any questions. I didn't hear all the testimony this morning.

I would like to ask this one question: When this loan fund is created, out of this surplus in the hands of the Federal Government, over and above the amounts allotted to the States for administrative purposes, is that fund to be borrowed, and are repayments to be made to that fund?

Mr. WILLIAMSON. Yes, sir; automatically.

Senator GEORGE. Automatically?

Mr. WILLIAMSON. Yes, sir.

Senator GEORGE. How is that done under the bill?

Mr. WILLIAMSON. Under the bill, Senator, if the State has not paid it back on the second January after they borrowed the money, they will not be allowed as much credit offset on their Federal tax as they have been.

Now, take this for instance: If they don't pay it back after the second January, instead of paying the Federal Government $3 on a thousand dollars of wages, they would pay $4.50.

Senator GEORGE. They would have to pay more—they would have to pay a penalty, that is equivalent to an assessment to make up their obligations to the fund?

Mr. WILLIAMSON. They can make it up several ways. That is one way.

Another way is, they could adjust their benefit structure. They could tighten up on their law by disqualifying a man more if he voluntarily quit work, or if he was discharged from work for misconduct, or they could increase their State tax, and pay it back that, or if they fail to do these other things, then this would require them to pay it back, so that they would police the law, administrative practices and make its program more efficient.

Senator GEORGE. But no State would be denied the 2.7 setoff, would it?

Mr. WILLIAMSON. No, sir.

Senator GEORGE. That would still stay in the law.

Mr. WILLIAMSON. Wait a minute——

Senator GEORGE. You see you have three-tenths of 1 percent, and 2.7 goes back to the States.

Mr. WILLIAMSON. The 2.7 would still go back to the States trust fund account in the United States Treasury.

Senator GEORGE. Yes.

Mr. WILLIAMSON. And they would be required to increase their payment to the Federal Government 5 percent a year, beginning with the second January after the loan was made .

Senator GEORGE. I see. So it is a loan; it is not a grant.

Mr. WILLIAMSON. Yes, sir. To get around any constitutional provision, which some people will raise, it doesn't pledge the credit of the State.

Senator GEORGE. I understand. It is pledged in that way if it remains—of course, the levy is made by the Federal Government on the employer in the State anyway.

Mr. WILLIAMSON. Yes, sir.

Senator GEORGE. Then there is a refund back to the State or a setoff back to the State of 2.7, plus whatever other credits the employer may get under State law, for continuous service for hiring employment, and so forth.

Mr. WILLIAMSON. If I understand you correctly that is right.

Senator GEORGE. The 2.7 would go back to each State in any case.

Mr. WILLIAMSON. Yes, sir, the State would still collect that 2.7 or whatever the benefit structure in the State required. This money is credited to the States' unemployment trust fund account in the United States Treasury.

Senator GEORGE. That is all the questions I have.

The CHAIRMAN. Thank you very much.

Mr. Teets, did you have something else to say?

Mr. TEETS. One brief point with regard to the matter of administrative flexibility, I don't think it was touched upon, and I think is well worth your consideration.

The Governor of my State, as chief executive officer, is primarily responsible for the proper functioning of this law. Now reasonable minds may differ as to how much money is necessary for the proper and efficient administration in my State. As the law now reads, and as we get these funds, an individual, a Federal employee, has the right, and the pursestring control to make those final decisions, but the responsibility for the success or failure of that program rests upon me.

Now, if these moneys were permitted to come into the State, I could then, if there is a difference of opinion between myself and the Federal representative, go to my legislature, explain the problem, and if I convince them—with the other forces having an interest contrary perhaps to my own—convince them that those funds are needed in order to carry out the provisions of my law, I could, by that means get it. Now, I can't. It seems to me that it would highlight those differences of opinion, would strengthen, not weaken, the provisions of the entire program. It would build it, not deter it.

The CHAIRMAN. Thank you very much.

We will recess until 10 o'clock tomorrow morning.

(The following letter and enclosures was subsequently submitted for the record:)

(See also Labor Department amendments, p. 34.)

WASHINGTON, D. C., *March 11, 1954.*

Hon. EUGENE D. MILLIKIN,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: Pursuant to your request, the State employment security administrators who appeared before your committee on the Reed bill wish to state their position on the series of amendments proposed by the Department of Labor.

We strongly oppose 5 of the 6 substantive changes set out in the Department's memorandum of March 9. As stated at the time of the hearing, amendment No. 4 in this series, which would eliminate the maintenance by a State of a 2.7 percent average tax rate for eligibility for advances, is a matter of no particular concern to the States.

We likewise oppose amendment No. 2 and amendment No. 9 that are set out in a series of so-called minor and technical amendments in the Department's memorandum also dated March 9. In our opinion these amendments are substantive in nature.

The remainder of the so-called minor and technical amendments are language refinements designed to be clarifying. In a few instances they perhaps may be more explicit than the language in the present bill. However, we feel that they are in no sense necessary. A reasonable construction of the provisions of the existing bill would permit its proper administration.

On behalf of the entire Interstate Conference of Employment Security Agencies, we desire to take this opportunity to again express our appreciation for the privilege of appearing before the committee and for the courtesies extended.

Sincerely,

BERNARD E. TEETS.
NEWELL BROWN.
MARION WILLIAMSON.

DRAFT OF SIX AMENDMENTS OF H. R. 5173, RECOMMENDED IN DEPARTMENT OF LABOR'S STATEMENT FOR THE ADMINISTRATION BEFORE THE SENATE COMMITTEE ON FINANCE, MARCH 9, 1954

Amend the July 9, 1953, Senate print of H. R. 5173, as follows:

1. Change of effective date of earmarking

On page 2, line 7, strike out "ending June 30, 1954" and insert in lieu thereof "beginning July 1, 1955".

On page 2, line 11, insert "preceding" before "fiscal".

On page 2, line 14, strike out "for such year" and insert in lieu thereof "during such preceding fiscal year".

On page 2, line 16, insert "preceding" before "fiscal".

On page 2, line 17, strike out "for such fiscal year" and insert in lieu thereof "during such preceding fiscal year".

On page 2, line 20, strike out "close" and insert "beginning" in lieu thereof.

On page 2, lines 22 and 23, strike out "at the close of such fiscal year".

On page 2, line 24, strike out "close" and insert "beginning".
On page 4, line 18, strike out "succeeding".
On page 5, line 1, insert a period after "account" and strike out "at the close of the fiscal year for which the transfer is made".
On page 5, line 10, strike out "close" and insert "beginning".
On page 5, line 13, strike out "succeeding".

2. Permit excess taxes distributed to State accounts to be used for benefit purposes only

On page 6, lines 24 and 25, strike out the commas, and strike out "except as provided in paragraph (2),".
On page 7, strike out all of lines 3 through 25 and on page 8 strike out all of lines 1 through 7.
On pages 13 and 14 strike out all of subsection (a) of section 5 of the bill, and redesignate subsections (b), (c), (d), (e), and (f) as (a), (b), (c), (d), and (e).

3. Extend from 2 to 4 years the period during which repayment of advance is not required

On page 12, line 21, insert the following after the word "State" and before the semicolon "unless, prior to such January 1 and subsequent to the latest calendar quarter in which an advance was made, the balance in the State fund has failed to equal or exceed the highest annual benefit payments made in the five years preceding such taxable year;".
On page 12, line 22 through page 13, line 4, strike out all of subparagraph (B) and insert the following in lieu thereof:

"(B) in the case of a taxable year beginning with the third consecutive January 1 on which such a balance of unreturned advances existed, by 5 per centum (or, in the event of a previous credit reduction under paragraph (A) by an additional 5 per centum) of the tax imposed by section 1600 with respect to the wages attributable to such State paid by such taxpayer during such taxable year unless, prior to such January 1 and subsequent to the latest calendar quarter in which an advance was made, the balance in the State fund has failed to equal or exceed the highest annual benefit payments made in the six years preceding such taxable year; and

"(C) in the case of a taxable year beginning with the fourth consecutive January 1, or any succeeding consecutive January 1, on which such a balance of unreturned advances existed, by 5 per centum (or, in the event of a previous credit reduction, by an additional 5 per centum for each such taxable year) of the tax imposed by section 1600 with respect to the wages attributable to such State paid by such taxpayer during such taxable year."

4. Eliminate maintenance by State of 2.7 percent average tax rate for eligibility for advance

On pages 8 and 9, strike out all except the word "and" after the semicolon of paragraph (3) of subsection (a) of section 1201.
On page 9, line 4, renumber paragraph (4) as paragraph (3).
On page 9, line 5, strike out the commas after "(1)" and "(2)", insert the word "and" between "(1)" and "(2)", and strike out "and 3".

5. Provide for recoupment of excess administrative costs

Add a new subsection to section 901 as set forth in section 2 of the bill to read as follows:
"(c) No moneys shall be appropriated under subsection (a) of this section if in any fiscal year or years prior thereto the employment security administrative expenditures have exceeded the tax received under the Federal Unemployment Tax Act, until an amount equal to the total of such excess has been deducted from the moneys which would otherwise be appropriated, such amount to remain in the general fund of the Treasury."

6. Eliminate authority to appropriate excess tax funds for year prior to passage of bill

On page 15 strike out all of paragraphs (1) and (2) of subsection (f) of section 5 of the bill, redesignate subsection (f) as subsection (e) [in accordance with amendment No. 2 above] and insert the following:
"(e) Subsection (h) of section 904 of the Social Security Act is hereby amended by repealing everything except the first sentence."

DRAFT OF MINOR AND TECHNICAL AMENDMENTS OF H. R. 5173 REFERRED TO IN DEPARTMENT OF LABOR'S STATEMENT TO SENATE COMMITTEE ON FINANCE, MARCH 9, 1954

Amendment No. 1:

Strike out the term "unemployment compensation" in the title of the bill and insert "employment security" in lieu thereof.

Amendment No. 2:

On page 1, line 4, strike out "1953" and insert "1954" in lieu thereof.

Amendment No. 3:

On page 2, line 13, and page 3, lines 2 and 6, strike out the term "unemployment" and insert the term "employment security" in lieu thereof.

Amendment No. 4:

On page 3, lines 9 and 10, make subparagraph "(A)" part of paragraph (1) by striking out the dash on line 9, striking out the quotation marks and the designation "(A)" on line 10, and redesignating "(i)", "(ii)", and "(iii)" as "(A)","(B)" and "(C)", respectively.

On page 3, line 20, redesignate "(B)" as "(2)" and insert the following language immediately after the "(2)":

"(2) the amount estimated by the Secretary of Labor as equal to the necessary expenses incurred during the fiscal year for".

On page 4, line 5, redesignate paragraph "(2)" as paragraph "(3)".

Amendment No. 5:

On page 3, line 19, and page 4, line 2, insert the words "as amended", after "the Servicemen's Readjustment Act of 1944".

Amendment No. 6:

On page 4, strike out all of lines 11 through 13.

Amendment No. 7:

On page 5, line 17, insert the following language immediately after the word "Labor":—"and certified by him to the Secretary of the Treasury on or before that date".

On page 5, line 17, insert the following immediately after the word "States":—"to the Secretary of Labor by June 1".

On page 5, lines 22 and 24, strike out "June 1" and insert "May 1" in lieu thereof.

Amendment No. 8:

On page 8, line 13, strike out the word "account" and insert "unemployment fund" in lieu thereof.

Amendment No. 9:

On page 8, line 14, strike out "September 30, 1953" and insert "June 30, 1954" in lieu thereof.

Amendment No. 10:

On page 9, line 7, strike out the commas and the words "from time to time".

Amendment No. 11:

On page 11 add a new section at the end of section 3 of the bill, to be designated section 1203, to read as follows: "When used in this title, the term 'Governor' shall include the Commissioners of the District of Columbia".

Amendment No. 12:

On page 10, line 15, strike out "section 1201(a)" and insert "section 1201" in lieu thereof.

Amendment No. 13:

On page 10, lines 18 and 19, insert the word "promptly" between the words "shall transfer", insert a period after the word "amount", and strike out "as of the close of the calendar month in which the Governor makes such request".

Amendment No. 14:

Insert the term "Unemployment Trust Fund for credit to the" on page 10, line 20, and page 11, line 15 before the word "federal", and on page 11, line 10, before the word "account".

Amendment No. 15:

On page 11, lines 5 and 9, strike out "subsection (a)" and insert "section 1201" in lieu thereof.

Amendment No. 16:

On page 11, line 9, insert the words "received and covered into the Treasury" before the word "exceeds".

Amendment No. 17:

On page 11, lines 14 and 15, strike out the words "from time to time from the general fund in" and insert in lieu thereof the words "at the close of the month in which the moneys were covered into".

On page 11, line 16, strike out the period at the end of the sentence and insert "as of the first day of the succeeding month".

(Whereupon, at 12:25 p. m. the committee recessed to reconvene at 10 a. m., Wednesday, March 10, 1954.)

EMPLOYMENT SECURITY ADMINISTRATIVE FINANCING ACT

WEDNESDAY, MARCH 10, 1954

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

The committee met, pursuant to recess, at 10:10 a. m., in room 312, Senate Office Building, Senator Eugene Millikin (chairman) presiding.

Present: Senators Millikin, George, and Frear.

The CHAIRMAN. The committee will be in order.

Is Senator Kennedy in the room?

Come forward, Senator. Take a seat, here. We are very glad to have you here. Right there; that is supposed to be a hot seat, but it is very cool. We are glad to have you.

STATEMENT OF HON. JOHN F. KENNEDY, A UNITED STATES SENATOR FROM THE STATE OF MASSACHUSETTS

Senator KENNEDY. I thought if it would be agreeable, I would cut this statement substantially, and I will put it all in the record.

The CHAIRMAN. Put it in the record in whatever length you wish to put it in.

Senator KENNEDY. Mr. Chairman and members of the Senate Finance Committee. I appreciate this opportunity to appear before your committee in opposition to H. R. 5173, the Reed bill on unemployment compensation. It seems to me unthinkable that, during a time when the rate of unemployment under this act has nearly doubled from what it was 1 year ago, and the rate of new claims has increased by nearly 80 percent, Congress would take steps to weaken instead of strengthen our jobless insurance program.

Massachusetts has a special interest in this bill—for, like Rhode Island, it has long suffered from chronic and seasonal unemployment, insufficient diversification of industry and heavy dependence upon manufacturing employment. Although our benefit and eligibility standards are not excessive and we were the only State besides Rhode Island which charged the full unemployment tax in 1953, Massachusetts has on the average paid out more than 80 cents for each dollar collected; and our State unemployment compensation reserve at the close of fiscal 1953 was less than five times as great as the benefits paid during the previous year, and barely twice as great as that year's unemployment tax collections. Inasmuch as the 1948–50 slump cut this State's reserve nearly in half, a serious recession tomorrow could endanger its solvency.

The CHAIRMAN. Before you finish, will you give us some statistics on how many you have employed in the State, how many are taking unemployment relief, and so forth?

Senator KENNEDY. Yes, I have those figures. The latest data indicate that only 22 percent of the Massachusetts workers covered by this act could be paid ben fits for the maximum 26 weeks out of funds available. Inasmuch as the number of Massachusetts claimants has increased in 1 year by more than 85 percent, and the rate of new claims has jumped more than 50 percent, the adequacy of this program is of concern, not only to the workers whose benefits may be reduced or withheld, or to those employers whose taxes may be raised, but it is of concern to the whole State.

Business Week, May 7, 1949, for example, stated that the paradox of depression-unemployment rates in Lawrence, Mass., without a business depression, was due, according to Lawrence businessmen, to unemployment compensation which, they said, had "proved to be an effective cushion for business as well as workers, against the impact of layoffs."

The CHAIRMAN. Do you know what the unemployment is at the present time?

Senator KENNEDY. Yes, Senator. I would like to submit those figures, and a comprehensive comparison of Massachusetts' position compared with Rhode Island and the United States as a whole.

This table is from the United States Department of Labor, and perhaps I could file these with my statement.

The CHAIRMAN. We will be glad to have you do that.

(The figures referred to follow:)

Selected unemployment insurance data

	United States	Rhode Island	Massachusetts
Week ended Feb. 27, 1954:			
Initial claims	288,178	3,691	10,043
Percent change from year ago	+79.3	+65.4	+50.5
Week ended Feb. 20, 1954:			
State insured unemployment	2,168,164	27,492	78,382
Percent change from year ago	+96.6	+108.8	+86.2
Unemployment rate (percent)	6.0	11.4	5.3
Fiscal year 1953 (amounts in thousands):			
Taxable wages	$100,238,930	$631,511	$3,788,186
Collections for benefits	$1,367,806	$16,737	$100,114
Percent of taxable wages	1.4	2.7	2.6
Benefits paid	$912,898	$12,353	$44,758
Percent of collections	66.7	73.8	44.7
Percent of taxable wages	0.9	2.0	1.2
Funds available for benefits (as of June 30, 1953)	$8,577,745	$25,733	$213,509
Percent of taxable wages	8.6	4.1	5.6
Federal unemployment tax collections:			
Fiscal year 1953	$275,623	$1,858	$10,664
Fiscal year 1954 (estimate)	$290,000–$300,000	(1)	(1)
Fiscal year 1955 (estimate)	(1)	(1)	(1)
Grants to States for administration:			
Fiscal year 1953	$197,049	$1,712	$8,923
Percent of federal collections	71.4	92.1	83.7
Fiscal year 1954 (estimate)	$212,705	(1)	(1)
Percent of Federal collections	73.3–70.9		
Fiscal year 1955 (estimate)	$216,400	(1)	(1)
Percent of Federal collections	(1)		
Calendar year 1953 (amounts in thousands):			
Collections for benefits	$1,347,630	$17,189	$102,673
Benefits paid	$962,221	$12,565	$41,081
Percent of collections	71.4	73.1	40.0
Funds available for benefits (as of Dec. 31, 1953)	$8,912,821	$28,521	$250,032

[1] Not available.

Source: U. S. Department of Labor, Bureau of Employment Security, Division of Reports and Analysis, Mar. 8, 1954.

Senator KENNEDY. What has been true in Massachusetts has also been true on a national level, where in 1949 $1.7 billion—more than twice the 1948 level—was paid to maintain the purchasing power of unemployed workers. For fiscal 1954, benefits will undoubtedly again exceed $1 billion. In addition to Massachusetts and Rhode Island, other State unemployment compensation reserves may meet difficulties, if present economic trends continue to worsen, in both large States—such as New York, Pennsylvania, California, Illinois, Michigan, and New Jersey—and less wealthy States—such as New Hampshire, Alabama, Maryland, Washington, Delaware, and Alaska.

For these reasons, your committee might consider several improvements in our unemployment compensation system, instead of the weaknesses proposed by this complex and misunderstood bill. As President Eisenhower pointed out, what he termed our "valuable first line of defense against economic recession * * * needs reinforcement" if it is to play its proper role in just the type of downturn we now face. These improvements are not contained in H. R. 5173.

A. Coverage: As pointed out by the President, Congress should act to cover 3.4 million employees of businesses with fewer than 8 workers, 2.5 million Federal civilian employees and 200,000 agricultural processing employees, among others, who presently face relief instead of social insurance.

B. Benefits and duration: The President also pointed out that the present level of benefits is inadequate, having fallen from the original goal of 50 percent of weekly wages to an average of 33 percent; and the duration of benefits is similarly inadequate, having permitted almost 2 million persons to exhaust their rights in a short time in 1949. Although the President recommended State action, I favor nationwide minimum standards to prevent any incentive for one State to undercut the standards of another.

C. Tax base: Consideration should be given to raising the taxable wage base under unemployment compensation from $3,000 to $3,600, in order to keep it on a par with OASI, enable easier bookkeeping for employers, and strengthen reserves in States such as Rhode Island and Massachusetts.

D. Earmarking: The excess of Federal collections under the act for administrative purposes over the expenditures for such purposes, presently about $60 million a year, should be earmarked for strengthening the unemployment compensation program, instead of using this payroll tax to support the Government. Such earmarking is proposed in H. R. 5173; but it proposes to use such funds in a manner detrimental, not beneficial, to the unemployment insurance system.

I. THE LOAN FUND PROVISIONS OF H. R. 5173 WOULD NOT OFFER SUBSTANTIAL ASSISTANCE TO DEPLETED STATE RESERVES

General limitations of loan programs: Lending money to a State fund imperiled by heavy unemployment is unlike any other Federal aid program. When Congress is concerned with national problems of health, public assistance, education, and other programs familiar to this committee, it grants aid to the States on the basis of their need, and does not require such aid to be repaid.

A Federal repayable loan fund can only hope to deal with temporary crises at most. Instead of preventing disaster to a State reserve

suffering from heavy and chronic unemployment, it merely postpones emergency taxation to pay back the loan.

For a long-term problem such as the decline in textile employment or a serious recession, a repayable loan is not sufficient. If a State struck by such an economic catastrophe must raise its rates to safeguard its fund or repay a loan, it loses more industry unable to compete with other low-tax areas, and thus is faced with both dwindling tax collections and mounting unemployment claims. Requiring such a State to be able to repay a loan under such circumstances increases the competitive disadvantage of some employers—contrary to the original purpose of the law; and improperly distributes costs over the business cycle, by requiring a State to raise its tax rates to repay the loan at the very time when its payrolls are diminishing and its businesses need help. Finally, a very basic objection to any loan program is the fact that as many as 26 States, including Rhode Island, appear to be bound by constitutional restrictions in seeking loans.

One purpose of our unemployment insurance program is to share the risk; for, if the tax rate on each employer were to cover the full burden of unemployment in his industry, his tax might be as high as 20 percent. By pooling this risk within the State, its burden is more evenly distributed. Similarly, risks should be pooled on a Federal-State basis, whereby State funds which fall to a dangerously low level through no fault of their own would receive "insurance payments" from a reinsurance reserve to which all States contribute. I support S. 710 for this purpose, introduced by the Senators from Rhode Island, although I realize that there are alternative methods of establishing such a reinsurance program for this committee to consider; but certainly a loan does not fulfill this principle of sharing the risk among all States. Both Rhode Island Senators are out of the country on official business, and unable to be present today.

The CHAIRMAN. May I interrupt you, John? You mentioned the Senator from Rhode Island. It is my understanding that both of the Senators are out of the country, but they would appear here if they were in the country, but that the Governor of Rhode Island will testify.

Thank you very much.

Senator KENNEDY. Limitations of loan program of H. R. 5173: The loan features of the bill before your committee are particularly unhelpful. Compare, if you will, these provisions with the lending provisions of the George loan fund, title XII of the Unemployment Compensation Act, which you originally recommended in 1944, and which expired on January 1, 1952.

A. First, the size of the loan fund in H. R. 5173 is limited to a maximum of $200 million, little more than New York's claims in a normal year. No maximum was included in the George fund.

B. Secondly, the eligibility provisions for a loan under H. R. 5173 are too restrictive, requiring the State reserve to be lower than the total benefits paid out during the previous 12 months (although the loan itself cannot exceed the amount of benefits paid during the highest of the preceding four quarters). Under the George provision, a State was eligible whenever its reserve fell below its annual rate of collections during the higher of the two previous calendar years, a situation which is more likely to occur unless the State is already paying out more than it takes in under a full tax rate.

C. Third, and most important, the repayment provisions of H. R. 5173 are too harsh. The bill provides that employers in a State which has not repaid a loan after a period of from 13 to 24 months (on the second January 1) face a 5 percent Federal penalty tax increase, and another 5 percent each year until the loan is repaid. This penalty applies even though the reserve fund continues to decline, even though the State must continue to seek new loans, and even though the excessive unemployment compensation tax is contributing to the deterioration of employment. Such a State would be required to reduce its benefits and increase its tax rates above the normal rate of 2.7 percent; or face collapse of the State system. Contrast these harsh provisions with the George loan fund, which contained no penalty and required repayment only whenever, and to the extent that, the balance in the State fund exceeded the higher of the annual tax collections during the two previous calendar years. President Eisenhower, in recommending a loan fund, specified that repayment by a hard-hit State should not begin for 4 years "in the interests of allowing a State a reasonable interim to readjust its economy and attract new industries." For these reasons, I believe the loan fund provisions of H. R. 5173 do not offer substantial assistance to depleted State funds.

II. H. R. 5173 WOULD WASTE UNEMPLOYEMNT COMPENSATION FUNDS NEEDED FOR BENEFIT PAYMENTS

The second feature of H. R. 5173 distributes to the States on the basis of their covered payrolls those funds not expended each year on administration or the loan fund. This, in my opinion, is one of the most extraordinary and fiscally irresponsible propositions ever to come before this body. Under this provision, States would receive moneys raised by a Federal tax regardless of their need for such funds, regardless of the amounts they contributed to such funds and regardless of the amount they may have already received for similar purposes. Here is a bill which is extremely stringent in lending money to States in need; but which then distributes far larger sums, without any standards, to all States regardless of need. Surely no Federal grant-in-aid program could be approved on a basis whereby New York would receive 40 times as much as Delaware regardless of need.

The bill does not require that these funds be used for benefits; and most States today clearly would use this Federal gift for administrative expenses. Yet Congress already appropriates all administrative expenditures under this program, as determined by each State and reviewed by the Department of Labor and Congress; and if the amount appropriated proves to be insufficient, Congress provides a supplemental appropriation. But this bill requires the distribution of these funds for administrative purposes above and beyond what Congress determines to be necessary appropriations for those purposes, and thus renders meaningless the congressional function. The bill also requires State legislatures to appropriate the funds which Congress has raised. As stated by the Treasury Department:

> Sound administration counsels against a system whereby a legislative body appropriates funds it has no responsibility for raising. It is all the more undesirable if it occurs after the Congress has already appropriated what it deems to be necessary for proper and efficient administration.

This provision, permitting the reduction of taxes during prosperous periods, and then eliminating this aid during recession, is in addition unsound. Moreover, a period of heavy unemployment may require more Federal and State administrative expenses than the 0.3 percent tax collects; but instead of establishing a contingency fund for such years, the Reed bill requires each year's surplus to be distributed in full, so that General Treasury expenditures would be required in such a year. Certainly this committee, which is concerned with the cash budget and the statutory debt limit, should question a proposal encouraging the States to find new ways to spend moneys which would otherwise be retained in the Federal Treasury, including those States—and there have been about 30 of them so far—who may already receive more in congressional appropriations for administrative expenses than they have paid in. Such funds should be saved for benefit payments in those States today or in the future whose reserves are threatened by serious unemployment; or at least in a contingency fund for years to heavy administrative expenses.

III. CONCLUSION

In conclusion, Mr. Chairman, let me add that this bill increases the prospects for complete federalization of unemployment compensation. It provides for excessive payments of Federal funds to all States. It requires State legislatures to appropriate funds raised by Federal tax. It encourages State employment agencies to expand their various administrative services to be subsidized by Federal funds. Its lending provisions require a change in the constitutional structure of many States. Its harsh provisions for repayment would keep some States continually dependent upon Federal loans to replenish the State reserves they are unable to build up. And finally, those States whose reserves are not adequately aided by this bill, whose benefits may have to be sharply reduced and taxes sharply raised in order to prevent a collapse during heavy unemployment, will certainly demand complete federalization of the entire unemployment compensation system.

For these reasons, if the Congress does not now see fit to safeguard State funds by a program of reinsurance, I believe it would be preferable to have no action at all than to enact the Reed bill whlch would waste these badly needed funds. If the lending provisions could be liberalized, and the provision for distribution of surplus funds stricken or at least restricted to benefit payments, that would constitute some improvement; but it would be far more logical to adopt the suggestion of the administration and the House minority report that the George loan fund provision be reenacted until more comprehensive legislation along the lines outlined is possible; and until the Commission on Intergovernmental Relations—whose establishment was recommended by the Senate Committee on Government Operations, of which I am a member—completes its study of this subject. The present bill is an unjustifiable raid on our unemployment compensation benefits, and it would impair our jobless insurance program at a time when it is in critical need of improvement.

I appreciate very much the opportunity to testify before this committee. Thank you.

The CHAIRMAN. Are there any questions?

Thank you very much.

The CHAIRMAN. Mr. Teetor, Assistant Secretary of Commerce. Will you take a seat, please, and identify yourself to the reporter.

Mr. TEETOR. My name is Lothair Teetor.

STATEMENT OF LOTHAIR TEETOR ASSISTANT SECRETARY OF COMMERCE FOR DOMESTIC AFFAIRS

Mr. TEETOR. I am the Assistant Secretary of Commerce for Domestic Affairs. I have a statement which I would like to present to this committee, Senator Millikin and Senator George.

The CHAIRMAN. Are you speaking for the administration?

Mr. TEETOR. No, I am speaking as an individual.

The CHAIRMAN. Go ahead.

Mr. TEETOR. As Assistant Secretary of Commerce for Domestic Affairs I want to thank this committee for permitting me to submit my views with prospect to the provisions of H. R. 5173. I want to make it clear at the outset that my views are not those of the administration, which have been officially presented by the Secretary of Labor. I want to present a business point of view which has been made known to the Department of Commerce and which I personally support, as do some of my colleagues in the Department.

This bill deals with a subject which relates to the economic life of business and industry and involves the prosperity and growth of the national economy.

The CHAIRMAN. Let me make it clear, again. You are not speaking for the Department of Commerce?

Mr. TEETOR. No, sir.

The CHAIRMAN. Nor for any other governmental agency?

Mr. TEETOR. No, sir.

Sound and efficient administration of unemployment compensation systems is in the interest of both business and labor as well as the general public.

There has been in the past, within the Federal Government, a tendency to treat unemployment compensation matters as exclusively within the concern of executive agencies dealing with labor and welfare measures. This approach disregarded the fact that unemployment compensation systems are completely financed by business and industry and that business and industry are directly and vitally concerned with the functioning of these systems. The operation of unemployment compensation laws ties in very closely with business activities at the local community level. Employers, therefore, have an interest in seeing that employees have adequate protection to see them through temporary periods of unemployment.

Unemployment compensation systems are essentially designed for administration and application by the individual States. The system is a State system. The Federal laws dealing with this subject were designed purely for the purpose of encouraging the adoption of unemployment compensation laws by the individual States. That this purpose has been successfully accomplished can be seen in the fact that all States now have in effect employment security systems which meet the standards originally laid down in the Federal law. Inasmuch as State unemployment compensation systems generally conform with recognized standards and criteria, it is my view that these systems can work

most effectively if the primary authority with respect to their functioning remains within the States, and Federal intervention and regulation of the State systems is held to a minimum. I do not feel that it has ever been demonstrated that Federal administrative officials possess greater wisdom or are more genuinely concerned with good administration of State laws than are the State administrative officials who have the primary responsibility for administration under these laws.

The overall effect of this bill is to give more authority and discretion to State administrative agencies and to reduce Federal supervision and control. It is my belief that the bill will encourage better and more efficient administration of State employment security systems. The Department of Commerce has received numerous expressions of opinion which indicate that the purposes of this bill have the overwhelming support of business and industry. Businessmen are almost universally of the opinion that the State administrative agencies can adequately and effectively administer their own laws and that Federal regulation and control is not a necessary or desirable check upon the State agencies.

Without attempting to go into the technical provisions of the bill I would like to comment specifically on two points. First, I strongly favor the establishment of a loan fund upon which the States may draw when their unemployment compensation reserves become depleted. I hope, of course, that the States can continue to maintain a high level of reserves and that there will be no occasion upon which they will be required to seek Federal assistance.

It is desirable, however, to have some emergency loan funds to meet such contingencies. Provision for repayable loans is far preferable to any arrangement under which the Federal Government would make direct grants to the States of necessary funds to meet unemployment compensation obligations. Any such Federal grants would place the State systems under the financial thumb of the Federal Government and would result in virtual Federal domination of the State systems. I therefore strongly urge that no serious consideration be given by this committee to any proposal for financing State unemployment compensation systems through Federal grants.

I also urge that in connection with the establishment of the loan fund provided for in this bill adequate measures be provided to insure repayment at the earliest possible time consistent with all economic factors involved. It is my fear that if the repayment provisions are set out in such a way that it would allow for prolonged extension of loans these loans could in essence become looked upon as Federal grants rather than repayable loans. H. R. 5173 gives adequate protection in this direction.

My second specific comment relates to the provisions of the bill dealing with the allocation of the excess of the Federal unemployment tax after the $200 million loan fund has been fully established. Under the provisions of this bill such excess would be redistributed to the States in the ratio that the covered wages in each State bear to total wages covered by all unemployment compensation laws. It is my view that it would be appropriate that the reallocated funds be credited to the account of each State reserve fund in the United States Treasury. The States would then be free to draw upon such funds for payment of benefits and for expenses of administration of the State employment-security systems.

Although it is the official position of the Administration that the funds thus allocated to the State reserve funds should be available to the States only for the purpose of paying benefits and that such funds should not be used by the States for payment of administrative expenses, it has been my personal experience that there is a need for a greater degree of discretion by the State administrative officials in dealing with the problems of administration and enforcement of the State laws. The exercise of such discretion necessarily involves some latitude in respect to administrative expenses.

The CHAIRMAN. Mr. Teetor, at this point, will you tell us for the purpose of the record, your own experience in these matters.

Mr. TEETOR. My experience has been 8 years in the Indiana Legislature, in which experience I have had considerable contact with these unemployment compensation laws and the way they work in a State.

The CHAIRMAN. Do you have anything to do with the subject over in the Department of Commerce?

Mr. TEETOR. Anything to do with this subject in the Department of Commerce?

The CHAIRMAN. Yes.

Mr. TEETOR. Well, we are very directly interested in it.

The CHAIRMAN. Do you have anything to do with it?

Mr. TEETOR. Yes, this subject would come under my department, under Domestic Affairs.

The CHAIRMAN. What is your department?

Mr. TEETOR. Domestic Affairs.

The CHAIRMAN. Go ahead.

Mr. TEETOR. At the present time the State budgets covering administrative expenses must be submitted to the Department of Labor for approval. After processing through the Department of Labor, the total figure of all State budgets is submitted to Congress with a request for an appropriation of funds to cover these budgets. The Department of Labor can allow or disallow items of expense contained in the proposed State budgets and may apply its own judgment with respect to what is good and necessary for the administration of the State laws.

There is in a sense, a contradiction in a system under which a State government has the discretion in enacting laws in the field of employment security which are best suited to the particular problems of the State, and has the responsibility for administering and enforcing such law, but at the same time does not have complete discretion in regard to the means of administration and enforcement of such laws. It is inconsistent to place the lawmaking and enforcement functions in one government and to place in another government the exclusive authority to determine the effective limits of the operation of the law through control over administrative expenses.

The CHAIRMAN. It is not a destructive inconsistency, is it? It works, doesn't it?

Mr. TEETOR. It works but it would work better if the States could better determine the exact amount of money that is needed to be spent for administration.

The CHAIRMAN. Would you suggest that the Federal Government move itself out of the tax-collecting system?

Mr. TEETOR. Well, certainly not. But here is a State law——

The CHAIRMAN. When the Federal Government lends itself to the collection of revenue, there must be some reasonable point where it should have something to say about the disbursement of those revenues, is that not correct?

Mr. TEETOR. Yes; they should have some checks and balances, but here is a law where the principal obligation for enforcement is on the State.

The CHAIRMAN. I quite agree with all of that, and if I may say so, I am a States' righter, if that has any meaning any more.

Mr. TEETOR. It does, certainly.

The CHAIRMAN. But I cannot put a blinker on, when I see the Federal Government operating to collect taxes from people and you say, "Oh, we are just a collector. We are just throwing it back to the States." I think when you use the Federal Government for a tax-collecting function, the Federal Government necessarily must have some supervision over how that money is spent. We couldn't sustain ourselves to sit here as a mere tax-collecting agency for States and we having nothing whatever to do with the method in which the funds are expended.

Mr. TEETOR. It will depend a great deal on what the funds are expended for.

The CHAIRMAN. That is the point, and I think you recognize that there is some proper field of supervision of the Federal Government, as long as we depend upon the Federal Government to collect the tax.

Mr. TEETOR. I would say that my statement is not one that is absolute, but in this particular instance, there is an inconsistency, as I see it.

The CHAIRMAN. Well, go ahead. You have made that point.

Mr. TEETOR. As a member of the State legislature in Indiana for 8 years I have had firsthand experience with the administration of the employment security laws of Indiana. I know that the people who have been responsible for the administration of the Indiana employment security laws have been the highest type of administrative officials whose primary concern is to give the people of the State the best and most effective administration of these laws at the lowest possible cost. I feel that the experience that they have had in the administration of these laws and in the particular problems that come up under the State laws makes them best equipped to decide questions of administration within the State.

The arguments in favor of broader State discretion have been presented to the committee by the State officials themselves. Industry and business generally favor the broadening of State discretion and a converse limitation upon Federal control. It is the conviction of the business community that the State unemployment compensation administrators have a much greater familiarity with the particular problems of administration within their own States and are much better equipped to make judgments in dealing with these administrative problems than Federal bureaus far removed from the particular problems.

As this committee knows, business groups have a very keen interest in the administration of employment security laws. Business groups serve on State advisory boards dealing with employment security problems and also are in close contact with the State administrative agencies. It can therefore be seen that the business community

maintains a constant check upon the effectiveness of State administration. A similar close contact with State administration of unemployment-compensation laws is maintained by labor unions and other interested groups.

In view of these facts it is clear that there are adequate checks and balances upon State administrative officials and, in the light of this, there is no real need or justification for Federal supervision and control over the expenditure of funds for administrative purposes.

In conclusion, the minor issues in this bill, I think, are adequately and properly covered by the bill itself. The main issue, as I see it, is whether the States should be allowed to decide whether the moneys are refunded to them, tax payments which they made, should be used for administrative purposes, for payments of benefits, or both. And it is my opinion, and that of most businessmen, that the States are fully capable of making this decision and they should have the right to do so.

I wish to thank the members of this committee for their courtesy in receiving my views, and I want to state for the Secretary and for myself that the Department of Commerce is at all times ready to render to this committee and other congressional bodies its utmost help and assistance in every possible way.

The CHAIRMAN. That is an interesting plug for the Department of Commerce.

Thank you very much.

Any questions, Senator George?

Senator GEORGE. I have no questions.

The CHAIRMAN. Governor Roberts, please.

STATEMENT OF HON. DENNIS J. ROBERTS, GOVERNOR OF THE STATE OF RHODE ISLAND

The CHAIRMAN. Governor Roberts, we are very glad to have you here. We are sorry that the two Senators from your State are out of this country. It is my understanding that they would both testify along lines similar to your own testimony, if they were here.

Thank you very much for coming.

Governor ROBERTS. Mr. Chairman, and members of the committee, I am grateful for your permission to come here in view of the absence of Senator Green and Senator Pastore from the country, to make a statement on a piece of legislation that is of vital concern to the people of the State of Rhode Island.

The critical condition of the employment security program in Rhode Island has prompted me to appear before you to present objections to the loan provision of bill H. R. 5173, commonly known as the Reed bill, and to support instead the principle of reinsurance contained in the bill S. 710 introduced by Senators Green and Pastore.

That solvency is basic to the employment security program both the President and Secretary of Labor Mitchell have recognized in their recently prepared statements. They have both stressed the need for protecting the solvency of State funds. The reasoning of the Federal administration leads them inevitably to a position supporting Rhode Island in the reinsurance issue which stated simply is that a State unemployment insurance system can be assured of solvency only when provision is made for outright Federal grants in emergency situations.

The threatened insolvency of the Rhode Island unemployment insurance reserve fund led us to be the first State to conduct in 1950 a comprehensive study, Benefit Financing and Solvency of the Employment Security Fund. This study was conducted to determine why the benefit expenditures were excessively high in Rhode Island and what specific factors were responsible for this situation. We attempted to work out an estimate of what our benefit obligations would be in the future and the fund reserves we would require over an entire business cycle. In other words, what tax rates would be required to finance our program over such a period.

The results of that study clearly indicate that the provisions of the Reed bill, with respect to repayable loans, would offer no solution to Rhode Island's problem of potential insolvency, but rather would aggravate the conditions causing the insolvency.

A basic provision contained in the Reed bill causes particular concern in Rhode Island, namely the provision for recovery of the loans made to States by raising the employer tax above the 2.7 percent level.

Under the Reed bill the total real tax on employers over a period of years could conceivably rise to 4½ percent of payrolls.

The result of this excessively high tax rate would literally force our industry to relocate in other States offering more favorable rates and new industry would be discouraged from locating in Rhode Island. This condition would eventually increase unemployment and benefit expenditures and decrease taxable payrolls and the dollar yield of employer contributions.

Rhode Island's attorney general has already ruled that the acceptance of aid of this character, whether it be termed a repayable loan or an advance, would be in violation of the State's constitution. Even if such a ruling had not been made, Rhode Island could not in good conscience accept such aid in the full knowledge that it would foster industrial attrition, discourage industrial replenishment, and ultimately result in the economic deterioration of the State.

The CHAIRMAN. Would your constitution permit you to accept a grant?

Governor ROBERTS. Yes; it would, Senator. The constitution prohibition is against a loan without consent of the people. It would have to be submitted to referendum before we could accept it.

The CHAIRMAN. At some time during your presentation, Governor, I would like to have your opinion of what has brought Rhode Island to the situation in which it finds itself, so far as this situation is concerned.

Governor ROBERTS. I think we deal with it in this statement.

However, an outright grant would not entail any such disadvantages, but rather would permit the continued operation of internal forces that stimulate economic growth.

That the Federal Government should assume some measure of responsibility for the solvency of State funds is entirely consistent with the recent proposals of President Eisenhower who has implied such a responsibility in recommending to the States an extension of benefits to protect the country against an economic recession. If the administration deems it necessary to make such a recommendation to the States, the Federal Government must assume the responsibility for underwriting State funds to assure their solvency.

Rhode Island is frequently cited as an example of the need for immediate legislation by the Congress to forestall insolvency of the unemployment program in any individual State. It has been implied upon occasion that Rhode Island's financial plight may be attributed to liberality, or improvident administration. These implications are unwarranted and have been made by people unfamiliar with the State, its benefit provisions and its economy.

Neither in its benefit rate nor in its duration of benefits is the Rhode Island law unusually liberal. There are 29 States whose maximum benefit rates constitute a higher percentage of the average weekly wage than is the case in Rhode Island. Seventeen States have maximum weekly benefit rates of $30 or more, while 14 States have maximums of from $26 to $28 per week. Thirty-one States, therefore, have current maximums above the Rhode Island maximum of $25. This, incidentally, is exclusive of dependents' allowances which are paid by nine States, each of which has a higher basic maximum rate than Rhode Island.

The CHAIRMAN. What is the present rate in Rhode Island?

Governor ROBERTS. $25, Senator.

The CHAIRMAN. What are you collecting from the employer?

Governor ROBERTS. 2.7.

The CHAIRMAN. How long have you been collecting 2.7?

Governor ROBERTS. To my memory that has been almost 7 years.

The CHAIRMAN. Proceed.

Governor ROBERTS. Pardon me, Senator.

The CHAIRMAN. Go ahead.

Governor ROBERTS. If we use duration rather than benefit rate as a measure of the adequacy of an unemployment-insurance system, the provisions of the Rhode Island law are even more inadequate in this respect. The percentage of claimants eligible for the maximum duration in Rhode Island is less than the percentage eligible in 48 other jurisdictions.

Rhode Island has recognized that it could not afford undue liberality and has made positive efforts to strengthen its program where needed, such as in requiring higher earnings and greater attachment to the labor market as conditions for drawing benefits.

At the last session of the general assembly a new minimum-earnings requirement was enacted which placed Rhode Island among the States with the most restrictive qualifying provisions. In addition, the disqualifying provisions of the act, with reference to reasons for separation from work and availability for work, were strengthened. Therefore, it is not liberality which causes our problem.

There is a natural limit to how much more the program can be tightened either in its provisions or administration before it becomes unduly cramped and restricted in providing wage loss offsets, thus defeating the very purpose for which it was established. Moreover, even if Rhode Island were to curtail beyond any other State, it would not solve its financial problem.

The maintenance of a sound unemployment compensation program requires constant vigilance. The enactment of a resolution establishing a study commission is but another indication of the awareness of the Rhode Island General Assembly of this basic premise.

All studies conducted have revealed beyond all doubt that the cause of Rhode Island's high benefit costs lies wholly in the nature of its econ-

omy—an economy which is marked by a high degree of industrialization with such a concentration in unstable and seasonal industries that a high percentage of insured unemployment is inevitable. Average insured unemployment as a percentage of insured labor force has been almost 8 percent (7.88) in Rhode Island in the period 1947–53, as compared with a United States average of less than 4 percent (3.94) during the same period.

Rhode Island is one of the most highly industrialized States in the Nation. Its lack of natural resources and its limited agriculture inevitably force it to rely primarily on manufacturing. This is further aggravated by the fact that 70 percent of its manufacturing employment is in the less stable light-consumer goods industries. Its major industries are textiles, jewelry manufacture, and machinery manufacture.

The worldwide decline in textile employment is further aggravated in Rhode Island by the migration of many plants to the Southern States under the inducement of cheaper electric power, lower wage rates, abatement of property taxes. In addition, employer tax rates for unemployment compensation are less in those States than the maximum of 2.7 percent which has been the established rate in Rhode Island since 1949.

The CHAIRMAN. How does your percentage of unemployment compare with other States that have substantial unemployment?

Governor ROBERTS. We are very high, Senator. Mr. Bride, who is the director of employment security can give you the exact figure.

Mr. BRIDE. Our current rate is about 12 percent which is more than double the highest estimate of the national average, and which is higher than any other State.

The CHAIRMAN. I wan't talking about the average. I was talking about half a dozen other States that have high employment.

Mr. BRIDE. I believe our current unemployment is higher than any other State in the Nation, Senator.

The CHAIRMAN. Generally speaking, how does it run with other principal industrial States?

Mr. BRIDE. It is perhaps double most of the industrial States, today. Most of the industrial States today are probably around 6 percent unemployment.

The CHAIRMAN. Do any States that you know of have a higher rate of unemployment?

Mr. BRIDE. No, sir; not to my knowledge.

Governor ROBERTS. Textile manufacture comprised 45 percent of all manufacturing employment in Rhode Island in 1950. It currently comprises only 29 percent, representing a permanent loss of 31,000 jobs.

The production of costume jewelry, which represents over 16 percent of manufacturing employment, is inherently seasonal in nature, since it depends so largely on the prevailing dress fashions of the moment.

The cost of paying benefits to workers in the textile and jewelry industries in the fiscal year of 1952 represented 5.31 percent of the taxable payrolls of these industries, while their contributions amounted to only 2.7 percent.

Recognizing that the real solution of our dilemma lay in the need for a more balanced and more diversified economy, the Rhode Island

Legislature, at my suggestion, established a State development council charged with the responsibility of aiding the expansion of old industry and the attracting of new industry into the State.

We must, however, recognize that while this program is the real answer to our problem and will eventually achieve our objectives, it is necessarily a long-range plan. In the meantime, misfortune could strike us and thus, in the absence of proper safeguards, do irreparable damage to Rhode Island and the whole unemployment compensation system nationwide.

Through it is our position that our need for Federal reinsurance is of temporary duration, the nature of this need is of such extreme acuteness that immediate action is required.

Even if Rhode Island's need to rely on Federal reinsurance is of short duration, we are fearful that another State, dominated by a single industry which abruptly declines, might find itself faced with a similar need in the future. Already there are five other States whose economic conditions are bringing them close to a vulnerable point.

For these reasons it is apparent that the assumption by the Federal Government of some measure of responsibility for the solvency of State funds is entirely consistent with the nature of the country's economy wherein State boundaries are no barrier to the free flow of goods and where characteristically a product consumed throughout the Nation is produced only in a few States, the State thus having no means of controlling the demand for goods which support its industries.

A principle analagous to Federal reinsurance is already applied in the disbursing of Federal funds for administration of the State employment security programs. These funds are provided by a tax of 0.3 percent on covered payrolls, but the amount allocated to the various States is determined by their needs rather than by the amount contributed by their industry to this fund.

There are now approximately 18 to 20 States who face insolvency each year in administrative funds, since the tax paid by their employers to the Federal Government is insufficient to cover the costs of administering their State program. These States receive an outright grant from the Federal Government each year which in effect covers the difference between the taxes collected and the funds needed for administration. Therefore, it is not inconsistent to extend this principle of outright grants to provide the means to insure the adequacy of reserves for the payment of benefits to the unemployed.

It is worth noting that the Federal administration regards as important to the national welfare the establishment on a nationwide basis of a benefit rate equaling 60–67 percent of average wages. This is particularly significant in view of the fact that in past hearings on the Federal reinsurance issue, opponents of this device have argued that the solution to Rhode Island's solvency problem lay either in raising the tax, which, as we have shown elsewhere, would be disastrous to our industry, or in reducing benefit amounts and duration.

Rhode Island has argued that such reduction would nullify the beneficial effect that our unemployment insurance system has upon our economy.

Rhode Island has also argued that the economic disaster which such action might provoke in Rhode Island would weaken the national economy. Now the Federal administration comes forward with a virtual endorsement of the position consistently held by Rhode Island.

The national administration has suggested raising the Rhode Island maximum benefit rate to either $38 or $42 per week. It also suggested that uniform duration of 26 weeks be extended to all claimants. Either of these combination of provisions would increase benefit outlays by more than 1 percent of taxable payrolls, or an average of $6 million per year. The amount of the excess over this figure that such provisions would cost cannot be readily determined, but it would be substantial particularly if the $42 benefit rate were to be used.

The CHAIRMAN. Will we have in this record rates charged in various States?

Mr. CAREY. Yes, sir, we will be submitting those.

Governor ROBERTS. In any event the burden of a 1-percent increase in benefit expenditures would be palpably unbearable in view of the already high rate of expenditures imposed by our economy.

The position of the Federal administration that purchasing power must be maintained at a high level is also consistent with Rhode Island's position that the imposition of an employer tax in excess of 2.7 percent is unrealistic in the extreme. It must be recognized that an emergency condition exists when an adequate unemployment insurance system cannot be maintained by a 2.7 percent tax. When such a situation develops, in a given State, Federal action is clearly called for.

It seems certain that anyone who accepts the basic tenets of the Federal administration in this matter must find himself in complete agreement with the proponents of Federal reinsurance.

We strongly urge, therefore, that in considering the Reed bill you delete the provision calling for repayable loans and substitute therefor a provision making available Federal grants to distressed States.

The CHAIRMAN. Is there anyone in the room prepared to tell us now what States tax more than 2.7?

Mr. CAREY. We have the information, Mr. Chairman. In fact, we list it State by State.

The CHAIRMAN. Will that come with your testimony?

Mr. CAREY. It will come with our testimony and we have copies here now.

The CHAIRMAN. Thank you very much.

We appreciate your having come, Governor.

Governor ROBERTS. Thank you very much, Senator, for your kindness.

The CHAIRMAN. Mr. Carey——

STATEMENT OF JAMES B. CAREY, SECRETARY-TREASURER, CIO, PRESIDENT, INTERNATIONAL UNION OF ELECTRICAL, RADIO AND MACHINE WORKERS OF AMERICA; ACCOMPANIED BY MRS. KATHERINE ELLICKSON, EXECUTIVE SECRETARY, CIO COMMITTEE ON SOCIAL SECURITY; HARRY KRANZ, LEGISLATIVE DIRECTOR, NEW JERSEY STATE CIO COUNCIL; AND PAUL SIFTON, WASHINGTON REPRESENTATIVE, UAW, AND CHAIRMAN, SUBCOMMITTEE ON SOCIAL SECURITY LEGISLATION OF THE NATIONAL CIO LEGISLATIVE COMMITTEE

Mr. CAREY. Mr. Chairman, I am James B. Carey, secretary-treasurer of the Congress of Industrial Organizations, and president of the International Union of Electrical, Radio and Machine Workers, CIO.

I am accompanied by Katherine Ellickson, executive secretary, CIO committee on social security; Harry Kranz, legislative director, New Jersey State CIO Council; and Paul Sifton, Washington representative, United Automobile Workers, and chairman, subcommittee on social security of the national CIO legislative committee.

We want to stress today two main subjects: First, the very harmful nature of the Reed bill, H. R. 5173, and, second, the type of constructive program which Congress should enact to deal with growing unemployment. The two subjects are closely related because the destructive nature of the Reed bill emerges all the more clearly in contrast to the requirements of the current situation.

We have four major objections to the Reed bill:

1. It would result in holding down and cutting unemployment benefits at the very time that their improvement is most needed.
2. It would force States, as a condition of receiving Federal loans, to raise the employers' tax rates in a period of growing unemployment.
3. It would refuse outright grants to States heavily afflicted by unemployment, but would set up a plan which, in future years of slight unemployment, would make grants to all States automatically regardless of need.
4. It would undermine Federal leadership in maintaining and improving unemployment insurance in the very type of period that such leadership is most needed.

We shall explain these effects of the Reed bill during the course of our testimony as part of our discussion of the improvements which we believe Congress should now enact in the Federal-State unemployment insurance system. We prefer to present a positive program for your primary consideration since this is the crying need of the Nation with recession underway.

Our positive proposals may be briefly stated as follows:

1. Unemployment benefits should be liberalized substantially in regard to amount, duration, eligibility, disqualifications, and coverage. Since the States cannot be relied on to enact essential improvements, Congress should set Federal minimum standards to be met by the States.
2. Federal aid should be made available at once to States with high unemployment levels on a reasonable basis so that they can and will provide adequate benefits without risk of being unable to meet pay-

ments. This type of aid is required whether or not Federal minimum standards are enacted. In a period of business decline, falling purchasing power, and growing unemployment, employer contribution rates should not be forced to ever higher levels as a condition of receiving Federal aid.

3. Adequate funds for effective administration of the State employment security agencies should be provided through regular congressional appropriations and through a contingency fund of $25 million to $50 million to be utilized in periods of heavily increasing costs.

At its 15th constitutional convention in November 1953, the CIO unanimously adopted a resolution on unemployment insurance and the Employment Service which I should like to introduce in the record as a summary statement of the CIO policies in this field.

The CHAIRMAN. Have you handed that to the reporter?

Mr. CAREY. Yes, I have.

The CHAIRMAN. Thank you.

(The document referred to follows:)

UNEMPLOYMENT INSURANCE AND THE EMPLOYMENT SERVICE

During the past year we have continued the struggle for an adequate employment security system against the powerful opposition of certain employer groups who have never really believed in unemployment insurance.

In spite of strenuous efforts by our affiliates to improve State legislation in 1953, less than half the State legislatures which met raised maximum benefits and less than one-fifth increased duration. Over one-third of the States still will not pay any worker more than $25 a week when he is unemployed through no fault of his own, and only 11 will pay more than $30 a week. While benefits have lagged badly behind wages, and increasingly severe eligibility disqualification provisions have been enacted, employers' tax rates have been held to lower levels than were anticipated when the program was started in 1935.

The 83d Congress slashed appropriations for the Bureau of Employment Security of the United States Department of Labor and for grants to the State employment security agencies: Now, therefore, be it

Resolved, That the Congress of Industrial Organizations reasserts its conviction that the Federal Government has a responsibility to provide adequate insurance protection to unemployed workers through a unified system, minimum standards, or supplementary benefits.

So long as we have State systems, we favor Federal grants to States which because of high unemployment rates cannot support proper benefits without levying relatively high taxes which place employers at a competitive disadvantage.

We oppose the harsh loan provisions of the Reed bill, which under the guise of helping States with low reserves, would enforce higher taxes and thus increase unemployment, which would be inadequately compensated.

We continue to oppose all efforts to undermine the authority of the Federal agency to see that State systems respect the safeguards of labor standards enacted in 1935. We call on the Bureau of Employment Security in the Department of Labor vigorously to enforce these provisions.

We deplore cuts in appropriations that have seriously affected the Federal Bureau of Employment Security and the State employment security agencies, resulting in the closing of many local employment offices, in the widespread adoption of biweekly, instead of weekly, reporting by claimants and payment of benefits, and in many other ways hampering program improvements. We reaffirm our belief that the proper remedy is adequate Federal appropriations, and we continue to oppose proposals such as those in the Reed bill, which would make a farce of the Federal appropriation process and would tend to undermine all effective Federal leadership.

We call upon the Interstate Conference of Employment Security Agencies, and the State employment security administrators individually, to cease their Federal lobbying activities in support of the Reed bill and against other measures favored by labor.

We urge our affiliates to continue to seek improvements in State employment security laws so that all workers may have decent protection as a matter of right.

The securing, through collective bargaining, of guaranteed annual wage plans integrated with unemployment insurance, will aid our campaigns for better employment security laws.

Mr. CAREY. On January 20, the CIO Social Security Committee reviewed the President's messages in the field of social security and approved a statement containing the following paragraphs dealing with unemployment:

> The President has not realistically dealt with the problem of unemployment compensation despite rapidly shrinking employment throughout America. Essentially, he has passed the buck to the States, which have failed miserably in the past.
>
> Benefits are too low and payable for too limited a period and there are too many disqualifications. Legislatures dominated by business interests will not improve unemployment compensation, despite Presidential wishes.
>
> What is needed is national legislation, providing adequate benefits for at least a 39-week period. We shall continue our fight to achieve this goal.
>
> Consideration must be given to the special problems of distressed areas, which increase in number daily.

I present these official statements to emphasize the deep concern of all our affiliated organizations with this problem. The impact of unemployment has so far affected some industries more than others, and some regions more than others, but in all segments of our membership there is concern that the evil will spread.

The dangers of growing unemployment were stressed in the recent report of the Joint Committee on the Economic Report of this Congress. Among its statements is the following:

> The recent decline in economic activity has sometimes been characterized as an "inventory adjustment" and has been in this respect likened to the economic adjustments experienced in 1949. It would be a mistake, we believe, to conclude from any superficial similarities between the two periods that similar forces can be wholly relied on in the present situation to bring about the desired stabilization and growth. The slackening of business activity in 1949 came at a time when the tremendous backlog of automobile, housing, and consumer durable demand inherited from the period of wartime restrictions was still largely unsatisfied. The current situation differs in that much of the compelling drive inherent in this type of pent-up demand is no longer present.

Rockbottom official figures counted over 3 million unemployed workers in January, a substantial increase over the year before and over earlier months. Unemployment insurance claims are nearly double those of a year ago, totaling approximately 2.2 million a week. In addition to layoffs and outright shutdowns, short workweeks resulting in scant paychecks have been spreading. In January of this year, the average workweek in manufacturing was 1½ hours less than in the same month in 1953.

The Federal Reserve Board Index of Production is down 10 percent from the 1953 peak month, even allowing for seasonal change. Total personal income in the United States, seasonally adjusted, showed a decline which, if extended over a year, would mean a loss of $5 billion. Farm income was off more than $2 billion in 1953 as compared with 1952.

At the end of February, steel output was scheduled at 70.5 percent of capacity, reflecting in part lowered demand from the automobile industry.

While no one can foretell with certainty how much of a spring pickup will come, plain commonsense demands that legislation we enact now shall help to restore prosperity, not to risk or accentuate further decline.

Our Nation requires continued expansion of production and ever higher levels of employment and income if our own people are to prosper and if we are to continue necessary aid to our allies abroad. Unemployment in this country will be reflected elsewhere. It will be the ally which the Kremlin has long been awaiting.

We emphasize current economic trends because we believe it essential that the Reed bill be considered in this framework. The House passed this bill during a period of very high employment, when the number of persons looking for jobs was a very low figure for a peacetime period. All the greater responsibility is therefore placed upon your committee and the Senate to scrutinize the ominous provisions of this bill in the light of a downward economic trend.

Many supporters of this bill have not taken time to examine its effects in detail, especially since the decline in business has been clear. The bill is being carried forward by the momentum engendered in earlier years.

I have here a photostatic copy of a 7-page memorandum from the representatives of the State administrators which throws light on the type of campaign resorted to in order to rush this piece of legislation through your committee and the Senate.

This document, dated November 5, 1953, is addressed to State administrators from the President and legislative committee chairman of the Interstate Conference of Employment Security Agencies. Its subject is the Reed bill. It starts off with the following underlined sentences:

> Passage of the Reed bill, H. R. 5173, constitutes the most important legislative objective of the interstate conference in the coming year. Such is the opposition that concerted and immediate action by all the bill's supporters is essential to assure its passage."

The next to the last paragraph reads:

> As soon as possible and within the next month and a half, contact both of your Senators and any others you may be able to, directly or, often better through those whose opinion would be valued by them. See that they are clearly aware of the problem and of your views and the views of all in your State who support the bill.

While the document seems to give the arguments for and against the bill, it naturally is oriented at securing support. One of its striking features is its lack of attention to the very problem of national business decline which now confronts the Nation. There is a striking lack of comprehension that unemployment is a national problem of national concern.

In view of the intensive drive stirred up by the interstate conference, and the limited nature of the material presented to people in the States by the State administrators, it is no wonder that apparent support has been obtained. One of our own State labor officials, serving on a State advisory council, told us with chagrin how his own State administrator had raised the issue of the Reed bill late in a meeting and had secured support of it by the advisory council without the labor members realizing what the basic issues were or the reasons why the CIO and AFL alike have opposed the bill.

We shall now explain our reasons for our positive proposals.

1. Unemployment benefits should be liberalized substantially.

The inadequacy of present benefit provisions has been widely recognized. President Eisenhower in his economic report to the Congress on January 28 stated that—

Unemployment insurance is a valuable first line of defense against economic recession * * * When set at appropriate levels, [benefits] can sustain to some degree the earner's way of life as well as his demand for commodities. Thus, unemployment insurance payments can help to curb economic decline during an interval of time that allows other stabilizing measures to become effective.

While we would have preferred stronger recommendations on the part of the President for improving unemployment insurance, we believe it appropriate to quote two sections of this report:

AMOUNTS OF BENEFITS

A second inadequacy is the size of benefits. Originally, upon the recommendation of the President's Committee on Economic Security in 1935, the States set benefits generally at 50 percent of weekly wages. However, they also fixed dollar maximums which have since significantly curtailed the benefits. The effective ratio of average weekly unemployment benefits to average weekly wages of covered workers was 13 percent in 1938. Since then, with dollar maximums failing to keep pace with rising wage levels, the effective ratio has fallen to 33 percent. At present, these maximums are typically between $20 and $30 weekly. It is suggested that the States raise these dollar maximums so that the payments to the great majority of the beneficiaries may equal at least half their regular earnings.

DURATION OF BENEFITS

A third deficiency is the duration of benefits. Only 2 dozen States provide for 26 weeks, and only 4 of these pay benefits for that length of time to all persons who meet minimum requirements for any benefits. During the 1949 recession, almost 2 million persons exhausted their rights, most of them in less than 4 months. Yet a conspicuous feature of unemployment is that, as it increases in amount, it also increases in duration for the individual. For example, in April 1940, when unemployment was large, three-fifths of those seeking employment had been out of work 6 months or longer, compared with an average duration in 1953 of less than 2 months. It is urged, therefore, that all of the States raise the potential duration of unemployment benefits to 26 weeks, and that they make the benefits available to all persons who had had a specified amount of covered employment or earnings. A 6-month period would not prevent exhaustion of benefits in a severe slump, but in a minor downturn it should be adequate for a great majority of the claimants.

The Joint Committee on the Economic Report endorsed the President's recommendations in the following paragraphs, pages 7 to 8:

Unemployment compensation has long been regarded not only as support to those temporarily displaced by the shifting operations of a dynamic economic system, but as a program beneficial to the entire economy because of its "built in" stabilizing features. Whether or not one believes that the recently rising trend in unemployment will soon right itself or that it threatens to become worse in the months ahead, it is highly desirable that the Federal Government, in cooperation with the States, do everything possible (1) to relieve individual distress from unemployment, and (2) to minimize the loss in consumer demand with its cumulatively bad effects upon the rest of the economy. The committee wishes to underscore the statement contained in the President's message that "unemployment insurance is a valuable first line of defense against economic recession."

The present economic outlook thus presents precisely the situation under which the provision of an adequate unemployment insurance program is most imperative. Under the circumstances there can be little disagreement with the objectives of the President's program. Broader coverage and strengthening the State systems will help maintain consumer demand and aid in forestalling or countering rising unemployment. We commend the President's suggestion that the States should raise the potential duration of benefits and their dollar maximums on weekly benefits so that payments to the great majority of beneficiaries may be restored to a larger percentage relative to their regular earnings.

The Secretary of Labor as requested by the Senate, sent a letter to all State governors on February 16 regarding improvements in the State laws. If this has not already been introduced in your record,

I hereby request that it be incorporated, since the attachments contain much valuable material on the lag of maximum weekly benefits behind wages, and on duration provisions.

The CHAIRMAN. Mr. Carey, where are you reading now?

Mr. CAREY. I just made an insert, sir, and I insert this material which I believe is not yet in the record.

The CHAIRMAN. It will be put in the record.

Mr. CAREY. Thank you.

(The document referred to follows:)

COPY OF LETTER ADDRESSED TO ALL STATE GOVERNORS FROM SECRETARY MITCHELL DATED FEBRUARY 16, 1954

I am writing you at the suggestion of President Eisenhower regarding improvement in and expansion of the unemployment insurance program. Since this is a jointly operated Federal-State program, we want to work with you so that we can fulfill our respective responsibilities.

There are several areas in which we believe the unemployment-insurance program needs to be strengthened in order to realize its full potentialities in providing protection against unemployment. These are the extension of the system to additional workers, improvement in benefits, protection of State funds against insolvency, and more adequate financing of administration.

The President has recommended action to Congress to improve the program in some areas and is suggesting action by the States in several other areas. Specifically, the President has recommended to the Congress changes in the Federal Unemployment Tax Act which should result in the States' extending protection to some 4 million additional workers. These include, primarily, employees in firms with one or more workers at any time. In addition, the President has recommended unemployment insurance protection for the 2½ million civilian employees of the Federal Government. I hope that you will call the attention of your legislature to the desirability of similar action to extend the protection afforded by your own program to State and local government employees.

The President is also recommending to the Congress amendment of the Federal law so that the States can give new and newly covered employers the advantage of experience rating after 1 or more years of coverage under the program, instead of after the 3 or more years now required. In addition, he is making certain proposals to the Congress which will safeguard State unemployment funds against insolvency and will permit more adequate financing of employment security administration.

The President has also directed attention to the fact that the present statutory benefit maximums under State laws have resulted in too high a proportion of claimants getting less than 50 percent of their weekly wages. Only by raising these maximums in line with the rise in wages and living standards can the program serve its purpose of providing sufficient purchasing power to aid in assuring an adequate benefit to the worker for loss of earnings and to effectively help in curbing economic decline. His report describes, as a desirable goal of the program, that maximum weekly benefits be raised "* * * so that the payments to the great majority of the beneficiaries may equal at least half their regular earnings."

In his Economic Report the President has also called attention to the importance of assuring longer periods of unemployment insurance protection. This is needed, since when unemployment increases in volume, it also increases in duration for the individual. The President has urged that all States provide 26 weeks of benefits uniformly to all eligible claimants, in order to assure that even in a minor business downturn most workers would remain protected by the program until they could find other jobs.

At its most recent meeting in January the Federal Advisory Council on Employment Security took action supporting the President's recommendations on improving weekly benefits. The Council recommended that in each State, the maximum weekly benefit amount should be equal to at least 60 to 67 percent of the State's average weekly wage.

Recognizing that these are matters for State rather than Federal action, I suggest that you evaluate the protection afforded by the provisions of your State law as compared with the goals mentioned above. At the same time, of course, you will wish to make sure that qualifying requirements are such as to assure that only workers in fact attached to the labor force are entitled to benefits.

The strength of this program is of great interest and concern to the Federal as well as to the State governments. It is one of the more important measures—along with credit and debt management, tax and lending measures, foreign trade, farm and public works plans—which the President referred to in discussing the Nation's economic growth and stability. Unlike some of those mentioned, this program is one where vigorous and farseeing State action can do much, directly and immediately, to promote the Nation's economic health. I should like to lend my efforts to help achieve close collaboration between the Federal Government and the States in this cooperative effort.

The Bureau of Employment Security of the Department is furnishing materials to the head of your employment security agency which should be useful in evaluating the adequacy of the benefits provided under your unemployment insurance law. I shall also be pleased to keep you informed from time to time on the progress of those measures which the President is proposing for congressional action and other developments pertaining to the employment security program.

Yours very truly,

/s JAMES P. MITCHELL,
Secretary of Labor.

SUMMARY TABLES ON MAXIMUM WEEKLY BENEFIT AND DURATION PROVISIONS

When benefits were first payable under the State unemployment-insurance laws, all States but 3 provided a maximum weekly benefit amount of $15. In Illinois and Michigan the maximum was $16; in Wyoming the maximum was $18.

By the end of 1939, 3 additional States (Alaska, Rhode Island, and Utah) had increased the maximum to $16 while California, Idaho, and Louisiana raised it to $18. The bulk of covered workers (77 percent) were employed in the 42 States with a $15 maximum.

As illustrated in table 1, maximum weekly benefit amounts had been increased above the original limits in most States by the close of World War II. By December 1945, only 10 States had retained their original $15 maximums while 19 States, with 45 percent of the Nation's covered workers, provided for $20 maximums; 31 percent of covered workers were employed in States with maximums ranging from $21 to $25.

As of the most recent date (December 1953), 42 States with almost 90 percent of the covered employment have basic maximums of $25 or more; in 17 of these the maximum is $30 or more.

Table 2 shows the maximum amounts provided as of the close of 1939 and 1953, the average weekly wages of covered workers for calendar years 1939 and 1952, and the respective ratios. These data indicate that since weekly wages have increased at a greater rate than did the maximums the respective ratios have declined in each of the States. In 29 States, for example, the present ratio of the maximum benefit to average weekly wages is 40–49 percent, and in only 3 States is the ratio as great as 50 percent; in 1939 all but 2 States had ratios of 50 percent or more:

Maximum as percent of average weekly wages [1]	Number of States	
	1939	1953
20 to 39		19
40 to 49	2	29
50 to 69	33	3
70 and over	16	

[1] Excludes dependents' allowances.

In using these data, it should be noted that the average weekly wage data pertain to the wages of all covered workers, including those whose earnings are insufficient to entitle them to the maximum weekly benefit. If data were available, the comparison would be made on the basis of average weekly earnings for those claimants eligible for the maximum. The resulting percentages might be somewhat lower.

If the States were grouped by their 1953 maximum weekly benefit amounts, it is noted that the ratio to weekly wages declines as the maximum declines:

Maximum weekly benefit amount (basic)	Number of States	Average weekly wage	Percent, maximum to weekly wage
$30 to $35	17	$70	43
$26 to $28	14	71	39
$22 to $25	15	67	37
$20	5	63	32

Increases in the maximum weekly benefit amount provided under State unemployment insurance laws have been accompanied by a rising proportion of payments at the maximum amount. In 1939, for example, roughly one-fourth of all payments for total unemployment were issued at the maximum; during 1952 the percentage averaged 55 (table 3) and ranged from about 4 percent in North Carolina to 85 percent in Alaska. These proportions are somewhat higher if we examine data on the number of claimants at the maximum because the data on number of weeks compensated are weighted downward by the duration of payments made at the lower weekly amounts. Thus, during the most recent period available, 58.8 percent of claimants were eligible for maximum weekly benefits

These percentages are arrayed by size in table 4. Here it is noted that in 16 States, including a number of highly industrial areas, the ratios exceed 70 percent, while in 13 others they range from 60 to 69 percent.

Table 5 contains figures on the hypothetical maximum weekly benefit amount at given percentages of average weekly wages. Thus, if the maximum were established at, for example, 60 percent of average weekly wages in covered employment, it would approximate $33 in Alabama, $71 in Alaska, etc. The comparable estimates set at two-thirds of average weekly wages are indicated in the last column of this table.

The increases in weekly wages as compared with those in State maximums are shown in table 6. Here, the States are grouped according to the increase in average weekly wages from 1939 to 1952 and, within each group, the percentage increase in maximum (excluding dependents' allowances) listed.

The significant duration provisions of State unemployment insurance laws as of the close of 1949 and 1953 are listed in table 7. This summary may be useful in the interpretation of the data on claimants exhausting wage credits shown in table 8. Data for 1949 and 1950, as well as 1953, were selected for the latter table in order to show the effect of changing economic conditions on exhaustion ratios among the States.

Table 9 shows the respective fractions or percentages of wages used in the computation for the weekly benefit amount for total unemployment under the December 1953, provisions of State laws.

TABLE 1.—*Distribution of number of States and covered employment (1952) by basic maximum weekly benefit amount, December 1939, 1945, and 1953*

Maximum weekly benefit amount (basic) [1]	December 1939		December 1945		December 1953	
	Number of States	Percent of covered employees	Number of States	Percent of covered employees	Number of States	Percent of covered employees
Total	51	100.0	51	100.0	51	100.0
$15	42	77.0	10	7.5	----	----
$16	5	12.9	3	2.2	----	----
$18	4	10.1	12	14.2	----	----
$20	----	----	19	45.0	5	7.4
$21	----	----	3	23.4	----	----
$22	----	----	2	5.9	3	3.5
$23	----	----	----	----	1	.3
$25	----	----	2	1.8	11	19.0
$26	----	----	----	----	5	4.8
$27	----	----	----	----	4	15.0
$27.50	----	----	----	----	1	.2
$28	----	----	----	----	4	3.6
$30	----	----	----	----	15	43.9
$33	----	----	----	----	1	2.2
$35	----	----	----	----	1	.1

[1] Excludes dependents' allowances.

TABLE 2.—*Maximum weekly benefit amount and ratio to average weekly wages of covered workers, 1939 and 1953*

State	Maximum weekly benefit amount		Average weekly wages, covered workers		Maximum as percent of weekly wages	
	December 1939	December 1953 [1]	1939	1952	December 1939	December 1953 [2]
Total			$26.15	$69.09		
Alabama	$15	$22.00	17.64	55.84	85.0	39.4
Alaska	16	35.00 (70)	35.23	119.08	45.4	29.4 (58.8)
Arizona	15	20.00 (26)	24.52	68.62	61.2	29.1 (37.9)
Arkansas	15	22.00	15.98	48.85	93.9	45.0
California	18	25.00	30.40	75.04	59.2	33.3
Colorado	15	28.00 (35)	24.79	67.39	60.5	41.5 (51.9)
Connecticut	15	30.00 (45)	27.41	72.81	54.7	41.2 (61.8)
Delaware	15	25.00	27.02	71.68	55.5	34.9
District of Columbia	15	[1] 20.00	25.74	65.28	58.3	30.6
Florida	15	20.00	18.44	56.89	81.3	35.2
Georgia	15	26.00	17.65	53.37	85.0	48.7
Hawaii	15	25.00	18.53	56.45	80.9	44.3
Idaho	18	25.00	21.60	63.48	83.3	39.4
Illinois	16	27.00	29.27	76.33	54.7	35.4
Indiana	15	27.00	26.44	73.07	56.7	37.0
Iowa	15	26.00	23.00	64.05	65.2	40.6
Kansas	15	28.00	22.62	67.45	66.3	41.5
Kentucky	15	28.00	21.29	62.13	70.5	45.1
Louisiana	18	25.00	20.56	59.09	87.5	42.3
Maine	15	27.00	20.28	57.90	74.0	46.6
Maryland	15	30.00 (38)	23.78	61.15	63.1	49.1 (62.1)
Massachusetts	15	[1] 25.00	26.49	62.71	56.6	39.9
Michigan	16	27.00 (35)	30.30	83.33	52.8	32.4 (42.0)
Minnesota	15	30.00	24.29	66.37	61.8	45.2
Mississippi	15	30.00	15.71	47.81	95.5	62.7
Missouri	15	25.00	25.02	66.56	60.0	37.6
Montana	15	23.00	25.43	64.52	59.0	35.6
Nebraska	15	26.00	23.17	60.93	64.7	42.7
Nevada	15	30.00 (50)	26.87	74.35	55.8	40.3 (67.2)
New Hampshire	15	30.00	20.73	56.98	72.4	52.7
New Jersey	15	30.00	27.51	74.36	54.5	40.3
New Mexico	15	30.00	21.48	63.06	69.8	47.6
New York	15	30.00	30.55	74.31	49.1	40.4
North Carolina	15	30.00	17.17	51.90	87.4	57.8
North Dakota	15	26.00 (32)	21.83	61.96	68.7	42.0 (51.6)
Ohio	15	30.00 (35)	27.92	74.57	53.7	40.2 (46.9)
Oklahoma	15	28.00	24.77	66.51	60.6	42.1
Oregon	15	25.00	28.81	73.47	52.1	34.0
Pennsylvania	15	30.00	25.81	66.08	58.1	45.4
Rhode Island	16	25.00	23.28	62.67	68.7	39.9
South Carolina	15	20.00	15.32	55.18	97.9	36.2
South Dakota	15	25.00	22.20	59.32	67.6	42.1
Tennessee	15	26.00	19.58	57.09	76.6	45.5
Texas	15	20.00	23.01	65.47	65.2	30.5
Utah	16	27.50	23.92	63.58	66.9	43.3
Vermont	15	25.00	22.29	60.61	67.3	41.2
Virginia	15	22.00	20.45	57.32	73.3	38.4
Washington	15	30.00	26.96	72.52	55.6	41.4
West Virginia	15	30.00	25.03	68.33	59.9	43.9
Wisconsin	15	33.00	27.40	71.50	54.7	46.1
Wyoming	18	30.00 (36)	23.42	64.15	76.9	46.8 (56.1)

[1] Figures in parentheses represent maximum including dependents' allowances, except in Colorado where the maximum is higher for claimants meeting certain requirements. The District of Columbia maximum is the same with or without dependents. Figure not shown for Massachusetts since it would necessarily be based on an assumed maximum number of dependents.

[2] Rates based on average weekly wages of covered workers for 1952 since 1953 data not yet available. Figures in parentheses based on maximums including dependents' allowances.

TABLE 3.—*Proportion of weeks compensated and claimants eligible for the maximum weekly benefit amount,*[1] *calendar years 1939 and 1952; and 12-month period ending Sept. 30, 1953*

State	Proportion of weeks compensated for total unemployment at maximum weekly benefit amount		Proportion of insured claimants eligible for maximum weekly benefit amount 12 months ending Sept. 30, 1953
	1939 [2]	1952	
Total	25.8	55.4	[3] 58.8
Alabama	6.8	51.2	55.4
Alaska	[2] 84.5	84.6	72.0
Arizona	32.4	71.0	78.3
Arkansas	6.2	35.9	43.2
California	[2] 26.0	62.6	72.5
Colorado	25.7	72.6	73.8
Connecticut	17.9	54.5	60.8
Delaware	13.7	52.9	56.4
District of Columbia	14.7	64.2	69.2
Florida	13.5	45.8	51.8
Georgia	5.0	50.2	41.7
Hawaii	10.8	39.7	45.8
Idaho	[2] 29.0	68.5	71.9
Illinois	[2] 47.8	71.5	76.3
Indiana	31.1	64.0	67.4
Iowa	15.4	64.7	67.0
Kansas	28.3	53.3	61.5
Kentucky	8.4	26.0	34.5
Louisiana	[2] 12.6	52.9	64.8
Maine	6.1	7.8	14.8
Maryland	15.4	47.6	45.6
Massachusetts	20.6	80.7	78.6
Michigan	[2] 53.1	77.7	85.4
Minnesota	22.7	18.5	26.6
Mississippi	4.2	25.9	16.5
Missouri	14.8	47.1	53.4
Montana	28.4	74.1	77.8
Nebraska	12.1	65.1	67.6
Nevada	55.8	66.6	68.4
New Hampshire	10.4	31.6	31.2
New Jersey	21.6	67.1	72.2
New Mexico	23.6	57.7	60.0
New York	33.4	51.9	48.3
North Carolina	2.2	3.8	7.4
North Dakota	17.4	71.6	72.6
Ohio	18.6	59.5	68.6
Oklahoma	27.2	69.8	65.9
Oregon	40.2	53.9	61.2
Pennsylvania	30.7	50.3	52.9
Rhode Island	[2] 16.8	76.8	76.6
South Carolina	2.8	70.2	75.8
South Dakota	13.9	76.0	74.3
Tennessee	6.0	36.7	37.4
Texas	18.4	61.9	66.8
Utah	[2] 25.3	67.7	72.5
Vermont	13.5	47.4	44.7
Virginia	8.9	50.5	48.7
Washington	35.8	40.9	53.2
West Virginia	9.4	43.2	41.9
Wisconsin	16.7	49.8	[3]
Wyoming	[2] 52.9	79.1	79.2

[1] Excludes dependents' allowances.
[2] Data for 1939 represent payments at "$15 or more." Percentages shown for the 9 States in the maximums of $16 or $18, therefore, are overstated.
[3] Excludes Wisconsin; comparable data not available.

TABLE 4.—*States arrayed by percentage of insured claimants eligible for maximum weekly benefit, 12-month period ending Sept. 30, 1953* [1]

State	Percent	State	Percent
1. Michigan	85.4	26. Kansas	61.5
2. Wyoming	79.2	27. Oregon	61.2
3. Massachusetts	78.6	28. Connecticut	60.8
4. Arizona	78.3	29. New Mexico	60.0
5. Montana	77.8	30. Delaware	56.4
6. Rhode Island	76.6	31. Alabama	55.4
7. Illinois	76.3	32. Missouri	53.4
8. South Carolina	75.8	33. Washington	53.2
9. South Dakota	74.3	34. Pennsylvania	52.9
10. Colorado	73.8	35. Florida	51.8
11. North Dakota	72.6	36. Virginia	48.7
12. California	72.5	37. New York	48.3
13. Utah	72.5	38. Hawaii	45.8
14. New Jersey	72.2	39. Maryland	45.6
15. Alaska	72.0	40. Vermont	44.7
16. Idaho	71.9	41. Arkansas	43.2
17. District of Columbia	69.2	42. West Virginia	41.9
18. Ohio	68.6	43. Georgia	41.7
19. Nevada	68.4	44. Tennessee	37.4
20. Nebraska	67.6	45. Kentucky	34.5
21. Indiana	67.4	46. New Hampshire	31.2
22. Iowa	67.0	47. Minnesota	26.6
23. Texas	66.8	48. Mississippi	16.5
24. Oklahoma	65.9	49. Maine	14.8
25. Louisiana	64.8	50. North Carolina	7.4

[1] Represents percentage at basic maximum, excluding dependents allowances. Excludes Wisconsin, data not comparable.

TABLE 5.—*Maximum weekly benefit amount, 1939 and 1953, and as estimated at alternative percentages of average weekly wages in covered employment, 1952, by State*

State	Maximum weekly benefit amount		Maximum at given percentage of average weekly wages, 1952 [2]	
	December 1939	December 1953 [1]	60 percent	67 percent
Alabama	$15	$22.00	$33	$37
Alaska	16	35.00 (70)	71	80
Arizona	15	20.00 (26)	41	46
Arkansas	15	22.00	29	33
California	18	25.00	45	50
Colorado	15	28.00 (35)	40	45
Connecticut	15	30.00 (45)	44	49
Delaware	15	25.00	43	48
District of Columbia	15	[1] 20.00	39	44
Florida	15	20.00	34	38
Georgia	15	26.00	32	36
Hawaii	15	25.00	34	38
Idaho	18	25.00	38	43
Illinois	16	27.00	46	51
Indiana	15	27.00	44	49
Iowa	15	26.00	38	43
Kansas	15	28.00	40	45
Kentucky	15	28.00	37	42
Louisiana	18	25.00	35	40
Maine	15	27.00	35	39
Maryland	15	30.00 (38)	37	41
Massachusetts	15	[1] 25.00	38	42
Michigan	16	27.00 (35)	50	56
Minnesota	15	30.00	40	44
Mississippi	15	30.00	29	32
Missouri	15	25.00	40	45
Montana	15	23.00	39	43
Nebraska	15	26.00	37	41
Nevada	15	30.00 (50)	45	50
New Hampshire	15	30.00	34	38
New Jersey	15	30.00	45	50
New Mexico	15	30.00	38	42
New York	15	30.00	45	50
North Carolina	15	30.00	31	35
North Dakota	15	26.00 (32)	37	42
Ohio	15	30.00 (35)	45	50
Oklahoma	15	28.00	40	45
Oregon	15	25.00	44	49
Pennsylvania	15	30.00	40	44
Rhode Island	16	25.00	38	42
South Carolina	15	20.00	33	37
South Dakota	15	25.00	36	40
Tennessee	15	26.00	34	38
Texas	15	20.00	39	44
Utah	16	27.50	38	43
Vermont	15	25.00	36	41
Virginia	15	22.00	34	38
Washington	15	30.00	44	49
West Virginia	15	30.00	41	46
Wisconsin	15	33.00	43	48
Wyoming	18	30.00 (36)	38	43

[1] Figures in parentheses represent maximum including dependents' allowances, except in Colorado where the higher amount is for claimants meeting additional requirements. The District of Columbia maximum is the same with or without dependents. Figure for highest maximum not shown for Massachusetts since it would necessarily be based on an assumed number of dependents.

[2] Based on average weekly wage data for 1952, since 1953 data are not yet available; rounded to nearest dollar.

TABLE 6.—*Percentage increase in average weekly wages, 1939–52, and in maximum basic weekly benefit, December 1939–December 1953*

Percentage increase average weekly wages	State	Percentage increase in basic maximum weekly benefit	Percentage increase average weekly wages	State	Percentage increase in basic maximum weekly benefit
164.2	Average all States		170 to 179.9	Minnesota	[1] 100.0
				Nevada	100.0
130 to 139.9	Massachusetts	[1] 66.7		New Hampshire	100.0
140 to 149.9	California	38.9		New Jersey	100.0
	New York	100.0		Vermont	66.7
150 to 159.9	District of Columbia	38.3		West Virginia	100.0
	Maryland	[1] 100.0		Wyoming	[1] 66.7
	Montana	53.3	180 to 189.9	Louisiana	38.9
	Oregon	66.7		Maine	80.0
	Pennsylvania	100.0		North Dakota	[1] 73.3
160 to 169.9	Connecticut	[1] 100.0		Texas	33.3
	Delaware	66.7		Virginia	46.7
	Illinois	68.8	190 to 199.9	Idaho	38.9
	Missouri	66.7		Kansas	86.7
	Nebraska	73.3		Kentucky	86.7
	Ohio	[1] 100.0		New Mexico	100.0
	Oklahoma	86.7		Tennessee	73.3
	Rhode Island	56.3	200 to 209.9	Arkansas	46.7
	South Dakota	66.7		Florida	33.3
	Utah	71.9		Georgia	73.3
	Washington	100.0		Hawaii	66.7
	Wisconsin	120.0		Mississippi	100.0
170 to 179.9	Arizona	[1] 33.3		North Carolina	100.0
	Colorado	86.7	210 to 219.9	Alabama	46.7
	Indiana	80.0	220 and over	Alaska	[1] 118.8
	Iowa	73.3		South Carolina	33.3
	Michigan	[1] 69.8			

[1] Exclusive of dependents' allowances.

TABLE 7.—*Summary of duration provisions, December 1949 and 1953*

[Duration in 52-week period]

State	December 1949			December 1953		
	Proportion of wages in base period	Weeks of benefits		Proportion of wages in base period	Weeks of benefits	
		Minimum	Maximum		Minimum	Maximum
Alabama	1/25	10	20	1/25	11+	20
Alaska	1/25	8	25	32-30 percent	12	26
Arizona	Uniform	12	12	1/25	10	20
Arkansas	1/25	10	16	Same as 1949		
California	1/2	[1] 12+	26	do		
Colorado	1/25	10	20	1/25	[2] 10-26	[2] 20-26
Connecticut	1/4	[1] 6+	26	1/25	[1] 10	26
Delaware	1/4	[1] 11	26	Same as 1949		
District of Columbia.	1/2	[1] 11+	20	do		
Florida	1/4	7+	16	do		
Georgia	Uniform	16	16	Uniform	20	20
Hawaii	do	20	20	Same as 1949		
Idaho	40-22 percent	10	20	40-29 percent	10	26
Illinois	56-33 percent	[1] 10	26	46-32 percent	[1] 10	26
Indiana	1/4	[1] 6+	20	Same as 1949		
Iowa	1/25	6+	20	do		
Kansas	1/25	6+	20	do		
Kentucky	Uniform	22	22	Uniform	26	26
Louisiana	1/25	10	20	Same as 1949		
Maine	Uniform	20	20	do		
Maryland	1/4	7+	26	do		
Massachusetts	3/40	[1] 5+	23	3/40	[1] 6	26
Michigan	2/3 week of employment	9+	20	Same as 1949		
Minnesota	47-23 percent	14	25	41-26 percent	15	26
Mississippi	Uniform	16	16	Same as 1949		
Missouri	1/4 in 8 quarters	[3] 1+	20	1/25	[3] 1	24
Montana	Uniform	18	18	Uniform	20	20
Nebraska	1/25	[1] 8+	20	1/25	10	20
Nevada	1/25	10	26	Same as 1949		
New Hampshire	Uniform	23	23	Uniform	26	26
New Jersey	1/25	[1] 10	26	3/4 weeks of employment	13	26
New Mexico	2/25	12	20	2/25	12	24
New York	Uniform	26	26	Same as 1949		
North Carolina	do	20	20	Uniform	26	26
North Dakota	do	20	20	Same as 1949		
Ohio	3/25	[1] 12+	26	1/2	[1] 9+	26
Oklahoma	1/25	6+	22	Same as 1949		
Oregon	1/4	6+	26	1/25	8+	26
Pennsylvania	3/40	9	24	43-34 percent	13	26
Rhode Island	52-27 percent	5+	26	35-27 percent	[1] 6+	26
South Carolina	Uniform	18	18	Same as 1949		
South Dakota	48-22 percent	[1] 6+	20	36-22 percent	10	20
Tennessee	Uniform	20	20	Uniform	22	22
Texas	1/25	[1] 5	24	Same as 1949		
Utah	[4]	[1] 15	20	[4]	[1] 15	26
Vermont	Uniform	20	20	Same as 1949		
Virginia	1/4	6	16	do		
Washington	25-31 percent	15	26	do		
West Virginia	Uniform	23	23	Uniform	24	24
Wisconsin	2/3 weeks of employment	9+	26+	7/10 weeks of employment	10	26+
Wyoming	1/4	6	20	31-26 percent	8	26

[1] Minimum applies to claimant with minimum qualifying wage concentrated largely or wholly in high quarter and weekly benefit amount above minimum. Larger number of weeks for claimant with minimum weekly benefit. Statutory minimum for Alaska, Delaware, Illinois, New Jersey (1949), and Utah.

[2] Higher figure applies to claimants who have been employed in Colorado for 5 consecutive calendar years with wages in excess of $1,000 per year and no benefits received during period.

[3] If benefit is less than $3 (1949) or $5 (1953), benefits are paid at rate of $3 (1949) or $5 (1953); no qualifying wage and no minimum or annual benefits are specified (1953).

[4] Weighted schedule in percentage of average State wage.

TABLE 8.—*Number of claimants exhausting wage credits and ratio to first payments, by State,*[1] *calendar years 1949, 1950, 1953*

State	1949		1950		1953 (preliminary)	
	Number	Percent of first payments	Number	Percent of first payments	Number	Percent of first payments
Total	1,934,759	29.1	1,853,336	30.5	764,358	20.8
Alabama	40,918	46.1	37,677	49.4	18,824	41.4
Alaska	2,677	31.2	4,032	34.9	3,090	19.7
Arizona	9,424	44.4	7,732	44.2	2,455	20.3
Arkansas	21,317	46.4	18,157	39.5	10,848	31.3
California	226,941	31.3	177,949	29.0	56,965	16.2
Colorado	4,377	24.1	5,311	21.7	1,809	22.9
Connecticut	54,338	36.9	36,761	34.6	4,272	8.6
Delaware	3,441	34.8	3,658	36.1	1,074	21.1
District of Columbia	7,401	45.9	6,509	40.2	3,152	29.7
Florida	38,193	52.6	27,409	43.0	19,954	41.4
Georgia	37,004	47.4	31,609	47.3	15,941	33.8
Hawaii	5,055	33.1	5,526	38.5	2,612	19.5
Idaho	4,390	32.8	6,362	34.6	2,915	20.7
Illinois	104,374	21.2	106,392	22.2	35,309	16.6
Indiana	50,237	45.2	32,265	33.6	21,711	28.3
Iowa	9,943	35.9	11,286	34.1	7,716	32.1
Kansas	7,956	28.4	10,927	28.8	6,677	24.2
Kentucky	23,725	34.8	24,524	36.7	12,031	21.7
Louisiana	31,438	54.7	40,469	58.9	16,139	41.7
Maine	14,185	22.7	17,667	29.5	6,836	21.9
Maryland	32,547	23.6	31,989	28.7	12,517	19.2
Massachusetts	143,622	33.6	120,914	35.3	42,082	27.4
Michigan	89,324	32.4	62,618	20.7	27,828	19.5
Minnesota	20,181	32.5	23,084	31.8	10,254	20.9
Mississippi	14,838	37.6	17,175	42.7	11,314	34.7
Missouri	34,223	29.0	36,733	29.8	13,260	16.8
Montana	4,269	35.7	6,649	32.1	1,683	14.8
Nebraska	3,232	27.0	5,388	28.0	2,709	21.4
Nevada	2,556	31.4	2,722	30.3	777	14.1
New Hampshire	10,843	23.1	9,401	22.1	3,209	13.2
New Jersey	87,586	28.8	76,978	29.2	36,393	18.8
New Mexico	2,311	25.8	2,824	25.4	1,871	22.3
New York	183,811	15.8	221,567	22.4	65,671	11.9
North Carolina	35,179	28.1	34,397	36.6	22,233	21.7
North Dakota	766	21.2	1,668	22.2	1,146	17.6
Ohio	77,412	30.8	79,190	26.5	13,315	12.5
Oklahoma	19,364	47.9	21,907	47.7	12,586	38.3
Oregon	25,055	26.8	28,168	28.8	13,746	18.2
Pennsylvania	162,345	29.2	189,723	37.0	72,005	19.7
Rhode Island	51,762	38.1	32,462	39.2	14,335	28.6
South Carolina	24,091	43.6	21,798	46.5	14,511	35.2
South Dakota	1,312	33.0	2,718	40.2	907	26.2
Tennessee	46,608	39.8	40,048	39.9	20,255	25.7
Texas	35,857	46.5	35,803	43.8	23,798	36.0
Utah	5,263	24.8	7,535	36.1	1,809	16.4
Vermont	4,209	23.7	3,477	22.7	1,040	16.4
Virginia	38,426	39.6	34,832	41.1	19,931	39.1
Washington	25,368	17.8	34,046	27.6	17,572	17.8
West Virginia	20,396	23.1	22,442	25.8	12,626	18.8
Wisconsin	32,893	38.5	29,441	34.1	21,455	33.2
Wyoming	1,776	36.7	3,417	35.2	1,190	28.6

[1] Exhaustions for calendar year as percent of first payments for 12-month period ending in September.

TABLE 9.—*Computation of weekly benefit amount*

State	Fraction of high-quarter wages unless otherwise indicated [1]
Alabama	1/26.
Alaska	2.1 to 1.2 percent of annual wages, plus 20 percent weekly benefit amount for each dependent up to weekly benefit amount.
Arizona	1/25, plus $2 for each dependent up to $6.
Arkansas	1/21 to 1/27.
California	1/19 to 1/23.
Colorado	1/25.
Connecticut	1/26, plus $3 for each dependent up to 1/2 weekly benefit amount.
Delaware	1/25.
District of Columbia	1/23, plus $1 for each dependent up to $3.[2]
Florida	1/18 to 1/26.
Georgia	1/25.
Hawaii	1/25.
Idaho	1/19 to 1/25.
Illinois	1/20.
Indiana	1/25.
Iowa	1/20.
Kansas	1/25 up to 50 percent of State average weekly wage but not more than $28.
Kentucky	2.6 to 1.2 percent of annual wages.
Louisiana	1/20.
Maine	2.0 to 0.9 percent of annual wages.
Maryland	1/26, plus $2 for each dependent up to $8.
Massachusetts	1/20, plus $2 for each dependent but total may not exceed average weekly wage.
Michigan	67 to 53 percent of average weekly wage, plus $1 or $2 per dependent, by schedule $1 to $8.
Minnesota	2.6 to 1.0 percent of annual wages.
Mississippi	1/26
Missouri	1/25.
Montana	1/25 to 1/28.
Nebraska	1/21 to 1/23.
Nevada	1/25, plus $3 for 1 dependent and $5 for each additional dependent up to $20 but total may not exceed 6 percent of high-quarter wages.
New Hampshire	2.2 to 1.2 percent of annual wages.
New Jersey	2% of average weekly wage.
New Mexico	1/26.
New York	67 to 52 percent of average weekly wage.
North Carolina	2.4 to 1.0 percent of annual wages.
North Dakota	1/24, plus $1 or $2 per dependent, by schedule $2 to $6.
Ohio	1/17 to 1/25, plus $2.50 for each dependent up to $5.
Oklahoma	1/20.
Oregon	3.4 to 1.4 percent of annual wages.
Pennsylvania	1/25.
Rhode Island	1/20.
South Carolina	1/20.
South Dakota	1/21 to 1/23.
Tennessee	1/21 to 1/25.
Texas	1/26.
Utah	1/20.
Vermont	1/18 to 1/26 (effective Apr. 4, 1954, 1/22 to 1/30).
Virginia	1/25.
Washington	1.5 to 1.2 percent of annual wages.
West Virginia	1.8 to 1.0 percent of annual wages.
Wisconsin	69 to 51 percent of average weekly wage.
Wyoming	1/21 to 1/25, plus $3 for each dependent up to $6 but total may not exceed 8 percent of high-quarter wages.

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

[2] When 2 amounts are given, higher includes dependents' allowances except in Colorado where higher amount includes 25 percent additional for claimants employed in Colorado by covered employers for 5 consecutive calendar years with wages in excess of $1,000 per year and no benefits received; duration for such claimants is increased to 26 weeks. Higher figure for minimum weekly benefit amount includes maximum allowance for 1 dependent at minimum weekly amount. In the District of Columbia same maximum with or without dependents. Maximum augmented payment to individuals with dependents not shown for Massachusetts since any figure presented would be based on an assumed maximum number of dependents.

Mr. CAREY. May I depend on the weaker sex to carry on? My voice seems to be giving out.

Mrs. ELLICKSON. The Federal Advisory Council to the Bureau of Employment Security recommended in January that "as expeditiously as possible the maximum weekly benefit in each State be raised to an amount not less than three-fifths to two-thirds of average weekly earnings in covered employment." The public members joined with the labor members in supporting this resolution.

I should like to emphasize that these public members are distinguished public citizens. Among them are college professors or officials from such universities as Columbia, Princeton, Cornell, the University of Michigan, and the University of California. Others represent veterans' organizations, B'nai B'rith, and similar responsible groups. Any position taken by the Federal Advisory Council thus deserves careful consideration.

Prof. Richard Lester of Princeton University has prepared a statement in support of this resolution of the Federal Advisory Council. While we have a copy of it, we do not feel at liberty to give it publicity since it has not yet been made available by the Department of Labor. We therefore suggest that your committee ask for a copy, which we should like to see incorporated in the record of hearings. We believe Professor Lester's analysis is valuable even though it naturally reflects his viewpoint rather than that of the CIO.

He points out how maximum benefits have lagged behind average weekly wages and that States have used relatively low-benefit ceilings to reduce employer tax rates far below the average originally contemplated.

The CHAIRMAN. Who has custody of this statement?

Mr. MURRAY. Senator, the Department of Labor has. It will come out in the President's Advisory Council minutes in a week or two and we could make available a copy to the committee.

The CHAIRMAN. Please make it available and I suggest that you expedite it, because a week from now is a long time.

Mrs. ELLICKSON. May we have it put in the record at this point, since it has a great deal of valuable material?

The CHAIRMAN. Yes.

(The document referred to follows.)

STATEMENT IN SUPPORT OF RESOLUTION ON BENEFIT CEILINGS ADOPTED BY THE FEDERAL ADVISORY COUNCIL ON EMPLOYMENT SECURITY ON JANUARY 26, 1954

The primary purpose of unemployment insurance is to provide short-term protection to workers against the risk of unemployment. That protection is a fraction of the beneficiary's normal earnings in order to maintain work incentives and to provide protection related to normal living standards and requirements for nondeferrable living costs.

Benefit ceilings were originally designed as a means of helping to conserve limited benefit funds and to avoid having weekly benefit payments too high relative to average hourly earnings in covered employment.

A. When the State laws were originally enacted in the 1930's, benefit ceilings of at least two-thirds of average weekly wages were adopted in most States, and it was intended that only a small fraction of all benefit payments would be restricted by the benefit ceilings. That position was taken despite the assumption of quite limited funds for benefit payments and a State tax rate of 2.7 percent of payrolls in the early years prior to 1941.

Practically all State laws were enacted in 1936 and contained $15 benefit ceilings. Data for average weekly earnings in covered employment are not available for 1936, but, from such statistics as earnings in manufacturing and other industries, can be estimated to have been approximately $23 a week. Thus, the benefit ceilings in the State laws were generally about 65 percent of the average of weekly earnings of covered workers.

Full statistical data are available beginning with the year 1939 when most States commenced benefit payments. Those data show that in 45 States the benefit ceilings were 60 to 98 percent of average weekly earnings in covered employment in December 1939 (see table 1). In December 1939, a total of 22 States had benefit ceilings exceeding 66 percent of average weekly earnings. If

allowance is made for the fact that average weekly earnings in manufacturing were 16 percent higher in December 1939 than for the year 1936, it seems safe to say that in 1936 the benefit ceilings in all States were at least 60 percent, and in most States exceeded 66 percent, of weekly earnings in covered employment. A simple average of the ratio of ceilings to average weekly earnings for all 51 State laws in table 1 gives a figure of 67 percent for December 1939.

Because benefit ceilings averaged 67 percent of wages in 1939, less than 25 percent of all weeks of total unemployment were compensated at the benefit ceiling figure in that year.[1]

B. After the outbreak of World War II, benefit ceilings were not raised in line with inflationary developments including average weekly earnings. Consequently, such ceilings have been cutting off an increasing proportion of benefit payments. In recent years about three-fifths of all claimants have been eligible for the ceiling amounts; for them the benefits are a flat rate rather than being graduated according to differentials in normal earnings, which was the original intent and is the only justifiable principle to apply under American conditions.

Average weekly wages in covered employment in this country tripled between 1936 and 1953. During the same period, benefit ceilings, on the average, did not even double; 30 State laws in 1953 had ceilings including dependents' allowances that were under $30 a week or not twice their 1936 ceilings. Whereas in December 1939, all but 3 States had benefit ceilings between 60 and 98 percent of average weekly earnings in covered employment, by December 1953 all but 3 States had basic benefit ceilings between 29 and 49 percent of average weekly earnings in covered employment (see table 1). Ten States add dependents' allowance onto the basic benefit ceiling, yet the combination of the basic ceiling and the maximum dependents' allowance in those States averaged only 53 percent of the average weekly wages of covered workers in December of last year.[2]

Whereas a simple average of the ratio of ceilings to average weekly earnings for all 51 State laws yields a figure of 67 percent for December 1939, the figure for December 1953 is only 41 percent for basic ceilings and 44 percent if one includes also the maximum dependents' allowance. In other words, wages in covered employment have increasingly been outdistancing benefit ceilings, which have lagged behind until they now represent only about two-fifths of average weekly earnings compared with a figure of two-thirds of such earnings in the 1930's.

Moreover, by December 1953, the variation between states had become especially marked. Last December, 4 States had benefit ceilings (including dependents' allowances) between 60 and 67 percent of the State's average earnings—the recommended standard—yet, on the other hand, 6 States had benefit ceilings only 30 to 35 percent of their average weekly earnings in covered employment.

The results in terms of depressed benefits are evident. Whereas in 1939 only 25.8 percent of all weeks of total unemployment were compensated at the States' basic benefit ceilings, in 1952 over 55 percent of all weeks of total unemployment were paid at such ceiling amounts (see table 2). And 59 percent (almost three-fifths) of all insured claimants were eligible for the maximum weekly benefit amount during the 12-month period ending September 30, 1953. The figure for the calendar year of 1952 was 60 percent, or three-fifths of all claimants confined to the ceiling figures.

C. Analysis of the various changes that have occurred during the past 15 years provides no justification for abandoning the standards for benefit ceilings in terms of weekly earnings that were established in 1936. The arguments for lower standards for benefit ceilings now are generally either untenable or inapplicable

1. It is said that proportionately lower benefit ceilings are justified because the hours of work and premium overtime are greater now than in 1936. Statistics fail to bear out that contention. Average weekly hours in manufacturing were 39 for the year 1936 and 41 for December of that year. For the last quarter of 1953 they were also about 39, with the December 1953 figure considerably below that for the corresponding month in 1936 when a number of State laws were enacted.

2. It is claimed that the higher Federal income taxes prevailing in 1954 make a difference since wage income is taxed to reduce take-home pay while benefits

[1] See table 2 where the figure is 25.8 percent of all payments at $15 or more for total unemployment. 5 States with 13 percent of covered employees under the 51 laws had a $16 ceiling and 4 States with 10 percent of all covered employees had an $18 ceiling in 1939. If allowance is made for the ceilings above $15 in 23 percent of the coverage, the figure for those compensated at the ceiling would be well below 25 percent.

[2] Really the average for 9 States because a ratio for Massachusetts cannot be calculated since no limit is placed on the number of dependents for whom the allowance per dependent can be claimed.

are untaxed and are based on wages before taxes. That argument obviously is directed at the formula for calculating benefits and not at the ceilings, and it overlooks the fact that fringe benefits have increased in recent years until now, for most wage earners, they probably equal or exceed Federal income taxes. Unemployed workers lose various fringe benefits or have those benefits reduced by unemployment. That may be true of Federal old-age and survivors' insurance, of hospital and sickness and accident protection, of vacation rights, and of other fringe items. The extent of loss of fringe benefits generally depends on how long the layoff continues and whether the worker is or is not subsequently reemployed by the same firm. Whether unemployed workers generally lose more in fringe benefits than they gain from avoidance of income taxes or vice versa is difficult to determine and will depend on the individual circumstances. By and large, these two factors probably balance each other out, and fringe benefits undoubtedly will increase relative to Federal income taxes in the near future.

3. The incentive argument for low benefit ceilings confuses the formula for calculating benefits with the ceiling that applies to but part of all benefit payments. Benefit minimums and formulas may favor low-wage earners in terms of normal earnings. In Michigan, for example, the worker who receives weekly wages up to $30 receives unemployment benefits amounting to 90 percent or more of his wages when employed. The relatively low benefit ceilings in Michigan, however, have nothing to do with that, for they have helped to keep Michigan's average weekly benefit for total employment at about one-third of average weekly wages in covered employment there during recent years.

4. Completely fallacious is the argument that benefit ceilings should bear a fixed relationship to or be geared to the cost of living rather than to weekly earnings. Persons who become unemployed in 1954 should have applied to them benefit ceilings that are appropriate for the standard of living now and not ceilings appropriate for 1936 when workers' real earnings were not much more than half current levels.

D. Employer contributions have been reduced to one-third the burden in the 1930's, while ceilings have made weekly benefits a decreasing percentage of the weekly wage loss from unemployment. States have used relatively low benefit ceilings to reduce employer tax rates far below the average originally contemplated; some States have been especially guilty of thus perverting the purposes of unemployment insurance.

The unemployment insurance program started out on the expectation of normal State tax rate of around 2.7 percent of covered payroll, and that was the average rate in most States during the first 6 years of the program. High levels of employment and relatively low-benefit ceilings in the postwar period have, however, permitted reduction of the average employer contribution rate to between 1.24 percent and 1.64 percent in the years since 1945. In addition, in 1936 the employer tax was on total payrolls, and the 1939 limit, making the first $3,000 of wages the tax base, still continues, however, since 1939, weekly earnings have tripled. If allowance is made for these facts, the tax burden on employers now is only about one-third that originally projected, and it is especially light for the higher-wage firms whose laidoff workers suffer most from benefit ceilings.

While employer contributions were reduced by two-thirds, average weekly benefits declined relatively from 43 percent of average weekly wages in covered employment in 1938 to 33 percent in 1953, and the proportion of workers whose benefits were depressed by benefit ceilings rose from less than one-quarter to over one-half of the compensated weeks of total unemployment. Consequently, rough calculations indicate that probably not more than 25 percent of the wage loss caused by unemployment of covered workers is compensated for by unemployment benefits under the State laws.

Some States have been particularly prone to reduce employer contribution rates at the expense of adequate benefit ceilings. The contrast between neighboring States in this regard is indicated for selected States in the following table.

State	Benefit ceiling, December 1953	Ceiling as percent of average weekly wage, December 1953	Average employer contribution rate, 1947–53 [1] (percent of payroll)
Delaware	$25	34.9	0.63
Maryland	[2] 30	[2] 49.1	1.01
District of Columbia	20	30.6	.61
Virginia	22	38.4	.82
Kentucky	28	45.1	1.67
Florida	20	35.2	.91
Georgia	26	48.7	1.21
Texas	20	30.5	.73
Mississippi	30	62.7	1.58

[1] Staff's estimated rates for 1953 were used for last year of the period.
[2] $38 with dependents—62.1 percent.

The contrast between Maryland (which meets the recommended ceiling standard) and Delaware and the District of Columbia, or between Mississippi (whose ceiling fits the recommendation) and Texas, is especially marked. Texas, Delaware, and the District of Columbia have maintained low contribution rates partly through perversion of the program. The same is true of Virginia and Florida.

Elevating benefit ceilings to the standard met by all States in 1936 would correct for the inflationary developments during the past dozen years. Four States (Connecticut, Maryland, Mississippi, and Nevada) now fulfill the recommendation. In the other States the cost of adjusting benefit ceilings to the 1936 standard will vary with the extent to which the individual State has lagged behind and has used depressed ceilings to gain the advantages of low-contribution rates. Such correction of State benefit ceilings is necessary if the program is to accomplish its objectives.

Submitted by Richard A. Lester, public member.

TABLE 1.—*Maximum weekly benefit amount and ratio to average weekly wages of covered workers, 1939 and 1953*

State	Maximum weekly benefit amount		Average weekly wages, covered workers		Maximum as percent of weekly wages	
	December 1939	December 1953 [1]	1939	1952	December 1939	December 1953 [2]
Total	----	----	$26.15	$69.09	----	----
Alabama	$15	$22.00	17.64	55.84	85.0	39.4
Alaska	16	35.00 (70)	35.23	119.08	45.4	29.4 (58.8)
Arizona	15	20.00 (26)	24.52	68.62	61.2	29.1 (37.9)
Arkansas	15	22.00	15.98	48.85	93.9	45.0
California	18	25.00	30.40	75.04	59.2	33.3
Colorado	15	28.00 (35)	24.79	67.39	60.5	41.5 (51.9)
Connecticut	15	30.00 (45)	27.41	72.81	54.7	41.2 (61.8)
Delaware	15	25.00	27.02	71.68	55.5	34.9
District of Columbia	15	[1] 20.00	25.74	65.28	58.3	30.6
Florida	15	20.00	18.44	56.89	81.3	35.2
Georgia	15	26.00	17.65	53.37	85.0	48.7
Hawaii	15	25.00	18.53	56.45	80.9	44.3
Idaho	18	25.00	21.60	63.48	83.3	39.4
Illinois	16	27.00	29.27	76.33	54.7	35.4
Indiana	15	27.00	26.44	73.07	56.7	37.0
Iowa	15	26.00	23.00	64.05	65.2	40.6
Kansas	15	28.00	22.62	67.45	66.3	41.5
Kentucky	15	28.00	21.29	62.13	70.5	45.1
Louisiana	18	25.00	20.56	59.09	87.5	42.3
Maine	15	27.00	20.28	57.90	74.0	46.6
Maryland	15	30.00 (38)	23.78	61.15	63.1	49.1 (62.1)
Massachusetts	15	[1] 25.00	26.49	62.71	56.6	39.9
Michigan	16	27.00 (35)	30.30	83.33	52.8	32.4 (42.0)
Minnesota	15	30.00	24.29	66.37	61.8	45.2
Mississippi	15	30.00	15.71	47.81	95.5	62.7
Missouri	15	25.00	25.02	66.56	60.0	37.6
Montana	15	23.00	25.43	64.52	59.0	35.6
Nebraska	15	26.00	23.17	60.93	64.7	42.7
Nevada	15	30.00 (50)	26.87	74.35	55.8	40.3 (67.2)
New Hampshire	15	30.00	20.73	56.98	72.4	52.7
New Jersey	15	30.00	27.51	74.36	54.5	40.3
New Mexico	15	30.00	21.48	63.06	69.8	47.6
New York	15	30.00	30.55	74.31	49.1	40.4
North Carolina	15	30.00	17.17	51.90	87.4	57.8
North Dakota	15	26.00 (32)	21.83	61.96	68.7	42.0 (51.6)
Ohio	15	30.00 (35)	27.92	74.57	53.7	40.2 (46.9)
Oklahoma	15	28.00	24.77	66.51	60.6	42.1
Oregon	15	25.00	28.81	73.47	52.1	34.0
Pennsylvania	15	30.00	25.81	66.08	58.1	45.4
Rhode Island	16	25.00	23.28	62.67	68.7	39.9
South Carolina	15	20.00	15.32	55.18	97.9	36.2
South Dakota	15	25.00	22.20	59.32	67.6	42.1
Tennessee	15	26.00	19.58	57.09	76.6	45.5
Texas	15	20.00	23.01	65.47	65.2	30.5
Utah	16	27.50	23.92	63.58	66.9	43.3
Vermont	15	25.00	22.29	60.61	67.3	41.2
Virginia	15	22.00	20.45	57.32	73.3	38.4
Washington	15	30.00	26.96	72.52	55.6	41.4
West Virginia	15	30.00	25.03	68.33	59.9	43.9
Wisconsin	15	33.00	27.40	71.50	54.7	46.1
Wyoming	18	30.00 (36)	23.42	64.15	76.9	46.8 (56.1)

[1] Figures in parentheses represent maximum including dependents' allowances, except in Colorado where the maximum is higher for claimants meeting certain requirements. The District of Columbia maximum is the same with or without dependents. Figure not shown for Massachusetts since it would necessarily be based on an assumed maximum number of dependents.

[2] Rates based on average weekly wages of covered workers for 1952 since 1953 data not yet available. Figures in parentheses based on maximums including dependents' allowances.

TABLE 2.—*Proportion of weeks compensated and claimants eligible for the maximum weekly benefit amount,*[1] *calendar years 1939 and 1952; and 12-month period ending Sept. 30, 1953*

State	Proportion of weeks compensated for total unemployment at maximum weekly benefit amount		Proportion of insured claimants eligible for maximum weekly benefit amount, 12 months ending Sept. 30, 1953
	1939 [2]	1952	
Total	25.8	55.4	[3] 58.8
Alabama	6.8	51.2	55.4
Alaska	[2] 84.5	84.6	72.0
Arizona	32.4	71.0	78.3
Arkansas	6.2	35.9	43.2
California	[2] 26.0	62.6	72.5
Colorado	25.7	72.6	73.8
Connecticut	17.9	54.5	60.8
Delaware	13.7	52.9	56.4
District of Columbia	14.7	64.2	69.2
Florida	13.5	45.8	51.8
Georgia	5.0	50.2	41.7
Hawaii	10.8	39.7	45.8
Idaho	[2] 29.0	68.5	71.9
Illinois	[2] 47.8	71.5	76.3
Indiana	31.1	64.0	67.4
Iowa	15.4	64.7	67.0
Kansas	28.3	53.3	61.5
Kentucky	8.4	26.0	34.5
Louisiana	[2] 12.6	52.9	64.8
Maine	6.1	7.8	14.8
Maryland	15.4	47.6	45.6
Massachusetts	20.6	80.7	78.6
Michigan	[2] 53.1	77.7	85.4
Minnesota	22.7	18.5	26.6
Mississippi	4.2	25.9	16.5
Missouri	14.8	47.1	53.4
Montana	28.4	74.1	77.8
Nebraska	12.1	65.1	67.6
Nevada	55.8	66.6	68.4
New Hampshire	10.4	31.6	31.2
New Jersey	21.6	67.1	72.2
New Mexico	23.6	57.7	60.0
New York	33.4	51.9	48.3
North Carolina	2.2	3.8	7.4
North Dakota	17.4	71.6	72.6
Ohio	18.6	59.5	68.6
Oklahoma	27.2	69.8	65.9
Oregon	40.2	53.9	61.2
Pennsylvania	30.7	50.3	52.9
Rhode Island	[2] 16.8	76.8	76.6
South Carolina	2.8	70.2	75.8
South Dakota	13.9	76.0	74.3
Tennessee	6.0	36.7	37.4
Texas	18.4	61.9	66.8
Utah	[2] 25.3	67.7	72.5
Vermont	13.5	47.4	44.7
Virginia	8.9	50.5	48.7
Washington	35.8	40.9	53.2
West Virginia	9.4	43.2	41.9
Wisconsin	16.7	49.8	[3]
Wyoming	[2] 52.9	79.1	79.2

[1] Excludes dependents' allowances.
[2] Data for 1939 represent payments at "$15 or more." Percentages shown for the 9 States in the maximums of $16 or $18, therefore, are overstated.
[3] Excludes Wisconsin; comparable data not available.

Mrs. ELLICKSON. Another recent expression of the need for higher Federal standards came from the 20th National Conference on Labor Legislation at the end of February. Presumably this resolution is already in your committee's possession, as the national conference requested.

The CHAIRMAN. Mrs. Springer, may we have a copy of that?

Mrs. ELIZABETH B. SPRINGER (clerk). Yes, sir.
Mrs. ELLICKSON. We have a copy here.
The CHAIRMAN. Present it for the record.
(The document referred to follows:)

20TH NATIONAL CONFERENCE ON LABOR LEGISLATION—REPORT OF THE RESOLUTIONS COMMITTEE

The 20th National Conference on Labor Legislation is as dedicated as are the President and the Secretary of Labor to the maintenance of a healthy and prosperous economy. The conference commands and supports the steps they have proposed "to protect and maintain economic stability" at a high level.

Governors' delegates from State labor departments and organized labor in 41 States and Territories bring to this problem an unparalleled collective experience with the employment conditions of millions of American wage earners, a major segment of the population whose well-being is essential to economic health and prosperity.

At this critical time, this conference reemphasizes certain basic truths under which this Republic has become a great industrial nation. That labor is not a commodity, that free collective bargaining best promotes the climate of industrial harmony in which free enterprise and free labor advance the standard of living, that the best antidote to the prospect of a recession is to place increased purchasing power in the hands of all American citizens so that they may buy the products of industry and keep the wheels of business turning.

No better means of expanding purchasing power exists than the enactment and vigorous enforcement of sound labor standards. The conference therefore strongly reaffirms its support of a floor under wages, raising of child labor standards to guarantee suitable job standards for the Nation's youth and to prevent child-labor competition with rightful employment for adult workers and heads of families, sound standards of industrial safety and health, of workmen's compensation and unemployment insurance, and better wages and working conditions for migrant labor. We commend President Eisenhower for his awareness of the deteriorating employment situation throughout the country and his eagerness to remedy it by such means as are at the command of the Government. We commend particularly his proposals for an expanded public works program to provide employment and increased business activities and we urge the Congress to provide necessary appropriations immediately to carry out the President's purpose.

In harmony with these reaffirmations, the conference discussed the common and current problems of wage earners and makes the following recommendations:

(1) Unemployment is a problem national in character and is currently increasing. There has been a tendency over the past several years to weaken and undermine Federal participation in, and influence over the present Federal-State program of unemployment compensation. Funds presently appropriated and available for administration of State unemployment compensation laws are inadequate and have resulted in delaying payment of benefits by biweekly instead of weekly reporting. Increases in the load of initial and continued claims for benefits have resulted in a mounting backlog of cases and delays in payment: Therefore be it

Resolved, That this conference endorse the request made to the Congress for a supplemental appropriation of $18 million needed to reestablish weekly reporting, keep current the claims load and meet obligations for wage and salary adjustments incurred by the State administrators; and be it further

Resolved, That the conference oppose the adoption of H. R. 5173 in its present form and support amendments thereto which would (*a*) provide for grants to distressed States instead of loans and (*b*) eliminate automatic distribution of earmarked funds and, in lieu thereof, establish an adequate contingency fund for administrative purposes which may be allocated to the several States by the Secretary of Labor on the basis of demonstrated need in conformity with the standards in the Social Security Act; *and be it finally*

Resolved, That this conference respectfully advise the Secretary of Labor that, in its judgment, if H. R. 5173 were amended as herein proposed it would strengthen the unemployment compensation program rather than weaken it as the present bill would do, and request that the Secretary transmit this resolution to the appropriate committees of the Congress.

(2) State unemployment benefits have failed to keep pace with rising living costs and wage levels. When first paid under the program, unemployment

benefits averaged from three-fifths to two-thirds of average weekly wages paid in covered employments, whereas they now average only about two-fifths of such wages. At present from two-thirds to nine-tenths of weekly benefit payments are at the maximum. The impact of sharply rising unemployment is now more severe because a large proportion of workers exhaust their rights before being reemployed, demonstrating the unrealistic character of maximum duration periods. The present unemployment compensation program does not effectively sustain purchasing power because nearly 3½ million wage earners are excluded from State benefits since they work in small firms not covered by the system: Therefore be it

Resolved, That this conference support amendments to the Social Security Act to provide for the addition of the following Federal standards required of each State: (*a*) maximum benefit amounts shall not be less than two-thirds of the average weekly wage in covered employment; (*b*) duration of the period in which benefits shall be payable to eligible unemployed workers shall not be less than 26 weeks; (*c*) all employment by employers of one or more employees shall be covered; and be it further

Resolved, That the conference respectfully ask the Secretary of Labor to request of the Congress the enactment of such additional Federal standards.

(3) Like unemployment insurance, State workmen's compensation benefits have so failed to keep pace with higher wages and living costs that injured workers are generally compensated for less than one-third their wage loss. Seventeen States still limit the amount of medical aid or the period of time during which such aid shall be rendered or both. New methods have been developed for rehabilitating injured workers but are not being fully utilized because many workmen's compensation laws do not specifically provide for such rehabilitation and lack other types of protection: Therefore, be it

Resolved, That this conference urge all States to increase the maximum weekly benefits to at least two-thirds of the average weekly earnings; to provide full medical aid, including rehabilitation; to establish rehabilitation divisions within the workmen's compensation agency to promote fuller utilization of existing State and private rehabilitation agencies for the benefit of injured workers; and to strengthen other major provisions of law including those relating to coverage of occupational diseases, second-injury funds, and procedures for facilitating prompt payment of compensation.

(4) Lack of uniformity in reporting and tabulating data on the causes, incidence, and severity of occupational diseases impedes adequate prevention and control: Therefore be it

Resolved, That this conference urge the several States to take necessary steps to improve uniformity in reporting and to cooperate with statistical committees of the International Association of Industrial Accident Boards and Commissions, the International Association of Governmental Labor Officials, the Division of Occupational Health of the United States Public Health Service, and the Bureau of Labor Statistics of the United States Department of Labor in the development of adequate reporting, tabulation, and analysis of occupational disease data.

(5) So-called right-to-work laws already enacted in some States and pending before the legislatures of others, curb individual freedom, infringe the rights of employers and employees to establish conditions of employment through free collective bargaining, and are contrary to the expressed desires of workingmen and women as demonstrated by the results of "union security" elections: Therefore be it

Resolved, That the conference urge all State legislative bodies to repeal or defeat these antilabor laws; and be it further

Resolved, That the conference urge all States to recognize the right of American workers to engage in concerted activities for mutual aid and protection and to bargain collectively through representatives of their own choosing.

(6) The conference reaffirms the Nation's interest in the rigorous enforcement of child-labor legislation both Federal and State. We recommend this particularly at this time when, because of rising unemployment, the exploitation of child labor becomes a more dangerous threat to the job opportunities and job security of American adult workers. We urge a more effective regulation of youth employment in bowling alleys and the extension wherever possible of the 16-year minimum age for youth. We ask that the State look seriously into the hazardous employment of children on farms which are operated today with increasing degrees of mechanization. We recommend to States where increasing amounts of migrant labor are employed on farms that the health, welfare, and education of children be given increasing attention.

(7) Meeting the problems of migratory agricultural workers and their families requires the understanding and active support of labor, growers, Government, and the general public. The conference notes with gratification the recognition of the President of the United States in his message to the Congress on the need for a cooperative Federal-State approach to the solution of these problems: Therefore be it

Resolved, That State labor departments in cooperation with the United States Department of Labor assume leadership in promoting public understanding of the needs of migratory agricultural workers and take responsibility for developing and supporting programs to meet these needs; and be it

Resolved, That to this end, the conference requests the assistance of the Bureau of Labor Standards of the United States Department of Labor, in arranging regional conferences of labor commissioners and others seeking solutions of this problem; and be it

Resolved, That the rights and standards of American workers on the farms of the Nation be protected against the unfair use of immigrant labor. It is recommended that public hearings be provided for all interested parties by the Federal-State employment service when determining the adequacy of the local labor supply and the wages and working conditions under which immigrant labor shall be imported; and be it further

Resolved, That employers should not be permitted to employ imported labor without first making available to American citizens the jobs they offer to aliens, that the border patrol of the Immigration Service be strengthened by additional funds and personnel in order to enforce adequately the laws of this country relating to immigration, that penalties be applied to employers who knowingly hire and employ immigrant labor entering the country illegally, that International issues governing the importation of labor from foreign countries be handled through friendly negotiations between the interested governments and not through unilateral action by the United States as presently contemplated in House Joint Resolution 355.

(8) And finally, the conference reaffirms its conviction that all functions of government on both national and State levels relating to wage-earners should be lodged in one agency respectively, namely In the United States and State departments of labor. Appropriations for adequate enforcement and administration of the large body of labor law and services have been continuously curtailed for both Federal and State labor departments in the face of expanding needs; therefore be it

Resolved, That this conference vigorously support increased appropriations for the Federal and all State departments of labor.

RESOLUTION

Whereas the employment of Canadians in the woods of northern New York and New England has deprived American workers of employment opportunities;

Whereas the importation of these Canadian workers has been increasing;

Whereas these Canadians are employed not only as choppers and cutters in the woods but also for such skilled jobs as blacksmiths, bulldozer operators, cooks, crane operators, and truckdrivers: Therefore be it

Resolved by this 20th National Conference on Labor Legislation, That the following actions be taken to correct this serious condition:

1. Importation of Canadian workers must be confined to the minimum number necessary for the particular work;

2. Canadians must not be employed for skilled jobs for which American workers can readily be recruited;

3. Canadian workers must be paid at the rates generally prevailing in the United States for the type of work they are performing;

4. Additional safeguards must be provided to protect the rights and standards of American workers. In particular, public hearings must be provided at which all interested parties can testify regarding the number of Canadian workers required for employment in a particular area and if an actual need is established the wages and working conditions under which Canadians should be imported: Be it

Resolved, That this conference commend Secretary of Labor Mitchell for his proposals that Congress increase the Federal minimum wage above 75 cents an hour and that coverage of the law be expanded to millions of interstate workers not now covered; and be it further

Resolved, That the States be urged to enact comprehensive wage-hour laws with standards at least equal to those of the Federal law: Be it further

Resolved, That the Federal minimum wage be increased as soon as possible to $1.25 an hour.

Whereas it has long been recognized by this conference that programs of labor statistics are very useful in the conduct of the functions of State departments of labor;

Whereas it is recognized that the economic well-being of the Nation is dependent upon the progress and security of the wage-earners and that the basic facts concerning wage-earners and their economic status are essential for proper measurement of their progress and prosperity and that such information is basic to the formulation of labor and social legislation and for assisting both management and labor in peaceful collective bargaining and in the settlement of disputes;

Whereas it has been demonstrated to this conference through the discussion of experiences of representative State departments of labor that programs of labor statistics are widely used in measuring economic trends in the States;

Whereas it has been clearly shown that statistics are very useful in the administration of the State departments of labor;

Whereas it is recognized that the regional conferences on labor statistics which have been conducted by the United States Department of Labor in cooperation with the States are very helpful and should be continued;

Resolved, That this convention urge all the State departments of labor to establish at least a minimum program of labor statistics according to the needs of the States which will be useful in carrying out their broad responsibilities for administering labor laws and in strengthening the effectiveness of the overall program of the departments.

Mrs. ELLICKSON. I would like to quote a portion of it: The resolution, which was unanimously adopted, favored "amendments to the Social Security Act to provide for the addition of the following Federal standards required of each State: (*a*) Maximum benefit amounts shall not be less than two-thirds of the average weekly wage in covered employment; (*b*) duration of the period in which benefits shall be payable to eligible unemployed workers shall not be less than 26 weeks; (*c*) all employment by employers of one of more employees shall be covered."

The resolution likewise opposed adoption of H. R. 5173 in its present form. I might say that this was made up of State labor commissioners as well as representatives of the labor organizations in the various States and was held under the auspices of the Secretary of Labor.

Mr. SIFTON. Forty-four States.

Mrs. ELLICKSON. As a simple summary of the facts on existing State laws, I have appended to my testimony a table entitled "Unemployment Insurance Under State Laws," published by the CIO department of education and research.

That is that blue table at the end of the mimeographed testimony. And then we indicate the table on the reverse side dealing with workmen's compensation, is not intended for incorporation in the record, although it is not irrelevant, in that it shows how State unemployment insurance has lagged behind even the inadequate workmen's compensation provisions.

This table, Mr. Chairman, indicates in its last column the information which you have requested earlier, as to average employer contribution rates.

The CHAIRMAN. Would you hold up just a minute.

(The table entitled "Unemployment Insurance Under State Laws," follows:)

Unemployment insurance under State laws

State	Average weekly benefit for total unemployment, April 1953	Weekly benefit amounts with and without dependents' allowances [1]		Minimum and maximum duration of benefits	Claimants who exhausted benefits, January–March 1953		Average employer contribution rate, 1952 (percent of payroll)
		Minimum	Maximum		Number	Average number of weeks of benefits drawn	
United States	$23.27				214,804	19.4	1.4
Alabama	18.05	$6.00	$22.00	11+–20	5,023	17.3	1.2
Alaska	32.39	$8.00–10.00	$35.00–70.00	12 –26	1,055	14.6	2.7
Arizona	20.92	5.00–7.00	20.00–26.00	10 –20	414	17.7	1.5
Arkansas	18.13	7.00	22.00	10 –16	2,926	15.3	1.5
California	23.17	10.00	25.00	15 –26	19,828	21.7	2.1
Colorado	21.53	7.00–9.00	28.00–35.00	10–26 –20–26	364	15.5	1.0
Connecticut	21.81	8.00–11.00	30.00–45.00	15 –26	1,388	18.7	1.8
Delaware	18.88	7.00	25.00	11 –26	272	14.8	.6
District of Columbia	18.21	6.00–7.00	20.00	12+–20	640	18.9	.7
Florida	17.82	5.00	20.00	7+–16	2,659	13.6	.8
Georgia	16.63	5.00	26.00	20 –20	4,070	18.8	1.2
Hawaii	20.85	5.00	25.00	20 –20	779	20.0	.7
Idaho	23.43	10.00	25.00	10 –26	1,094	14.9	1.7
Illinois	25.48	10.00	27.00	18+–26	12,988	19.3	1.1
Indiana	23.30	5.00	27.00	12+–20	5,631	13.8	.7
Iowa	21.11	5.00	26.00	6+–20	2,572		.5
Kansas	23.40	5.00	28.00	6+–20	1,408	14.4	1.0
Kentucky	21.52	8.00	28.00	26 –26	3,168	25.7	1.7
Louisiana	21.35	5.00	25.00	10 –20	5,302	16.0	1.8
Maine	15.95	9.00	27.00	20 –20	3,476	19.8	1.6
Maryland	20.43	6.00–8.00	30.00–38.00	7+–26	4,478	15.6	1.0
Massachusetts	24.68	7.00–9.00	25.00–	21+–26	11,719	18.3	2.7
Michigan	26.31	6.00–7.00	27.00–35.00	9+–20	6,606	16.7	1.5
Minnesota	18.59	11.00	30.00	15 –26	3,009	19.7	.6
Mississippi	19.09	3.00	30.00	16 –16	3,493	16.0	1.2
Missouri	20.13	5.00	25.00	---- –24	3,092	16.5	.5
Montana	19.95	7.00	23.00	20 –20	241	18.2	1.9
Nebraska	21.62	10.00	26.00	10 –20	928	12.9	.5
Nevada	24.99	8.00–11.00	30.00–50.00	10 –26	207	18.2	1.8
New Hampshire	21.04	7.00	30.00	26 –26	1,070	26.0	1.9
New Jersey	27.38	10.00	30.00	13 –26	10,064	18.4	1.4
New Mexico	21.90	10.00	30.00	12 –24	365	19.2	1.3
New York	26.75	10.00	30.00	26 –26	15,151	26.0	2.3
North Carolina	15.75	7.00	30.00	26 –26	6,785	25.5	1.2
North Dakota	25.24	7.00–9.00	26.00–32.00	20 –20	295	20.0	1.5
Ohio	25.21	10.00–12.50	30.00–35.00	12 –26	3,455	22.1	1.1
Oklahoma	19.47	10.00	28.00	6+–22	3,321	13.5	1.1
Oregon	22.92	15.00	25.00	8+–26	4,962	18.8	1.2
Pennsylvania	25.84	10.00	30.00	13 –26	19,270	22.1	1.0
Rhode Island	21.91	10.00	25.00	10+–26	4,451	14.6	2.7
South Carolina	18.54	5.00	20.00	18 –18	2,880	18.0	1.6
South Dakota	20.65	8.00	25.00	10 –20	399	13.8	.9
Tennessee	16.54	5.00	26.00	22 –22	5,003	22.0	1.5
Texas	17.52	7.00	20.00	5+–24	5,227	12.6	.6
Utah	25.31	10.00	27.50	16 –26	377	20.7	1.1
Vermont	21.28	10.00	25.00	20 –20	476	20.0	1.5
Virginia	18.18	6.00	22.00	6 –16	4,458	12.8	.6
Washington	24.49	10.00	30.00	15 –26	7,486	22.3	1.7
West Virginia	20.46	10.00	30.00	24 –24	3,276	21.9	1.2
Wisconsin	25.37	10.00	33.00	10 –26+	6,606		.8
Wyoming	25.10	10.00–13.00	30.00–36.00	8 –26	597	8.7	1.4

[1] Where 2 figures are shown, the smallest does not include dependents' allowances.

Source: Published by the CIO Department of Education and Research, 718 Jackson Pl. NW., Washington, D. C.

Senator FREAR. May I ask a question, Mr. Chairman?

The CHAIRMAN. Proceed.

Senator FREAR. On this publication 235, in the column "Minimum and maximum duration of benefits," 11 plus or minus 20, under Alabama, means what?

Mrs. ELLICKSON. It is 11 plus, and that is not a minus, it is intended to be a dash, meaning to 20.

Senator FREAR. That explains what I want to ask.

The CHAIRMAN. Will you hold up just a minute.

Mr. Teets, didn't I understand you yesterday to testify as to some of the highest rates among the States, and I thought I heard you say something over 3 percent. Did I catch that correctly?

Mr. TEETS. I think, Senator, the question was asked whether or not it was prevented in State laws from charging a rate above 2.7, and I intended to testify to the effect that there was nothing in the State laws to prevent that, that in our own State law, initially, we had had a rate in excess of that, to wit, 3.6, where subsequent to those early years we had eliminated that from the provision of our law.

The CHAIRMAN. At the present time this table shows 1 as the average employer contribution rate; 52, as the percentage of payroll. Is that correct?

Mr. TEETS. I think that would be correct. Most States, through their experience rating provisions, have lowered the tax rate from 2.7 at this time.

The CHAIRMAN. Will you hold up just 1 second, please, Mrs. Ellickson.

Mr. TEETS. Senator, I think I should call your attention to the fact that these are averages we are talking about and not maximums.

The CHAIRMAN. The item we are talking about takes it State by State. Those with over 2 percent seem to be the Territory of Alaska, California, Massachusetts.

Senator FREAR. New York.

Mr. TEETS. Senator, may I interrupt?

The CHAIRMAN. Just one minute, please. New York, Rhode Island.

Proceed, Mr. Teets.

Mr. TEETS. I wanted to say these are average rates of all employers within the State. Within our own State there are many employers, all those new employers who haven't yet qualified under the experience rating, are paying 2.7. In many States there are many employers still paying the 2.7.

The CHAIRMAN. Under their own experience, it may come down?

Mr. TEETS. That is correct, and this is a result of all the employers tax rates within the States, those who have come down, those who were paying the maximum, etc., so it doesn't give a percentage figure of those paying the higher or the lower, it is the combination of all.

The CHAIRMAN. Do you have any figures on the higher rates the States are paying rather than this average?

Mrs. ELLICKSON. We do not have those figures and there is a subject upon which we feel much more information is required. For example, we feel in the case of Rhode Island, which is charging 2.7 percent and has regularly, it would be very helpful if we had available the rate charged to textile manufacturers in Rhode Island as compared to textile manufacturers in other States but that is not available.

The CHAIRMAN. Is there anyone here from Rhode Island? Is the Governor still here?

Mr. BRIDE. It is in the record. Our textile and jewelry employers are averaging 5.31 percent. They pay 2.7, but the cost thrown on that program is 5.31.

The CHAIRMAN. You said something about the textile industry. Do you have any figures on the textiles?

Mr. BRIDE. That is under textiles.

The CHAIRMAN. I thought you were talking about jewelry.

Mr. BRIDE. It is both textile and jewelry.

Mrs. ELLICKSON. What is lacking is the comparable material for other States, such as North Carolina, or South Carolina, to which mills from Rhode Island are moving, and where we know the average employer contribution rate but we do not know what it is for the textile industry broken down by cotton and wool.

The CHAIRMAN. Do we have that?

Mr. MURRAY. I will be glad to submit them.

Comparative unemployment insurance benefit costs, average contribution rates, taxable wages in the textile mill products industry[1] *(2-digit industry code No. 22) in selected States*

State	Period [2]	Benefit costs as a percentage of taxable wages	Average contribution rate (contributions as a percentage of taxable wages)	Taxable wages	Taxable wages for all industries	Industry 22 to all industries taxable wages
				Thousands	*Thousands*	*Percent*
Alabama		[3] 2.62	1.12	$129,309	2,032,087	6.36
Arizona	1951 only	3.53	2.72	54	321,824	.02
Colorado		1.11	1.54	722	1,201,144	.06
Delaware		[3] .61	.75	17,073	564,815	3.02
Florida		[3] 4.25	1.60	1,376	2,156,779	.06
Georgia		1.13	1.25	514,490	2,575,211	19.98
Indiana		[3] 1.91	.73	24,717	5,497,435	.45
Iowa		1.27	.50	5,425	1,889,416	.29
Kansas		.63	.97	129	1,632,680	.01
Kentucky	1952 only	[3] 3.27	1.41	6,964	1,104,260	.63
Maryland		[3] 3.98	1.99	55,140	3,003,295	1.84
Minnesota	1952 only	[3] 2.35	.73	9,296	1,497,702	.62
Missouri		1.28	1.32	13,962	4,257,266	.33
Oklahoma		1.78	1.65	5,522	1,546,138	.36
Pennsylvania		[3] 2.83	1.66	659,766	16,134,183	4.09
Rhode Island		[4] 5.07	2.70	298,745	1,207,899	24.73
Utah		[3] 2.89	.86	1,694	686,129	.25
Washington		1.78	1.63	3,079	3,049,317	.10

[1] Source: ES-202 and ES-217 reports from all States listed except Rhode Island (for Rhode Island, see footnote 4).
[2] Calendar years 1951 and 1952, except where otherwise noted.
[3] Estimated from nearly complete data, or from 20 percent samples.
[4] Source: Estimates of Unemployment Insurance Benefit Costs in Rhode Island, by Industry, during 1951–1952, by Michael T. Wermel and Associates, June 1953.

The CHAIRMAN. Proceed, please.

Mrs. ELLICKSON. Since you are interested in contribution rates I might say I asked the Bureau of Employment Security for the latest indication on employer rates since the information here is for 1952 and I obtained from the Bureau of Employment Security preliminary figures for 1953. However, since these are preliminary figures, they asked me when they gave them to me a week ago not to release them. I don't know if they are now available, but perhaps I could make a few comments on them.

The CHAIRMAN. How can we have them made available?

Mrs. ELLICKSON. It is up to the Bureau representatives.

The CHAIRMAN. Why can't we make these things available?

Mr. MURRAY. We are submitting figures as requested yesterday, to the committee. They are not final figures. They have to be estimated figures.

The CHAIRMAN. That will be so designated. Is there any reason why that can't go in promptly?

Mr. MURRAY. I see no objection. What about this table here?

Mr. ROHRLICH. I work for the Bureau of Employment Security. The data that you requested yesterday, sir, were compiled and are just awaiting the Assistant Secretary's signature. They ought to be hand-carried here before this committee adjourns.

The CHAIRMAN. Let me ask you: Are the figures we are talking about now; will they be made available?

Mr. ROHRLICH. They are part of that statement.

Mrs. ELLICKSON. Could we have this table put in the record now?

The CHAIRMAN. Is there any objection to having this put in the record now, subject to whatever changes you think should be made in the table later?

Mr. ROHRLICH. I would prefer that it wasn't done since there might be some slight changes.

The CHAIRMAN. We will see that the information gets in. (See table 2 submitted by the Assistant Secretary of Labor, p. 27.)

Mrs. ELLICKSON. May I just comment on these figures. These figures show Rhode Island still paying 2.7; Massachusetts, 2.7; New York, 2 percent; and I might say that Colorado has fallen, for example, from 1 percent to 0.4 percent.

The CHAIRMAN. They have a very good surplus in Colorado, haven't they?

Mrs. ELLICKSON. I believe that they have a considerable surplus. The law is not as generous to the workers and doesn't give as much protection as we feel is necessary, and certainly far less than the President has recommended.

The CHAIRMAN. Would you say that the rate is so low as to imperil their reserve?

Mrs. ELLICKSON. This is a matter we deal with later in our testimony, Mr. Chairman.

The CHAIRMAN. What page are we on now?

Mr. CAREY. We are at the point where it states, "This table on unemployment insurance"——

The CHAIRMAN. What page?

Mr. CAREY. It is page 10, at the top, the first full paragraph.

This table on unemployment insurance has been revised to take account of all but very recent changes in State laws.

Four States permit no one to draw benefits of more than $20 a week no matter how high their earnings have been. Eight States have maximums under $25 a week; 10 have maximums of $25; 12, from $26 to $29; 10 set the figure at $30; and 11 permit more than $30. These maximums include dependents' allowances.

You can thus from this table derive some idea of the wide variation in the maximum benefits allowed in the various States as well as the low levels permitted.

If you consider for a moment how far $20 or $30 or even $35 a week will go in buying necessities for a family, you will realize the great hardship that results from these inadequate amounts. Please remember that these are the maximums. The actual average weekly benefits paid are shown in the first column of our table as of April 1953. Since that time the national average has risen to $24 a week, but the

figures for individual States have for the most part not changed substantially.

Workers who have been paying $10 or $15 or $20 a week rent cannot suddenly move to cheaper quarters that are reasonably decent. Housing shortages are still acute and moving vans cost money. Families have to keep paying for light, heat, and fuel. Kids continue growing even if there is no money for new clothes and shoes. Medical bills must still be met, and payments may be due on refrigerators, other household equipment, and cars. In addition, how much is left after this for food?

The low-cost menus of the United States Department of Agriculture for an adequate diet cost $18 to $20 a week for a family of 4 and $4 more for a family of 5.

The inadequacy of benefit levels is also shown by the city worker's family budget of the United States Bureau of Labor Statistics, which is described as "only the necessary minimum." The cost of this budget is now in the neighborhood of $70 to $80 a week for a family of man, wife, and two children. This figure excludes the cost of life insurance, as well as income and social-security taxes, and occupational expenses. But it is more than 2 or 3 times maximum unemployment benefits.

Substandard conditions of living permanently affect the health of our people. The report of the President's Commission on the Health Needs of the Nation stated:

> Health progress depends in large part upon better housing, better nutrition, better education, and related measures which promote the well-being of people.

The health of the national economy as well as of the Nation's families is at stake. It has been estimated that in the recession of 1949–50, unemployment insurance payments made up only approximately one-sixth of the loss in payrolls that occurred. A far larger percent of wage loss must be compensated to maintain markets for farm products, services, and all types of manufactured products.

The provision of adequate benefits is thus a matter of national concern. Unemployment cannot be restricted by State boundaries.

We cannot afford to wait any longer for the States to improve their benefit provisions. When most of the State Legislatures met in 1953, more than half failed to raise maximum benefit amounts in spite of the efforts of organized labor. The very employers who are supporting the Reed bill effectively checked our efforts. Only 14 State Legislatures are in regular session this year. The actions in these States do not reflect any noticeable change resulting from President Eisenhower's recommendations.

We have considerable information on the Michigan situation, and I request that the materials I have here be included as part of the record of this hearing.

(The information referred to follows:)

FACT SHEET ON UNEMPLOYMENT AND UNEMPLOYMENT COMPENSATION

At a time when over 125,000 workers are unemployed in Detroit and more than 225,000 unemployed throughout the State, as well as many thousands more working short weeks, it is important to consider whether the unemployment compensation law is achieving its purposes and whether unemployment compensation benefits are adequate to help cushion the community against the resulting loss of millions of dollars in purchasing power.

I. When was the unemployment compensation law passed and what are its purposes?

The Michigan unemployment compensation law was passed in 1936 to achieve two purposes:

(*a*) To provide economic security for wage earners and their families when unemployed, as a matter of right.

Unemployment compensation was intended to provide benefits as a matter of right at the time of a worker's unemployment in place of a means test relief or welfare system which would require him to exhaust all savings and dispose of his car, home, and other assets before being eligible for benefits.

(*b*) To help the businessman in the community by maintaining the purchasing power of the unemployed.

Unemployment compensation benefits when set at appropriate levels help sustain a worker's demand for commodities as well as permitting him to keep the possessions he has. As such it can help curb the economic decline.

II. What portion of the wage was compensated in 1939?

In 1939, the first full year in which unemployment compensation was paid, the average wage in covered employment in Michigan was $30.30. The maximum weekly unemployment compensation benefit was $16.

The worker receiving the average wage was paid benefits when unemployed equal to 53 percent of his weekly wage.

He was left with an uncompensated wage loss of $14.30.

III. What is happening to the unemployed worker in 1954?

In the second quarter of 1953 the average weekly wage in covered employment in Michigan was $88.00. Maximum unemployment benefits are $27 with an additional allowance up to $2 for each dependent child under the age of 18.

This means the unemployed worker with no dependent children is only receiving 30.6 percent of his wage when unemployed. For each child he receives an additional 2.27 percent.

Instead of $14.30 as in 1939, the typical unemployed worker with no children is losing $61.00 a week. If he has 1 child, his loss is $59.00 a week; if he has 2 children, $57.00 a week; if he has 3 children, $55.00 a week; if he has 4 children, $53.00 a week.

It must be recognized that the maximum weekly benefit of $35 is paid under the Michigan law only to a worker with 4 or more dependent children. In 1953 less than 6 percent of claimants had 4 or more dependent children and not all of these were eligible for the maximum payment of $35. More than half of the beneficiaries had no dependent children and could not receive more than $27 a week even if eligible for the maximum benefit.

IV. What is the effect of inadequate payments to the unemployed?

The declining percentage of wage loss from 53 percent to less than 35 percent for which the unemployed worker receives compensation means less ability to meet rent or home payments, food, utilities, clothing, and other expenditures which cannot be deferred during periods of unemployment. Decreased expenditures by the unemployed means a loss of markets by the farmer and a loss of business by the retailer, the milkman, the doctor, and all segments of the Michigan economy.

The unemployed worker with a wife and 2 children who receives the maximum weekly payment of $31 a week receives less than if he were on relief. The relief allowance for the same family would generally be, and of necessity must be, more than $40. There are families in Michigan now receiving public relief supplementation of inadequate unemployment compensation benefits.

Inadequate unemployment compensation means increased relief costs and a consequent rise in general taxes.

V. How much does an unemployed worker's family actually need to get along?

The United States Bureau of Labor Statistics has developed a city workers' family budget which it described as a budget providing only "the necessary minimum."

The Bureau has priced this budget in one Michigan city—Detroit.

The cost of the budget, as found by the Bureau of Labor Statistics, was recomputed as June 1953, by the Bureau of National Affairs, a private organization serving mostly management groups.

According to the Bureau of National Affairs, the cost of the goods and the services in the budget of the Bureau of Labor Statistics in Detroit, as of June 1954, was $3,971 per year or $76.37 per week for a family consisting of man, wife, and 2 children.

This figure excludes the cost of life insurance as well as income and social-security taxes, and occupational expenses. It therefore represents the cost of living as a minimum level for an unemployed worker's family of four persons. The cost would be even higher now than in June 1953.

Under present Michigan law, unemployment compensation, at the maximum rate, amounts to $31 per week for the same family.

Unemployment compensation benefits should be sufficient to cover the cost of a reasonable family budget. As President Eisenhower said, when unemployment compensation benefits are "set at appropriate levels, they can sustain to some degree the earner's way of life as well as his demand for commodities."

VI. What is the legislative proposal being given most serious consideration?

In the face of increasing unemployment and the recognized inadequacy of unemployment-compensation payments the bill proposed by the Republican caucus and which is receiving the most serious consideration in the State legislature is more vicious than the bill which the Governor was forced to veto in 1953.

In addition to providing for unwarranted tax reductions to certain large employers the proposal would take away, through legislation, gains fought for and won through collective bargaining.

It puts new roadblocks in the way of receiving benefits and opens additional avenues to the employer for blocking the payments made.

It would deny benefits which are payable under the present law to the retired worker, the disabled worker and the worker who seeks workmen's compensation. It increases the minimum amount required to qualify for any benefit. It requires a laid-off worker to apply for any available job no matter how unsuitable or low paid. A toolmaker could be forced to apply for a job as a sodajerk.

In order to put over their tax steal and to deny benefits to many thousands of workers receiving payments under the present law, the big corporations hope to confuse the public by offering insignificant increases in benefit amount and duration.

Their bill proposes a $2 increase for some workers by including certain non-working wives as dependents. For other workers, however, it will result in a decrease in the weekly benefit they are now receiving. In any case, a $2 increase is no answer to the inadequacy of the present weekly benefit amount. The person with 4 or more dependent children who would be the only person eligible for the proposed maximum benefit of $37—and remember less than 6 percent of beneficiaries have 4 or more children—would still suffer a weekly wage loss of more than $50.

The bill also proposes to increase duration from 20 to 26 weeks for some workers. This increase in duration does not, however, benefit many thousands of unemployed workers who are now exhausting their benefits in less than 20 weeks. In 1953, more than 46 percent of the workers fell within this category and would have received no additional weeks of benefits under this bill. Even the remaining 54 percent would not receive an additional 6 weeks. Many would only receive an additional 1, 2, or 3 weeks.

The foregoing summarizes only a few of the many restrictive and objectionable features of the bill. Additional material will be supplied later.

Insignificant benefit increases at the expense of injured and aged workers, as well as many others, are no answer to the present inadequacy of unemployment compensation benefits.

VII. What must be done to make unemployment compensation more adequate?

(*a*) Increase weekly benefits.

(*b*) Extend the duration of payments on a uniform basis for all workers.

Governor Williams has recommended increased benefits and longer duration.

President Eisenhower called upon the States to "* * * raise these dollar maximums so that the payments to the great majority of beneficiaries may equal at least half their regular earnings."

The Federal Advisory Council on Employment Security composed of representatives of industry, labor, and the general public recommended specific increases in maximum benefits which would implement the President's proposal to make available to the great majority of workers benefits equal to at least half of their regular earnings. The Advisory Council recommended that "* * * as expeditiously as possible the maximum weekly benefit in each State be raised to an amount not less than three-fifths to two-thirds of average weekly earnings in covered employment."

Both the President and the Federal Advisory Council recommend that duration be extended to 26 weeks for all unemployed workers.

Certainly nothing less than the President's recommendations as elaborated by the Federal Advisory Council can be considered adequate.

VIII. Can the State afford increased unemployment compensation benefits?

On February 1, 1954, there was $438,743,987 in the Michigan unemployment compensation fund. In 1943, employers' contributions averaged less than 1.5 percent rather than the 2.7 percent contribution rate imposed by the original act. They are probably lower in 1954. And under the proposed employer bill further reductions would be made. With their exorbitantly high profits in 1953, Michigan corporations do not need tax relief.

The minimum would be reduced from the present 1 percent to one-tenth of 1 percent.

The cost of increasing benefits to the recommended levels is small in comparison to the tax advantages afforded by the current legislative proposal.

The cost must be met from the unemployment compensation fund accumulated for this purpose. The fund must not be kept sterile while the unemployed are shifted to the relief rolls and the costs of caring for them are met through increased taxes on homeowners and small-business men.

SUMMARY OF MAJOR OBJECTIONS TO THE PROPOSED SENATE BILL ON UNEMPLOYMENT COMPENSATION INTRODUCED BY SENATOR TEAHEN (S. 1239)

1. A worker is required to apply for any job of which he has been notified by the Commission whether suitable or not and is required to answer all requests for an interview with his former employer about any available work regardless of its suitability

This is perhaps the most objectionable provision in the proposed bill.

It means that a skilled worker has to apply for an unskilled job or any job no matter how low the wage. A bookkeeper or a toolmaker would have to apply for a job at a soda fountain. The present law, on the other hand, denies benefits to a worker only if he fails to apply for suitable work when directed by the employment service.

In removing the requirement of the present law that a worker need only apply for work which is suitable, the bill permits the threat of a denial of benefits to be used to force an unemployed worker to apply for jobs which are substandard and which no reasonable person with the skills and the work history of the unemployed worker could be expected to accept.

Moreover, in requiring the worker to apply for work of which he has been notified by the employment service rather than work for which they direct him to apply, it destroys the effectiveness of the employment service to both the worker and the employer as a mechanism for bringing together jobs and suitable workers. It would result in employers who list job openings with the employment service being besieged by job applicants who are not willing and could not be expected to accept the available job.

The provision would also permit an employer to request repeatedly that a worker apply for jobs which the worker will not accept or for which the employer would not employ the worker even were he willing to accept.

While the bill states that a worker need only accept suitable work, a worker who is forced to apply for an unsuitable job and indicates the unsuitability of the job may well be held not to have made a bona fide application for the job and, therefore denied benefits.

2. It requires a worker to seek work even during periods of temporary layoffs.

This amendment requires a worker to seek work during periods of layoffs of a week or two.

The present law which requires a claimant to register for work at the State employment service and to seek work provides that in cases where a worker is laid off for a period of less than 30 days, the Michigan Employment Security Commission may waive the requirement for seeking work. This exception in the case of a short-term layoff was enacted in recognition of the fact that a worker who has been laid off for a week or two and who is awaiting recall by his regular employer will not be hired by another employer. The proposed bill, however, requires him to seek work even though it is known by both himself and the employer that he will not be hired.

The failure to engage in a meaningless search will result in a denial of benefits.

3. A worker who is laid off by his regular employer and accepts another job is disqualified and has his wage credits earned on such job canceled if he leaves in answer to a recall by his regular employer

This means if a worker is laid off, accepts another job at which he works for 8 months and then leaves when recalled by his regular employer with whom he has long seniority and other rights, such as pensions, etc., a disqualification will be imposed and his wage credits based on such work canceled. If his regular employer lays him off again after 2 weeks, he could get no benefits based on his employment with the second employer and would have little or no benefit rights based on employment with the regular employer.

The present law recognizes the reasonableness of a worker's returning to his regular job by specifically providing that no disqualification shall be imposed under such circumstances.

In effect the bill says to a worker who is temporarily laid off: If you don't look for a job, you won't get benefits. If you take a job, however, and then leave it to go back to your regular job we will impose a disqualification from receiving benefits at that point.

4. A worker in disqualified if he seeks workmen's compensation

The present law in requiring a worker to be able to work and available for work means that no benefits are now payable to the worker who is so disabled as to be unable to perform a regular job.

This proposal is aimed at the worker who is partially disabled but is still able to perform work for which he is qualified if he seeks to enforce the his rights under the workmen's compensation law.

The surviving widow of a worker killed in an occupational accident who has been working or who is forced to work because of the death of her husband could be denied unemployment compensation when she is laid off if she is seeking to enforce her rights to survivor's benefits under the workmen's compensation law.

Any worker who is hired after suffering an occupational accident would be denied the payment of unemployment compensation during layoffs while he is receiving workmen's compensation even though based on a prior accident which occurred at the plant of another employer or under the laws of another State.

This proposal can only be justified as an effort to use the threat of the denial of unemployment compensation to relieve employers of their liability under the workmen's compensation law by discouraging the filing of claims under such law.

5. It denies or reduces benefits to workers compelled to retire under pension plans

A worker who voluntarily retires under a pension plan is, under the present law, denied benefits based on wage credits earned with the employer from whom he retired. There is, however, no automatic disqualification because of receiving a pension.

Workers who are forced to retire by their employer upon reaching the automatic retirement age are entitled to unemployment compensation if able to work, available for work and seeking work.

The right of persons compelled to retire to unemployment compensation was negotiated in collective bargaining. It was agreed to by corporations supporting the Teahen bill who are now looking to the legislature to free them from commitments they made to their workers. It is taken away under this proposal.

6. It broadens the disqualification for misconduct layoffs or suspensions, to layoffs or suspensions for any good cause connected with the work

The present law limits the denial of benefits in cases of disciplinary layoffs or suspensions to situations where the worker is guilty of misconduct connected with the work. This is a much more limited basis for denial of benefits than the proposed amendment which denies benefits during the period of a disciplinary layoff if the employer has any reason therefor, even though the worker is not guilty of misconduct.

A worker who cannot meet the demands of a particular job or who violates a minor company rule has not committed misconduct connected with the work. However, the employer could be held to have "good cause" for the disciplinary suspension or layoff.

7. A worker is denied benefits during any leave of absence from work or during a vacation period for which he receives no vacation pay

The present law denies benefits to workers during vacation periods for which they receive vacation pay. Recent appeal board decisions have, however, established the right of workers to unemployment compensation if they are not entitled

to vacation pay or during periods of economic shutdown which are unilaterally designated as a vacation by the employer.

This bill would overrule these decisions, deny benefits to workers who do not receive vacation pay and permit the employer, by calling a layoff a vacation, to deny benefits to workers laid off for lack of work.

8. Retroactive pay, call-in pay, termination, and severance pay and any payments for time not worked disqualify a worker from receiving benefits. However, the bill does not make these payments wages for tax and benefit accumulation purposes

This proposed amendment reveals the biased nature of the Teahen bill. Although it states that payments such as call-in pay, severance and retroactive pay are wages for the purposes of denying a worker benefits during the period of unemployment for which he receives the payments, it does not make these payments wages for tax purposes, nor does it permit a worker to accumulate any benefit rights based on these payments.

9. It requires that to be eligible for benefits, a worker, at the time of filing his claim, be not disqualified or subject to any disqualification

This might mean that until a final decision is made by the Supreme Court as to whether a worker has committed a disqualifying act, he could not qualify for benefits during later periods of unemployment even though there is no question but that the later period is properly compensable.

10. It provides that referees' hearings shall be de novo and that the referee shall consider claims for weeks other than those involved in the appeal

This permits an employer to appeal or raise on appeal any new issue, even though not referred to in the initial determination. It means that a worker has no way of knowing at the time of an appeal what grounds will be raised by the employer for protesting the payment of benefits.

It also permits an employer at an appeal from a specific redetermination to question the right of a worker to receive benefits for other weeks not covered by the redetermination appealed from and about which no protest was made.

All these offer more technical advantages to the employer to protest the payment of benefits.

11. It requires additional determinations and notices to employers where a worker moves to a different labor market area or refuses a job with any other employer.

This means that if a worker is laid off and goes to another labor market area to seek work or refuses a job—even one which the commission recognizes as unsuitable—the commission would have to make a new determination as to whether the worker is meeting all requirements of the law before they could pay or continue to pay benefits to the claimant.

In addition to meaning delays in the payment of benefits, this offers additional opportunities to employers to protest the payment of benefits.

12. By raising the minimum eligibility requirements it cuts off from benefits the lowest paid workers

The bill raises the minimum eligibility requirement from $8 for 14 weeks to $15 for 14 weeks.

13. It changes the experience rating provisions of the present law along the lines proposed in house bill 128 vetoed by the Governor in 1953

The basic purpose of this change is to reduce the revenues of the Michigan employment security fund from those which would be collected under provisions of the present law. It permits the minimum rate of employer contribution to be reduced from 1 percent of payroll to one-tenth of 1 percent—a tax savings of 90 percent for some employers. This single feature in 1952 would have resulted in a tax saving of more than $15 million to certain employers. Other employers' contributions would be increased to offset some of these reductions.

Independent auto producers as well as other employers opposed the enactment of this provision in 1953 as favoring certain large corporations at their expense.

An additional feature of this part of the Teahen bill would require the commission to maintain separate records for each plant of an employer. This provision, which would require a complete revision of present administrative procedures, is an attempt by the corporations to transfer their bookkeeping work to the employment security commission. The additional amount of administra-

tive funds required for this purpose might better be spent to assure the prompt payment of benefits.

The above are what it takes away from workers and gives to the employers.

WHAT ABOUT THE BENEFITS IT PURPORTS TO GIVE?

1. The additional $2 benefit paid on behalf of a nonworking spouse and the increase in the maximum weekly benefit to $37

This $2 benefit is not payable to workers whose average weekly wage is less than $54.16, even though they have a nonworking wife. A claimant with a nonworking wife whose weekly wage is more than $50.50 but less than $54.16 gets an additional weekly benefit of $1. If his weekly wage is less than $50.51, he gets no additional benefit.

It is clear that workers whose wives work regularly are not eligible for this benefit. And in requiring that the spouse have been solely or principally supported by the worker for at least 90 days preceding the benefit year a worker whose spouse has worked at any time within such period might not be eligible for $2 increase.

It must also be recognized that the new maximum benefit of $37 is payable only to the worker with 4 or more children—and less than 6 percent of claimants in 1953 had 4 or more children, and that in order to qualify for this extra $2 a worker would have had to have had an average weekly wage $11 greater than now required for the maximum of $35.

In addition to the limitations on this $2 increase and the new maximum, the bill, in revising the benefit schedule, decreases the benefits which are payable under the present law to many individuals who are either totally or partially unemployed.

An unemployed worker with 4 or more children whose weekly wage is $25.75 receives a benefit of $1 less than he is now entitled to receive.

The following table shows the reduction in benefits from those paid under the present law to a partially unemployed worker with a weekly benefit rate of $27.

Earnings	Present law benefit	Proposed bill benefit
$0.00 to $6.74	$27.00	$27.00
$6.75 to $13.49	27.00	20.25
$13.50 to $20.24	13.50	13.50
$20.25 to $26.99	13.50	6.75

Thus, a partially unemployed worker with this benefit rate who earns $7 a week, for example, would receive $6.75 less than he would now receive.

Comparable reductions occur at other benefit rates.

2. The proposed increase in benefit duration of from 20 to 26 weeks

This increase in duration would not benefit all unemployed workers. It does not benefit the many thousand of unemployed workers who are now exhausting their benefits in less than 20 weeks. In 1953 more than 46 percent of those exhausting benefits fell within this category and would have received no additional weeks of benefits under this bill. Even the remaining number would not all receive an additional 6 weeks. Some of these would receive no additional weeks. Many of them would receive only 1, 2, or 3 additional weeks.

3. The payment of benefits for the waiting period week

This waiting week benefit is paid only if a worker is laid off for more than 4 weeks and if during the 4 weeks he secures a suitable full-time job with another employer.

It would not be payable if the worker returns to work with his employer (and presumably in the case of a multiplant employer at another plant or division of his employer) or if the worker gets a job when laid off for a period of less than 4 weeks. Moreover, the work which he secures must be suitable opening the way for employers to deny the waiting week benefit if a worker wants to and does accept a stopgap or lower paid job or possibly any job outside of his normal occupation.

THE PROPOSED INCREASES IN BENEFIT AMOUNT AND DURATION FALL FAR SHORT OF PRESIDENT EISENHOWER'S RECOMMENDATIONS

In any case the maximum weekly benefit proposed by the Teahen bill falls far short of the request of President Eisenhower that states: "* * * raise these dollar maximums so that the payments to the great majority of beneficiaries may equal at least half their regular earnings."

As Secretary of Labor Mitchell pointed out in his letter the Federal Advisory Council on Employment Security supported the President in recommending: "* * * that in each State the maximum weekly benefit amount should be equal to at least 60 to 67 percent of the State's average weekly wage."

The maximum of the Teahen bill would equal 30.6 percent of the State's average weekly wage for the worker with no dependents and only 42 percent for the small minority of workers with 4 or more children.

The President has also requested that the duration of unemployment compensation be extended to 26 weeks for all unemployed workers. The Teahen bill would have given 26 weeks of benefits to only a minority of the workers who exhausted their benefits last year.

It seems clear that nothing less than the recommendations of the President of the United States should be considered adequate by the legislature. A bill which falls far short of the recommendations made by President Eisenhower and which at the same time adds more legal barbed wire and booby traps to prevent unemployed workers from drawing their benefits is particularly objectionable.

FEBRUARY 24, 1954.

DETROIT FREE PRESS Sunday, Feb. 21, '54—Sec. A 9

LOST: 750,000* CONSUMERS

*There are more than 370,000 unemployed workers in Michigan, according to latest figures. They and their families add up to nearly three quarters of a million citizens who have had their buying power drastically reduced.

Unemployed workers are unemployed customers.
Unemployed customers mean goods left on the shelves... and unbought, piled-up surpluses in the barns and bins.

"UNEMPLOYMENT INSURANCE IS A VALUABLE FIRST LINE OF DEFENSE AGAINST RECESSION..."

It was the President of the United States who made the statement quoted in the line above. Thoughtful citizens must agree with him. The President called on the states to amend their unemployment compensation laws "so that the payments to the great majority of beneficiaries may equal at least half their regular earnings." The President also wants payments to continue for 26 weeks to all unemployed workers . . . not just a few! The Federal Advisory Council on Employment Security spelled out the President's proposal and recommended that maximum benefits in each state "be raised to an amount not less than 3/5 to 2/3 of average weekly earnings." Governor Williams has called for substantially increased benefits and duration. The Detroit Common Council has called on the State Legislature to carry out the President's recommendations.

Michigan needs an up-to-date, adequate, equitable unemployment compensation law. Here are some facts that every citizen should consider in determining what kind of law we must have:

- In 1939, the maximum benefit was 53% of the average worker's pay... in 1953, the maximum basic benefit was 31% of the average worker's pay.
- In 1939, an unemployed worker earning the average wage lost $14.30 a week... in 1953, an unemployed worker earning the average wage lost more than $53 a week.
- A "necessary minimum" income for a family of four, based on a Government study, is $76.39 a week in Detroit. The present maximum benefit for that family is $31.
- The gap between wages and benefits makes all business suffer... sales are down sharply already in many Michigan communities.
- Rising relief costs resulting from inadequate unemployment compensation inevitably mean higher local taxes on home owners, farmers and small business.
- $439,000,000 in Michigan's Unemployment Compensation Fund is our cushion—to maintain purchasing power and reduce the relief load.

NOW ALMOST EVERYBODY SEEMS TO AGREE...BUT...

The unemployment compensation bill which at this time appears to have the "inside track" in the Michigan legislature does not meet the President's recommendations. Its "improvements" are illusion—and its purpose is delusion. In substantial respects, it is worse than the present law. Instead of meeting the needs of Michigan's people, its commerce and agriculture, HERE'S WHAT THIS BILL WOULD DO:

1. Raid the Unemployment Compensation Fund for millions of dollars for the benefit of a few giant corporations.
2. Decrease benefits paid to thousands of workers totally and partially unemployed.
3. Set up so many eligibility hurdles that many unemployed will have to go on public relief or private charity.
4. Force skilled and other workers to apply for any kind of job... no matter how low paid... no matter how unsuitable.
5. Force injured workers to abandon claims for workmen's compensation.
6. Deprive low paid workers of any benefits by raising minimum earning requirements.
7. Deny benefits during vacation shutdowns even if the worker gets no vacation pay.
8. Disqualify workers who get back pay, call-in pay or severance pay.

Don't be fooled by this bill's phoney promises. For full details and facts on this bill . . . and the whole unemployment compensation situation, write to:

"FACT SHEET" • UAW-CIO
8000 East Jefferson, Detroit 14, Michigan

MICHIGAN...AND YOU...MUST BUILD A REAL "DEFENSE" LINE!

President Eisenhower Says:

"Unemployment insurance is a valuable first line of defense against economic recession. Benefit payments go to a worker as a matter of right and at the time he loses his income instead of as a matter of need and after he has exhausted his savings or liquidated his house and car. When set at appropriate levels they can sustain to some degree the worker's way of life as well as his demand for commodities. Thus, unemployment insurance payments can help to curb economic decline during an interval of time that allows other stabilizing measures to become effective."

And Here's How YOU CAN HELP....

Address a letter or card or wire to "HOUSE LABOR COMMITTEE," LANSING, MICHIGAN, or "SENATE LABOR COMMITTEE," LANSING, MICHIGAN. Get a message to your State Senator and Representative. The idea to get across is that YOU WANT A REAL UNEMPLOYMENT COMPENSATION BILL PASSED! SAY THAT YOU WON'T BE SATISFIED WITH ANYTHING LESS THAN WHAT THE PRESIDENT OF THE UNITED STATES HAS CALLED FOR! If you belong to a business, professional or farm organization, get your organization to WRITE or WIRE! Don't delay. Do it now. Every workingman's family . . . every farmer, every business and professional man will BENEFIT with a good law. All will suffer with a weak law. You can see to it that the weak, watered-down bills are rejected and that a good bill is passed.

State, County and City CIO Councils and the

UAW-CIO

Governor Williams Says:

"To protect Michigan's prosperity, unemployment insurance benefits must be increased. Under our existing law, the maximum benefits which an unemployed citizen can receive is $31 a week—and that is for a family with four or more children. For a family with four children that figures out to 83 cents a day per person—a sum scarcely enough in these times to keep body and soul together. To assume that Michigan families can be resigned to paying customers during layoff periods on a maximum of 83 cents a day per person is utter folly."

Mr. CAREY. They show that the representatives of the big corporations, who are supporting the Reed bill, and who are Republicans, are proposing amendments which would be very harmful and are willing to raise benefit maximums only by a miserly $2 a week allowance for the wife of an unemployed worker.

The CHAIRMAN. Are there any Democrats involved in that?

Mr. CAREY. They don't seem to become the large manufacturers in Michigan, anyway.

The CHAIRMAN. I hope you won't make this committee a cracker box for partisan discussion.

Mr. CAREY. It is not intended as such.

I am trying to show here, and I thought in diplomatic language that President Eisenhower——

The CHAIRMAN. Is that what you call diplomatic language?

Mr. CAREY. For me, Senator.

Now, President Eisenhower, leading a Republican administration, made some recommendations. I am trying to show that we cannot rely on even other Republicans, in, say, the State of Michigan, following the views expressed by President Eisenhower, in carrying out the program he suggested.

The CHAIRMAN. I am suggesting that probably you will find some Democrats among the objectors also.

Mr. CAREY. I can find more Democrats that have opposed President Eisenhower's recommendations than Republicans, I suppose.

Comparable difficulties are being encountered in New Jersey and New York, where the legislatures are likewise controlled by Republicans.

Even where maximum amounts have been raised, it has often been at the cost of oversevere disqualification provisions.

The CHAIRMAN. I would like to call your attention to the fact that this is a condition which has not developed overnight. This has been running long past the present administration, and perhaps if there is any blame, it should also be shared by the Democratic administrations who controlled legislatures and who probably still control some legislatures in this country.

Mr. CAREY. Yes, sir; and I think you will find in our testimony that we make mention of that, as well.

The CHAIRMAN. I hope so.

Senator GEORGE. It might be noted that the Democrats kept up employment, though, to a pretty high level.

The CHAIRMAN. You had to fight a couple of wars to do it, Senator George.

Go ahead

Mr. CAREY. I knew I wouldn't have to make that remark. The Senator was there.

I should like to quote a few sentences in this connection from an article on State Unemployment Insurance Legislation, 1953, in the December 1953 issue of the Social Security Bulletin, published by the United States Department of Health, Education, and Welfare. The article states:

> On balance, the amendments result in (disqualification) provisions somewhat more restrictive than those in effect before the legislative sessions * * *.
>
> The character of the new disqualification provisions is to make it more difficult for disqualified claimants to reestablish their entitlement to benefits by requiring

some reemployment and earnings as a condition for lifting the barrier. It is likely that these provisions would have the effect of completely wiping out rights under the program in periods of increased unemployment and decline in work opportunities.

In a similar manner, eligibility provisions have often been made more restrictive so that with growing unemployment, a larger percent of persons who think they are covered by unemployment insurance will find that they are denied benefits because they were not able to find work for a long enough time.

Confronted with this situation, we strongly urge that the Congress enact a minimum Federal standards bill which would require States to raise benefits and extend duration, and would prevent too severe conditions for eligibility and disqualification.

We urge that you incorporate such standards in any bill reported by your committee.

The CIO social security committee has endorsed proposals for standards which they believe are a reasonable goal for protecting workers and adding to purchasing power. Under these proposals, benefits would be payable to all unemployed individuals for a period of not less than 39 weeks. The maximum primary benefit payable under State laws would be not less than two-thirds of the State's average weekly wage or the national average weekly wage, whichever is greater, with additional amounts for dependents. Subject to this maximum, each individual's primary benefit would be not less than two-thirds of his weekly wages, plus dependents' allowances.

If your committee is not willing to go this far, we strongly urge that you recommend Federal standards at least equal to those advocated by the Federal Advisory Council to the Bureau of Employment Security and to those which President Eisenhower recommended to the States. These would mean uniform duration of 26 weeks and maximum primary benefits equal to at least three-fifths to two-thirds of average weekly wages.

Provision of adequate unemployment insurance benefits is one of the most urgent and practical steps to check and reverse recession that the Federal Government can take.

Unfortunately, the Reed bill ignores the need for raising benefits. Also unfortunately, the Reed bill would hold down benefits in the very States where unemployment is most severe.

Take, for example, the situation in Rhode Island, which has chronically had the highest rate of unemployment in the Nation due to no fault of its own but to the nature of the industries in the State. In nearly all years, Rhode Island has been charging a contribution rate of 2.7 percent from employers, about double the national average. Rhode Island's maximum is still only $25 a week, but its reserve is low because of heavy unemployment, which regularly runs above the national average. The Reed bill would require that if money were advanced to Rhode Island to meet benefit payments, the Federal tax on employers would automatically go up an additional 0.15 percent of payrolls on the second January following the date of the loan if the loan had not been repaid. Additional increases would be imposed each year.

Senator FREAR. I wonder, Mr. Carey, if in the light of this last paragraph that you have just read, would it be better, perhaps, to disperse an industry located in one section of the country, to avoid

what is happening in Rhode Island, and replace it by something else that may have an all-year-round employment.

Mr. CAREY. The condition in Rhode Island, sir, to my knowledge, is as a result of dispersal of industry, at least in part, meaning the textile industry.

Senator FREAR. Yes, but I think the source or the root of the evil probably went back to the beginning, that Rhode Island was at the present time so unfortunately situated as to have a one-industry State. Had they had a varied group of industries the effect would not have been as great as it is, today. Not saying that it can be cured overnight, or that it has developed within the last year or two, but as a general program, would it not be better that we have more diversification?

Mr. CAREY. It would be, sir, especially in the orderly expansion in American industry that has been going on for some time. It would be, of course, better to have in the State of Rhode Island some of the present expansion operations that were subsidized by the Federal Government through tax arrangements and other matters. But we would contend that, rather than wait until such time as you had an orderly expansion of industry to put all our State economies on a balanced basis, that we manage with the techniques that have been developed in this democracy of ours, to meet the present-day requirements of the people in that State. We emphasize that unemployment insurance should be used as one of the methods of meeting the conditions that grow out of some of the practices over which the States themselves had very little concern.

Senator FREAR. Since we agree that it didn't happen overnight, have there been recommendations made either by a State like Rhode Island, or operations incorporated in the employment of people, that have in effect anticipated what might happen as has happened in Rhode Island?

Mr. CAREY. There have been several excellent proposals made to meet the requirements, there, but some of those proposals get resistance. And I might suggest that none of them have been adopted.

Now, some of the resistance grows out of the fact that some employers unfortunately believe that it is good to have a pool of unemployed. They believe it is good to have more people than they have jobs, and in that fashion they can reduce standards. In that fashion, it operates against their interests. However, they produce goods for markets that are not limited to the State. Those products that are produced in, say, the State of Rhode Island, are sold in other States as well, so there are some items required in an economy such as ours to meet these adjustments, to shore it up.

I would suggest that the program of unemployment insurance, which, as we see it is largely based on an insurance pool arrangement—the wider that pool be made beyond the State of Rhode Island, the better it is for Rhode Island and the other States as well.

Senator FREAR. Was that the original concept of unemployment insurance? Was it at that time thought that it should be at the State level, but with Federal supervision recommendations at the top, when unemployment went into effect? I mean unemployment insurance came into effect.

Mr. CAREY. We had the hope that it would be a Federal-State unemployment program, and we believe the standards must be estab-

lished with proper consideration for the standards in other States as well as in that individual State. We certainly believe that in a great number of cases—perhaps in the field of education—you have to tax where the money is, you have to educate where the children are. Our concept of Government does not leave to the border States the maintenance of our Navy, or some of the other operations of our Nation that are essential to its well-being.

Senator FREAR. What I am attempting to bring out is the fact that at the time this legislation took effect, that a 3-percent tax on the payroll was an overall picture and not particularly a State picture. That is, it was not developed that Rhode Island would be in the position it is today, at the time legislation was enacted.

Do I understand from you that that is the picture? In other words, that the whole thing at the time of enactment was set up on a Federal level or a national level, but administered by the State, and that is why the 3-percent figure was made, at the time.

Mr. CAREY. That's correct, sir.

Senator FREAR. Now, then, we find ourselves in a situation where because of something—probably not attributable to the States, but there are States in which the unemployment compensation fund is nearing depletion. So it is your opinion and that of your organization that because of that, then, the assistance or the income from other States should go to the aid of Rhode Island, or other States.

Mr. CAREY. Certainly.

Mrs. ELLICKSON. Mr. Chairman, there is a point connected with Rhode Island, that I feel, having attended the hearing yesterday, ought to be expanded at this point. Yesterday, Senator George asked a question about the effect of the Reed bill, which the State administrator from Georgia answered, and I believe the answer did not clarify the situation, or, to put it more bluntly, I think it was incorrect.

You asked, Senator George, whether, if a loan has not been repaid on time, under the Reed bill, the State would still have a 2.7-percent offset against the Federal tax. I believe that was your question.

Senator GEORGE. Yes.

Mrs. ELLICKSON. Mr. Williamson, the State director of employment security from Georgia, as I understood it, stated that the 2.7-percent offset would stand unchanged. I checked this last night and found that the bill itself states that "the total credit—" and then there are some irrelevant words—"shall be reduced by 5 percent of the tax imposed by section 1600."

In other words, the 2.7 percent offset is reduced by the amount of increase in the Federal tax, which means, then, that a State such as Rhode Island, under the Reed bill, if it borrowed money, would find it would have to repay it automatically through an increase in the Federal tax which would reduce the credit against the Federal tax, or the offset for the State.

Senator FREAR. That is assuming the total tax cannot go beyond 3 percent.

Mrs. ELLICKSON. The tax would go beyond that percentage in most States because under the State laws the State taxes would go up anyhow, even if their offset were reduced. I believe 36 States have provisions which require that with low reserves, their rates will go up to

2.7 percent and the Federal tax would keep rising and rising if the loan was not repaid.

Senator FREAR. Then according to a schedule in your testimony which we probably haven't gotten up to, and perhaps I shouldn't be commenting on it, it would bring it up to 3.3 percent?

Mrs. ELLICKSON. It would depend on how many years went by.

Mr. CAREY. In further response to your question, I also refer in my testimony to the impact in Rhode Island, as follows:

A still higher tax in Rhode Island would accentuate her unemployment problem. It would be extremely difficult to improve benefits to decent levels required for the welfare of workers' families and for the maintenance of purchasing power throughout the State.

Important supporters of the Reed bill favor the requirement about raising employer taxes precisely because they wish to hold down benefits. This is revealed by a paragraph in the memorandum of the officials of the Interstate Conference of Employment Security Agencies to which I have already referred. In discussing the provision of the Reed bill for repayment of the loan through raising the Federal tax, the memorandum states:

> Belt tightening by both (labor and management) would be essential to simply getting out of trouble. If, in addition, a loan had to be repaid when the system was again solvent, further and protracted belt tightening would be required. As long as the loan didn't have to be repaid and more could be had with definite repayment strings, why cut benefit rates and raise contribution rates, et cetera. In this sense the loan without definite repayment proviso would be worse than a grant.

Rhode Island is not the only State in which harsh provisions for repayment of loans will tend to hold down benefits. The heavier the unemployment in the months and years ahead, the greater the number of States that will find that the reserves they have accumulated will be too small for making adequate unemployment insurance payments.

It would seem of the greatest importance to have estimates for each State on this very point. Such estimates should take into account possible levels of unemployment and also possible enactment of more liberal benefit provisions. At the very least, the effect of President Eisenhower's proposals should be considered.

We have asked the United States Department of Labor for current estimates of this type but have been told that none are available at the present time. We urge you, however, to seek such information and to give careful consideration to the number of States that might require help if unemployment is great and benefit provisions are adequate.

Employers will, of course, in many cases, as they are in Michigan, attempt to cut contribution rates still further. We believe that adequate benefits must be given prior consideration. Employer contribution rates should go up if this is the only way in which more adequate benefits can be obtained.

We opposed the adoption of experience rating primarily because it increases employer opposition to better benefit provisions and to claims of individual workers. Now experience rating will tend to force employer contribution rates up in bad times after cutting them in good times. Since employers have favored this arrangement, they should not complain if they must now pay the price. Nevertheless,

we are sure that they will complain and will make every effort to hold down benefits so as to minimize their taxes.

Senator FREAR. Don't you think, also, Mr. Chairman, however, that it does have some power on the employer in keeping his employees at work, more than he might ordinarily?

Mr. CAREY. We find that is not so, sir.

Senator FREAR. Is that true in Delaware?

Mr. CAREY. Yes, our experience indicates that what sounded like an excellent program to encourage continuity of employment, did not serve the purpose attributed to it.

It is easy for a utility corporation to maintain stability of employment and thereby get reductions in their tax obligations. It is extremely difficult, in the State of Delaware, as other States, when other industries are unable to do that. You are asking employers to provide stability of employment when they can't also affect the conditions under which they have to operate.

I happen to be associated with an industry that has large corporations and they are very profitable. They are multiple product corporations and multiple plant corporations. It is much easier for General Electric or Westinghouse, who manufacture thousands and thousands of items, to maintain continuity of employment, just as it is for a utility corporation. But, a leather manufacturer might have considerable difficulty, and so might textile manufacturers.

Senator FREAR. I think you mentioned one thing right there. Of course Wilmington is the center of a large leather manufacturing industry and there are several employers in Wilmington that I know of who have kept their people on working for the benefit of the unemployment contribution merit rating as we call it in Delaware. Also, I believe the nylon plant in Seaford, Del.—I don't believe that is a member of your organization, however, but I know it is true that they have kept people on when they were accumulating stocks, to continue employment for their employees.

Mr. CAREY. Senator, they may be able to for a day or two. They may be able to find other work not in the regular course of production that people can do, but you have many many corporations in the State of Delaware that supply products for corporations in other States and they could not maintain, even for the purpose of getting a better rating, employment in those shops, if they don't have a market for their goods readily available.

Now, I am not suggesting that it is a matter of a day or two, but you take the television industry where you have such a tremendous reduction in employment. There the assembly plants immediately ordered the stoppage of production of certain items produced in the State of Delaware.

Senator FREAR. I think I understand the point that you are making, Mr. Carey, but I can't agree with you, as far as it applies to the State of Delaware. I must admit that my knowledge is probably limited to the State of Delaware, and I don't know much about the overall picture, but my recollection of the employers and employees in Delaware is that this merit rating had been an incentive to the employers for the benefit of the employees, by continuous employment.

I don't want to belabor this in front of the committee because it really is a State matter perhaps, more so than the others, and I appreciate the consideration of the committee.

Mr. CAREY. At the end of the testimony, I would like Mr. Kranz to comment on that because we found that this merit rating proposition was so actively promoted by employers that we have come in contact with. Mr. Swope of the General Electric Corp., for instance. He very sincerely believed in it and we would discuss it from time to time. We couldn't quite arrive at the point where the practical application of his good ideas would prove beneficial.

Senator FREAR. I appreciate the patience of the chairman.

The CHAIRMAN. That's quite all right.

Mr. CAREY. I would like to express, if I may, appreciation to all members of the committee sitting in this particular hearing, because I know the matter is quite technical in nature. I wish this was an unimportant matter, but it is not technical to millions of people who are confronted with unemployment, and I want to say a word of appreciation in behalf of the CIO, to the chairman and the members of the committee here and giving careful attention to this extremely important question.

Employers are already attempting to hold down benefits not only in connection with changes in State laws, but in fighting claims of their former workers for benefits. Pressures on State agencies are increasing to deny claims for benefits so that the employer's account will not be charged with the money paid out. Since workers often do not know that they must appeal denials of claims within a few days, an increasing number are finding out that they have lost all right to benefits even though they had a perfectly good claim.

These evil results of experience rating are already incorporated in State laws, varying according to the particular provisions. You are being asked in the Reed bill to strengthen these unfortunate pressures on benefits through enacting a Federal requirement for forcing up employer taxes if loans are to be obtained.

2. Federal aid should be made available to States with high unemployment levels on a reasonable basis so that they can and will provide adequate benefits without risk of being unable to meet the payments. In a period of business decline, falling purchasing power, and growing unemployment, employer contribution rates should not be forced to ever-higher levels as a condition of receiving Federal aid.

The essence of insurance is pooling risk. There is every reason why the Federal Government should help States with high unemployment rates. Such high unemployment is due to the industrial structure of these States, not to any fault of their own. In this day of national markets, national corporations, and population mobility, it makes no sense to say, as the Reed bill does, that each State must be a completely separate insurance system in meeting its own unemployment load without any pooling of risk on a national basis.

Unduly high employer tax rates in one State, as compared with competitive States, add to the difficulties of the first one in maintaining employment.

In the following table we have listed 15 States to illustrate the present diversity of employer contribution rates and the possible drastic effects of the Reed bill through forcing up such rates in the next few years when unemployment may still be increasing.

The CHAIRMAN. That is on page 15 where you are reading?

Mr. CAREY. It is on the next page.

Massachusetts and Rhode Island are included in the table because they are two States where unemployment regularly runs high and where the reserve problem is difficult. The other States are included because their Senators serve on this committee. We are not implying, by including them, that they will in fact need Federal loans even if national unemployment grows very heavy. As already indicated, we believe your committee should carefully review the possible need for help of all the States if benefits are substantially improved and if unemployment becomes even heavier.

The amounts shown are all in terms of percent of payrolls and are all in addition to the present effective Federal tax of 0.3 percent. The Reed bill increases the Federal tax 0.15 percent each year if a loan is not repaid, thus doubling it after 2 years.

(A table appearing at page 17 of Mr. Carey's prepared statement follows:)

State	Average employer contribution rate 1952 (percent of payroll)	Increase in employer contribution rate if raised to 2.7 percent of payroll	Increase in employer contribution rate if Federal tax had been raised 4 times to 0.9 percent
Colorado	1.0	1.7	2.3
Delaware	.6	2.1	2.7
Georgia	1.2	1.5	2.1
Kansas	1.0	1.7	2.3
Louisiana	1.8	.9	1.5
Massachusetts	2.7	0	.6
Nebraska	.5	2.2	2.8
Nevada	1.8	.9	1.5
North Carolina	1.2	1.5	2.1
Oklahoma	1.1	1.6	2.2
Pennsylvania	1.0	1.7	2.3
Rhode Island	2.7	0	.6
Utah	1.1	1.6	2.2
Vermont	1.5	1.2	1.8
Virginia	.6	2.1	2.7

NOTE.—Amounts shown are all in addition to present effective Federal tax of 0.3 percent. The Reed bill increases this tax by 0.15 percent a year if loan is not repaid.

Mr. CAREY. Why should prospective tax increases of the kind shown in the last column be imposed as a Federal threat if States should need financial assistance? States may well prefer to build up their funds in good times and hold down taxes in bad times. The Reed bill would virtually prevent this for all States.

We believe that the Federal Government should make outright grants to States suffering from high unemployment. Sound arrangements for this purpose can be developed that will encourage the payment of adequate benefits, not place States in a straitjacket, and at the same time see to it that adequate contribution rates are maintained.

The primary concern of unemployment insurance is and should be the protection of workers. Unfortunately, the program has been perverted in many places by efforts to safeguard employers funds and hold down taxes. We believe it perfectly possible to have a sound system of grants without any more than the minimum of abuse that accompanies any type of program, whether public or private.

3. Adequate funds for effective administration of the State employment security agencies should be provided through regular congres-

sional appropriations and through a contingency fund of $25 million to $50 million to be utilized in periods of heavily increasing costs.

With adequate appropriations and a contingency fund it will be possible to maintain proper functioning of the Federal and State employment security agencies as unemployment grows. We strongly favor adequate appropriations and consider it most unfortunate that slashes by Congress in the last session caused the closing of many small local employment offices and the substitution of biweekly payments for weekly payments in many States.

The allocations to the States for the current fiscal year were about $20 million less than they would have been if the administration's budget recommendations had been approved by Congress last year. This type of experience naturally has helped to increase dissatisfaction with the present method of financing administration.

The CHAIRMAN. Let me interrupt you. Do you happen to know, or does anyone in the room know, how long Massachusetts has been running a—wait until I get the figure—how long has Massachusetts been maintaining its present rate?

Mr. CAREY. To the best of my knowledge, sir, it is 3 or 4 years.

Mrs. ELLICKSON. The average employer contribution rate was 2.7 percent in 1953, in 1952, and in 1951. However, it was lower than that in the previous years. I can give you some figures on that if you wish them.

The CHAIRMAN. Let's have them.

Mrs. ELLICKSON. In 1950, the preliminary figure was 1.9. I suppose that may have been changed slightly. For 1949 it was 1.41, and in 1948, it was 1.31.

I have these figures also for earlier years, if you want to go back.

The CHAIRMAN. Do we have any statistics that show the effect of the increase of rates on the reserves?

Mr. MURRAY. Yes, sir, we can supply those. For Massachusetts, you wanted it?

The CHAIRMAN. I wanted it for Massachusetts. If you have it broader than that, I would like to see it in Rhode Island and other distressed areas. Make it as broad as you can.

(See selected data and tables, p. 24.)

Mr. MURRAY. Yes, sir.

The CHAIRMAN. Go ahead.

Mrs. ELLICKSON. There is some other information which we have here which I think would be worth putting in the record dealing with the rate of unemployment in the different States.

The CHAIRMAN. We would like to have it.

Mrs. ELLICKSON. I have tables secured from the Bureau of Employment Security on this point. They are rather substantial, but the material is not readily available.

The CHAIRMAN. For what period of time?

Mrs. ELLICKSON. These are by year, showing the figure for each State for each month, and this is the ratio of insured unemployment to the total number covered by the program.

The CHAIRMAN. Over what period of time?

Mrs. ELLICKSON. This is for the years 1947, on.

The CHAIRMAN. I would appreciate it if you put it in the record.

Mrs. ELLICKSON. This makes clear the point that the States do differ greatly in the rate of unemployment and that the fact that certain States have low reserves is due primarily to that and not to overliberal benefit provisions.

The CHAIRMAN. I am very much interested in that statistic and I would be glad to have you put it in.

(The information referred to follows:)

State insured unemployment in selected week, 1949, as percent of average monthly covered employment [1]

Region and State	Jan. 8	Feb. 12	Mar. 12	Apr. 9	May 14	June 11	July 9	Aug. 13	Sept. 10	Oct. 8	Nov. 12	Dec. 10
Total	4.7	5.5	5.9	5.9	6.2	6.2	6.4	6.6	5.9	5.3	6.1	6.7
Region I:												
Connecticut	4.5	5.9	7.1	8.6	8.6	9.5	9.5	11.1	8.0	6.1	5.7	5.4
Maine	7.2	8.4	8.7	10.1	13.5	11.3	10.2	9.4	7.2	5.8	10 0	12.3
Massachusetts	6.1	6.2	6.6	6.8	10.5	10.6	10.4	9.5	7.9	6.0	6.7	6.7
New Hampshire	7.2	7.7	9.7	13.2	13.7	12.6	11.9	12.0	9.1	8.0	9.5	9.2
Rhode Island	8.6	9.7	10.7	17.9	23.8	22.1	15.8	13.1	12.4	8.3	7.0	7.0
Vermont	4.6	6.0	7.1	9.2	8.8	8.2	8.1	10.6	6.4	5.3	6.1	7.9
Region II:												
Delaware	2.1	2.6	2.9	2.6	2.6	2.5	2.5	3.7	3.1	3.5	3.4	3.9
New Jersey	5.1	5.4	6.2	6.3	7.3	7.6	7.5	7.4	6.5	5.8	6.7	6.9
New York	7.0	6.9	7.2	7.0	7.3	7.6	9.8	9.0	8.4	7.8	8.9	8.8
Pennsylvania	3.5	3.7	4.2	4.4	4.6	4.8	4.9	6.9	5.9	5.7	6.4	6.8
Region III:												
District of Columbia	1.7	2.5	2.6	2.4	2.0	1.8	2.0	2.0	2.1	2.0	1.9	2.0
Maryland	4.2	4.3	4.3	4.9	6.4	6.5	7.1	6.7	5.4	4.6	5.1	5.6
North Carolina	4.4	4.5	5.5	6.1	6.1	6.6	6.2	6.1	5.4	4.3	4.2	4.6
Virginia	2.7	3.4	3.7	3.6	3.8	6.5	5.3	5.4	3.6	3.1	3.1	3.6
West Virginia	3.0	4.1	4.3	4.9	5.2	5.7	6.6	8.0	6.8	6.6	7.3	6.3
Region IV:												
Kentucky	4.5	5.7	6.9	6.5	7.0	7.5	7.3	7.4	7.1	6.3	7.6	6.3
Michigan	3.7	4.9	5.8	6.1	6.0	5.1	4.5	4.4	4.1	3.6	5.3	11.4
Ohio	2.6	3.1	3.5	3.8	4.1	4.2	4.5	5.1	5.2	5.8	6.7	6.4
Region V:												
Illinois	3.3	4.0	4.4	4.6	6.3	6.8	6.9	7.1	6.3	5.4	5.7	6.0
Indiana	3.3	3.8	4.2	4.1	4.2	4.1	4.1	4.4	3.4	3.3	4.1	4.7
Minnesota	3.6	5.1	5.7	5.5	4.4	3.2	2.7	3.1	2.9	2.3	3.2	3.9
Wisconsin	2.8	3.1	3.3	3.3	3.1	3.0	2.9	3.2	3.0	2.9	4.2	5.5
Region VI:												
Alabama	3.6	4.6	5.3	5.8	6.6	7.4	7.5	8.2	7.3	6.1	7.6	5.9
Florida	4.7	4.4	4.5	4.1	4.9	5.6	7.5	8.3	7.6	6.6	5.2	4.8
Georgia	3.2	3.8	4.2	4.4	5.1	5.3	5.3	5.3	4.5	3.6	3.7	4.1
Mississippi	5.0	6.6	7.3	6.8	6.9	6.2	6.6	7.3	5.9	5.0	4.9	6.1
South Carolina	3.4	4.1	4.6	5.3	6.4	6.7	6.1	6.9	5.5	4.8	4.7	5.2
Tennessee	7.9	9.3	9.2	9.8	8.5	8.5	8.5	8.4	7.3	6.3	7.3	6.8
Region VII:												
Iowa	2.3	3.2	3.4	3.0	2.3	2.2	2.2	2.2	1.7	1.3	1.8	2.6
Kansas	2.6	4.4	4.1	3.2	2.6	2.2	2.1	2.5	2.3	2.6	3.2	3.8
Missouri	3.8	5.0	4.9	4.7	4.7	4.4	4.3	4.2	3.8	3.6	5.4	5.5
Nebraska	2.1	3.2	2.6	1.8	1.3	1.1	1.2	1.2	1.1	.9	1.3	2.2
North Dakota	3.0	5.2	5.5	4.2	1.1	.7	.7	.7	.5	.4	1.2	3.4
South Dakota	2.2	3.8	3.5	2.3	1.1	.7	.8	1.0	.7	.8	1.2	2.8
Region VIII:												
Arkansas	4.9	8.3	7.9	6.8	5.9	5.2	4.5	5.1	4.6	4.6	5.0	5.5
Louisiana	2.9	5.3	5.5	4.9	5.0	4.6	4.9	5.4	5.1	4.9	4.8	5.0
New Mexico	1.9	3.5	3.8	3.1	2.5	2.9	2.4	3.0	2.7	2.2	2.5	3.2
Oklahoma	3.6	6.2	5.8	5.2	4.8	4.8	4.6	5.7	5.2	4.6	4.5	4.9
Texas	1.3	2.0	2.4	2.4	2.2	2.0	1.9	2.0	1.9	1.6	1.6	1.7
Region IX:												
Colorado	2.2	3.0	2.9	1.7	2.9	2.5	2.6	2.5	2.2	3.1	4.1	2.8
Idaho	6.1	8.3	7.6	5.3	2.3	1.5	.9	2.8	2.8	2.6	2.3	7.0
Montana	4.0	6.6	6.4	5.4	3.0	2.2	2.2	2.2	2.1	2.0	2.8	5.0
Utah	6.3	6.8	5.1	3.3	2.3	1.9	2.7	3.5	3.5	4.2	4.5	4.4
Wyoming	1.7	3.2	2.9	2.1	1.3	1.3	1.1	1.1	1.0	.9	1.7	2.3
Region X:												
Arizona	4.4	6.2	6.6	5.7	4.7	4.9	4.8	6.4	5.9	5.1	5.1	5.4
California	8.8	11.4	12.2	11.5	10.4	9.8	9.3	8.9	7.7	7.0	8.0	9.4
Nevada	5.4	8.3	7.4	6.1	4.7	3.9	4.7	5.3	5.5	4.9	6.3	7.3
Oregon	9.1	12.8	10.9	7.0	4.3	3.3	4.6	5.7	5.7	6.0	7.5	10.8
Washington	9.6	11.9	9.8	7.4	5.3	4.3	4.3	6.2	6.2	6.2	9.2	11.2

[1] Average monthly covered employment for 12 months ending Dec. 31, 1948.

Source: U. S. Department of Labor, Bureau of Employment Security, USES, Division of Reports and Analysis.

State insured unemployment in selected week, 1950, as percent of average monthly covered employment

Region and State	Jan. 14 [1]	Feb. 11 [1]	Mar. 11 [1]	Apr. 8 [2]	May 13 [2]	June 10 [3]	July 8 [3]	Aug. 12 [3]	Sept. 9 [3]	Oct. 14 [4]	Nov. 11 [4]	Dec. 9 [4]
Total	7.3	7.1	6.7	5.9	5.4	5.0	4.6	3.5	2.9	2.5	2.7	3.2
Region I:												
Connecticut	6.9	6.1	5.8	4.7	4.5	4.2	4.1	3.4	2.1	1.9	1.7	1.8
Maine	12.5	11.4	10.9	11.4	12.6	9.0	7.2	4.6	3.5	3.7	6.4	7.7
Massachusetts	7.1	6.3	5.6	8.2	8.8	8.2	7.0	4.4	3.5	2.6	2.9	3.4
New Hampshire	10.4	9.8	9.1	12.8	12.4	11.2	9.6	7.5	6.1	4.7	5.3	5.6
Rhode Island	8.4	7.2	6.5	6.3	15.0	13.1	9.3	6.8	4.4	2.9	2.9	4.0
Vermont	9.7	8.8	7.6	6.9	6.7	5.9	5.9	4.0	2.3	2.0	2.3	2.9
Region II:												
Delaware	4.1	4.1	4.0	3.0	2.6	2.2	2.1	1.4	.9	1.2	.8	1.2
New Jersey	8.1	7.1	6.9	6.6	6.4	5.9	4.8	3.9	2.8	2.8	3.1	3.3
New York	8.8	7.8	7.5	7.0	6.3	7.1	8.0	5.9	5.4	5.3	6.0	5.8
Pennsylvania	6.8	6.1	6.5	5.0	4.4	4.1	3.6	3.0	2.2	2.0	2.0	2.6
Region III:												
District of Columbia	2.1	3.0	3.2	2.8	2.0	1.9	1.9	1.6	1.4	1.2	1.3	1.2
Maryland	5.7	5.3	4.7	4.7	5.3	5.0	4.3	3.3	2.1	1.5	1.4	1.9
North Carolina	4.8	5.1	5.4	5.5	5.9	5.9	5.3	3.4	2.8	2.0	2.3	2.8
Virginia	4.1	4.4	4.3	3.4	3.6	5.1	4.7	3.1	1.8	1.1	1.1	1.5
West Virginia	7.4	6.8	7.2	5.4	5.8	6.9	5.9	4.8	3.9	2.9	2.6	3.7
Region IV:												
Kentucky	6.4	8.0	8.0	6.6	6.6	6.1	5.4	4.3	3.6	2.9	3.4	3.7
Michigan	5.7	6.0	6.2	5.3	2.8	1.7	1.6	1.1	1.3	.9	1.2	2.7
Ohio	7.1	6.7	6.3	5.1	3.9	3.2	3.0	2.1	1.7	1.4	1.4	1.7
Region V:												
Illinois	6.9	6.3	6.1	5.0	6.5	6.0	5.2	4.9	3.4	2.5	2.5	3.0
Indiana	4.6	4.2	4.1	3.1	2.2	1.8	1.6	1.1	1.0	1.8	.8	1.4
Minnesota	6.1	7.3	7.2	6.3	4.5	2.7	2.1	1.7	1.3	1.0	1.2	1.9
Wisconsin	4.6	4.0	3.4	3.0	1.8	1.4	1.2	1.0	.9	.6	1.1	1.3
Region VI:												
Alabama	6.0	6.8	6.9	5.8	6.1	5.9	5.4	4.5	3.8	3.1	3.1	3.4
Florida	5.2	4.4	4.0	3.6	3.9	3.9	4.9	5.2	4.7	3.7	3.0	2.6
Georgia	4.3	5.1	4.9	4.4	4.5	4.3	3.9	2.6	1.9	1.5	1.7	2.5
Mississippi	8.4	10.6	9.8	8.3	7.3	6.2	5.9	4.7	3.6	2.8	2.9	4.1
South Carolina	5.0	5.0	4.9	4.7	4.8	4.9	5.9	3.9	3.4	2.9	2.7	2.8
Tennessee	8.9	9.5	8.5	8.3	8.0	7.4	6.0	4.0	3.9	2.9	3.4	4.4
Region VII:												
Iowa	4.4	4.6	4.2	3.0	1.9	1.6	1.5	1.1	1.2	.7	.8	.9
Kansas	6.5	7.1	6.2	4.7	2.9	2.4	2.1	1.9	1.3	1.1	1.3	1.9
Missouri	6.1	6.4	5.8	4.9	4.9	4.2	3.6	2.5	2.0	2.1	2.4	3.2
Nebraska	4.8	5.9	5.7	3.8	2.2	1.6	1.3	.9	.6	.5	.5	1.0
North Dakota	8.4	11.1	11.1	9.0	5.9	1.8	.9	.8	.6	.4	.4	2.0
South Dakota	5.6	7.0	6.0	4.3	2.2	1.0	.8	.7	.6	.5	.7	1.6
Region VIII:												
Arkansas	9.0	10.9	9.6	7.9	7.2	5.4	4.3	4.0	3.3	2.3	2.6	3.6
Louisiana	6.0	8.1	7.4	6.5	5.8	5.1	4.7	4.2	3.4	2.7	2.6	2.9
New Mexico	5.1	5.6	5.3	3.9	3.1	2.5	2.1	1.9	1.4	1.1	1.2	1.6
Oklahoma	7.3	7.9	7.4	6.1	5.6	4.9	4.2	3.8	3.2	2.6	2.7	3.2
Texas	2.4	3.0	3.2	2.7	2.5	2.2	1.9	1.4	1.1	.9	.9	1.0
Region IX:												
Colorado	4.3	4.1	3.9	1.9	3.0	2.6	2.7	1.8	1.3	1.0	1.0	1.3
Idaho	12.5	14.6	11.6	7.7	3.7	1.9	1.9	1.6	1.2	1.9	1.6	3.9
Montana	11.1	13.6	12.5	9.9	5.0	2.7	2.0	1.5	1.1	1.1	1.5	3.2
Utah	8.1	9.0	7.5	5.1	3.5	2.6	3.1	1.8	1.5	1.2	1.4	1.7
Wyoming	5.2	7.1	6.2	4.2	2.6	1.8	1.3	.9	.6	.5	.6	1.3
Region X:												
Arizona	6.5	6.7	5.8	4.6	4.1	3.5	3.6	3.5	3.0	2.6	2.5	2.7
California	11.5	11.7	11.2	9.6	8.2	7.4	6.4	4.8	3.8	3.2	3.8	5.0
Nevada	10.3	9.5	9.3	7.6	5.7	4.7	4.5	3.6	3.6	2.9	3.3	4.2
Oregon	17.3	19.6	12.2	8.0	4.5	2.8	3.2	2.6	2.2	2.3	4.2	5.7
Washington	16.2	16.5	11.4	8.2	4.8	3.6	3.2	2.7	2.3	2.3	3.4	4.9

[1] Based on average covered employment for 12 months ending March 1949.
[2] Based on average covered employment for 12 months ending June 1949.
[3] Based on average covered employment for 12 months ending December 1949.
[4] Based on average covered employment for 12 months ending March 1950.

Source: U. S. Department of Labor, Bureau of Employment Security, USES, Division of Reports and Analysis.

State insured unemployment in selected weeks, 1951, as percent of average monthly covered employment

Region and State	Jan. 13 [1]	Feb. 10 [1]	Mar. 10 [2]	Apr. 14 [2]	May 12 [2]	June 9 [3]	July 14 [3]	Aug. 11 [3]	Sept. 8 [3]	Oct. 13 [4]	Nov. 10 [4]	Dec. 8 [4]
Total	3.8	3.4	2.9	2.9	3.0	3.0	3.2	3.0	2.7	2.6	2.7	3.0
Region I:												
Connecticut	2.5	2.0	1.7	1.8	2.1	2.1	2.6	3.0	2.5	2.3	2.1	1.8
Maine	6.3	5.1	4.2	7.0	8.1	6.6	5.5	4.6	5.2	3.8	5.1	6.4
Massachusetts	3.8	3.0	2.6	3.7	4.7	4.4	4.0	3.7	3.9	3.7	3.6	3.4
New Hampshire	5.0	4.0	3.3	5.6	8.3	6.9	5.9	5.5	6.5	5.8	7.0	6.6
Rhode Island	4.9	4.2	4.8	5.2	8.6	9.4	9.6	9.1	10.0	9.6	7.4	7.1
Vermont	3.2	2.2	1.8	2.3	2.5	2.2	2.9	2.5	2.5	3.2	2.9	3.3
Region II:												
Delaware	2.1	1.8	1.3	1.0	1.2	1.1	1.1	1.3	.9	1.0	1.0	1.2
New Jersey	4.4	3.4	2.9	3.3	3.9	3.8	3.6	3.4	3.2	3.8	3.1	3.1
New York	5.5	4.2	3.8	4.3	4.5	5.4	5.2	4.5	4.2	4.3	4.3	4.6
Pennsylvania	3.1	2.5	2.2	2.6	2.5	2.4	2.8	2.8	2.7	2.4	2.5	2.6
Region III:												
District of Columbia	1.6	1.8	1.3	1.0	.8	.7	.7	.7	.6	.6	.6	.7
Maryland	2.6	2.2	1.6	2.1	2.2	2.1	2.2	1.5	1.3	1.1	1.3	1.4
North Carolina	2.9	2.8	2.8	3.0	3.7	4.0	5.0	5.0	4.7	3.6	3.8	3.8
Virginia	1.7	1.7	1.4	1.1	1.6	2.3	2.8	2.2	1.7	1.2	1.3	1.3
West Virginia	4.1	4.0	3.1	3.1	2.9	2.8	3.3	2.8	2.3	2.3	2.2	2.7
Region IV:												
Kentucky	3.7	4.2	4.0	4.6	4.9	4.5	4.3	3.9	3.6	3.2	3.8	3.7
Michigan	4.1	2.7	2.1	1.8	1.9	2.4	2.9	4.3	2 8	3.1	3.2	3.8
Ohio	2.1	2.2	1.5	1.3	1.3	1.3	1.5	1.5	1.4	1.5	1.6	1.7
Region V:												
Illinois	3.6	3.2	2.4	3.2	3.5	3.4	3.5	3.2	2.8	2.4	2.3	2.4
Indiana	1.7	1.8	1.3	1.6	2.0	1.9	2.4	2.5	1.9	1.3	1.5	2.0
Minnesota	3.5	4.1	3.9	3.5	2.4	1.3	1.4	1.2	1.0	1.1	1.2	2.0
Wisconsin	2.0	2.5	1.4	1.1	.8	.7	1.0	1.0	.8	1.0	1.7	1.6
Region VI:												
Alabama	3.8	3.7	3.6	3.5	3.2	3.3	3.5	3.4	3.0	2.7	4.3	3.0
Florida	3.3	2.4	2.0	1.8	2.3	2.5	4.3	4.4	4.4	3.5	2.7	2.3
Georgia	2.9	2.4	2.0	2.3	2.6	3.0	3.1	2.8	2.9	2.2	2.3	2.5
Mississippi	5.8	7.0	4.9	4.3	3.8	3.7	4.7	4.1	3.9	2.7	3.5	4.4
South Carolina	2.9	2.8	2.4	2.3	2.5	2.7	3.9	3.3	3.0	2.6	2.9	3.0
Tennessee	5.3	5.9	4.8	4.5	4.2	4.6	5.9	4.6	5.8	4.1	5.0	5.2
Region VII:												
Iowa	2.1	2.2	1.9	1.4	1.1	.9	1.0	.8	.7	.7	.7	.9
Kansas	2.6	2.8	2.2	1.6	1.0	.9	1.4	2.0	1.2	1.0	1.2	1.3
Missouri	3.2	3.1	2.7	2.8	2.7	2.5	2.5	2.1	2.4	3.0	2.8	3.3
Nebraska	2.4	2.9	2.5	1.4	.8	.5	.4	.4	.4	.3	.4	.7
North Dakota	5.0	6.7	6.8	4.5	1.2	.5	.4	.4	.3	.3	.6	2.6
South Dakota	3.9	4.6	4.3	2.3	.8	.5	.4	.4	.3	.3	.5	1.0
Region VIII:												
Arkansas	5.3	6.0	4.7	4.2	3.6	2.6	2.7	2.5	2.3	1.8	2.9	3.8
Louisiana	4.2	5.3	4.5	4.2	4.0	3.4	3.7	3.4	2.8	2.5	2.3	2.7
New Mexico	2.1	2.5	2.3	1.7	1.3	1.0	1.1	.9	1.0	.7	.8	1.2
Oklahoma	4.0	4.4	4.1	3.4	2.9	2.6	2.4	2.3	2.1	1.7	2.2	2.6
Texas	1.1	1.2	1.1	1.0	.9	.8	.8	.8	.7	.6	.7	.8
Region IX:												
Colorado	1.6	1.6	1.2	1.2	.9	.8	.7	.6	.4	.3	.4	.6
Idaho	7.0	7.0	5.6	2.3	1.0	.9	1.2	1.1	.9	.7	1.5	3.4
Montana	6.0	7.7	7.4	4.2	2.3	1.2	.8	.6	.7	.6	1.0	2.2
Utah	3.2	3.8	3.2	2.1	1.5	1.2	1.3	1.2	1.0	.9	1.1	1.8
Wyoming	2.7	3.5	3.1	1.6	.9	.6	.4	.4	.3	.3	.4	.9
Region X:												
Arizona	3.1	3.2	2.8	2.2	2.1	1.8	1.8	1.8	2.3	1.5	1.7	2.2
California	5.9	5.4	5.2	4.3	4.1	3.8	3.4	2.9	2.6	2.3	2.5	3.8
Nevada	5.1	5.6	4.9	3.5	2.8	2.0	1.8	1.7	1.3	1.5	2.1	3.5
Oregon	7.2	7.1	6.9	2.8	1.8	1.2	2.0	1.8	2.1	2.1	3.3	5.5
Washington	6.2	6.3	5.9	3.1	1.9	1.4	1.8	2.0	2.0	2.0	2.8	4.7

[1] Based on average monthly covered employment for 12 months ending June 1950.
[2] Based on average monthly covered employment for 12 months ending September 1950.
[3] Based on average monthly covered employment for 12 months ending December 1950.
[4] Based on average monthly covered employment for 12 months ending March 1951.

Source: U. S. Department of Labor, Bureau of Employment Security, Division of Reports and Analysis.

Ratio of insured unemployment [1] in each census survey week in 1947 to average covered employment [2] in 1946, by State

	Ratio (percent), week ended—											
	Jan. 11	Feb. 8	Mar. 8	Apr. 12	May 10	June 14	July 12	Aug. 9	Sept. 13	Oct. 11	Nov. 8	Dec. 13
Total [3]	3.7	3.7	3.8	3.7	3.8	3.9	3.9	3.6	2.9	2.4	2.4	2.6
Region I:												
Connecticut	1.5	1.8	2.0	2.0	2.4	2.8	3.4	2.9	2.3	1.7	1.4	1.5
Maine	4.7	5.0	5.2	6.1	7.6	7.2	5.0	4.1	2.2	2.0	1.9	3.3
Massachusetts	3.8	3.9	3.8	4.6	5.7	6.3	5.7	4.9	3.6	2.7	2.3	2.7
New Hampshire	2.1	2.1	2.9	3.9	5.3	5.6	4.6	4.2	2.8	2.3	2.0	2.4
Rhode Island	3.2	3.0	3.7	6.4	8.8	7.2	2.5	7.5	6.1	4.5	3.5	4.1
Vermont	1.6	1.9	2.4	3.2	3.6	4.1	3.6	2.9	1.8	1.7	1.6	1.9
Region II:												
New Jersey	4.9	4.6	5.0	5.2	5.6	5.6	5.8	4.9	4.0	3.7	3.7	3.7
New York	4.9	4.6	4.8	5.1	5.3	6.2	6.5	5.5	4.8	4.4	4.6	4.1
Region III:												
Delaware	2.6	3.1	3.4	2.4	2.0	1.9	2.1	1.6	1.1	1.0	.8	1.2
Pennsylvania	2.9	2.8	3.8	3.2	3.2	3.6	3.2	2.9	2.4	1.7	1.5	1.8
Region IV:												
District of Columbia	1.8	2.2	2.5	2.0	1.7	1.5	1.5	1.7	1.4	1.4	1.4	1.4
Maryland	2.2	2.5	2.6	2.3	2.9	3.2	3.4	2.4	1.8	1.5	1.3	1.6
North Carolina	1.9	1.8	2.2	2.4	2.9	3.6	4.0	2.6	1.8	1.3	1.0	1.4
Virginia	1.3	1.6	1.9	1.7	1.5	3.1	3.1	2.3	1.4	.8	.8	1.0
West Virginia	3.9	4.3	4.6	4.0	3.5	3.3	3.4	3.3	2.5	2.1	2.0	2.0
Region V:												
Alabama	3.5	3.4	3.3	2.9	3.3	3.8	4.0	4.3	3.8	2.5	2.2	2.6
Florida	3.7	3.3	3.8	3.5	4.0	4.0	5.5	5.0	4.2	3.7	2.9	2.9
Georgia	2.1	2.5	2.7	2.5	2.8	3.2	3.4	3.0	2.3	1.9	1.7	1.6
Mississippi	3.1	3.8	3.4	2.8	2.5	3.0	4.0	3.1	2.6	2.1	1.8	2 4
South Carolina	1.8	2.0	2.0	1.9	2.0	2.1	2.4	2.4	2.0	1.6	1.4	1.7
Tennessee	5.1	5.6	5.7	6.5	6.0	5.8	6.0	5.0	4.2	3.6	3.7	3.8
Region VI:												
Kentucky	3.3	3.1	3.2	3.1	3.5	3.7	4.0	3.7	2.8	2.2	2.0	2.0
Michigan	4.4	4.0	3.1	2.5	2.6	2.5	2.6	4.4	2.7	2.8	1.9	2.0
Ohio	2.0	1.2	1.7	1.5	1.4	1.5	1.5	1.5	1.3	1.1	1.0	1.2
Region VII:												
Illinois	3.2	3.0	2.9	3.1	3.1	3.3	3.6	3.1	2.4	2.1	1.8	1.9
Indiana	2.0	1.7	1.8	1.4	1.5	1.4	1.9	2.2	1.1	1.0	1.1	1.3
Wisconsin	1.4	1.2	1.0	.9	.8	.8	.8	.8	.7	.6	.6	.8
Region VIII:												
Minnesota	2.2	2.5	2.6	2.4	1.9	1.5	1.4	1.3	.9	.7	.7	1.3
Montana	3.5	4.5	4.5	3.5	2.4	1.5	1.3	1.1	.9	.9	1.1	2.1
North Dakota	3.6	4.1	4.3	2.5	1.3	.7	.6	.6	.4	.3	.2	1.3
South Dakota	1.8	1.9	2.1	1.5	.9	.7	.5	.5	.4	.4	.4	1.0
Region IX:												
Iowa	1.9	2.2	2.2	1.9	1.4	1.3	1.3	1.1	.8	.7	.7	1.1
Kansas	4.3	4.3	4.1	3.4	2.8	2.3	2.1	2.1	1.6	1.6	1.6	2.2
Missouri	4.8	5.0	5.0	4.7	4.6	4.3	4.1	3.8	3.1	2.5	2.3	2.6
Nebraska	2.2	2.7	2.7	1.9	1.3	.9	.9	.7	.6	.6	.6	.9
Region X:												
Arkansas	5.1	5.3	4.6	3.9	3.7	2.9	2.7	3.5	3.1	2.5	2.5	3.1
Louisiana	3.5	4.3	4.0	3.9	3.3	3.0	3.3	3.0	2.3	2.1	2.1	2.1
Oklahoma	5.9	6.0	5.6	4.9	4.0	3.9	3.6	3.4	2.9	2.6	2.5	2.6
Texas	2.0	2.0	2.0	1.9	1.7	1.6	1.5	1.4	1.2	.9	.8	.9
Region XI:												
Colorado	1.3	1.5	1.6	1.2	1.3	1.4	1.3	1.3	.8	.6	.6	.8
New Mexico	1.6	2.1	2.0	1.7	1.5	1.2	1.1	1.1	.8	.7	.8	1.3
Utah	3.5	4.1	3.5	2.3	1.8	1.4	1.8	2.1	1.8	1.6	2.5	2.6
Wyoming	1.3	1.8	1.8	1.4	1.1	.7	.7	.6	.4	.3	.4	.7
Region XII:												
Arizona	3.1	3.7	3.8	3.6	3.6	2.5	2.9	3.5	3.0	2.6	2.6	2.9
California	7.1	7.6	7.6	8.0	7.6	7.2	6.4	5.8	5.2	4.0	4.3	5.4
Nevada	3.0	4.1	4.3	3.7	3.6	2.9	2.9	2.9	2.6	2.6	2.9	3.8
Region XIII:												
Idaho	2.7	4.6	4.5	3.3	2.4	1.9	.9	1.7	1.2	.9	1.1	3.2
Oregon	5.9	7.2	6.4	4.9	4.0	2.7	3.2	3.0	2.4	2.5	3.8	4.9
Washington	11.2	8.8	8.5	6.1	4.9	3.5	3.2	4.2	3.7	3.3	4.1	6.2

[1] Based on average monthly covered employment for 12 months ending June 1950.
[2] Based on average monthly covered employment for 12 months ending September 1950.
[3] Excludes Alaska and Hawaii, data not available.

Ratio of insured unemployment [1] in each census survey week in 1948 to average covered employment [2] in 1947, by State

	Ratio (percent) week ended—											
	Jan. 10	Feb. 14	Mar. 13	Apr. 10	May 8	June 12	July 10	Aug. 14	Sept. 11	Oct. 9	Nov. 13	Dec. 11
Total [3]	3.1	3.5	3.3	3.4	3.4	3.3	3.2	2.9	2.6	2.4	2.9	3.5
Region I:												
Connecticut	2.4	2.5	2.3	2.5	2.8	3.0	3.9	3.4	2.6	2.2	2.8	3.1
Maine	4.8	4.6	4.5	6.9	7.8	6.0	4.3	3.8	2.8	2.9	5.0	6.2
Massachusetts	3.6	3.5	3.3	4.3	5.0	4.9	4.8	3.7	3.6	2.5	3.7	4.4
New Hampshire	2.8	3.4	3.9	5.1	5.5	4.9	3.9	4.0	3.5	3.8	5.7	5.9
Rhode Island	4.2	4.2	4.0	6.3	9.2	7.9	8.5	6.7	7.0	5.0	6.9	7.0
Vermont	2.5	3.3	3.4	3.6	2.9	3.2	2.9	2.8	2.0	2.1	2.4	2.9
Region II:												
New Jersey	4.4	4.5	4.6	4.5	4.5	4.2	4.1	3.4	2.9	2.9	3.2	3.8
New York	4.3	4.3	4.3	4.6	4.7	4.9	5.6	4.7	4.5	4.6	5.3	5.8
Region III:												
Delaware	1.7	2.6	2.2	1.6	1.5	1.3	1.2	1.2	1.0	1.1	1.0	1.5
Pennsylvania	2.4	2.7	2.4	2.5	2.3	2.0	2.0	2.0	1.8	1.5	1.9	2.3
Region IV:												
District of Columbia	1.6	2.2	2.4	2.0	1.7	1.5	1.3	1.3	1.3	1.2	1.3	1.4
Maryland	2.4	2.7	2.3	2.6	2.9	2.6	2.7	2.3	1.7	1.5	1.8	2.3
North Carolina	1.6	2.3	2.3	2.7	2.4	2.7	3.0	2.3	2.1	2.1	2.5	3.2
Virginia	1.2	2.0	1.9	1.5	1.3	2.8	2.3	1.7	1.2	1.1	1.4	2.0
West Virginia	2.1	3.5	3.1	2.5	2.4	2.1	1.8	2.0	1.8	1.9	1.9	2.4
Region V:												
Alabama	2.7	2.8	3.0	2.8	2.9	2.8	2.8	3.4	3.2	2.8	2.7	3.2
Florida	3.4	3.0	3.2	3.0	3.0	3.4	4.9	5.2	4.4	3.6	3.1	3.4
Georgia	1.7	1.9	2.1	2.1	2.3	2.4	2.3	2.1	1.8	1.6	2.0	2.5
Mississippi	2.5	4.1	3.8	3.0	2.8	2.4	2.9	3.1	2.7	2.3	2.7	3.5
South Carolina	1.6	2.2	2.0	1.8	1.8	2.0	2.3	2.4	2.4	2.3	2.4	2.9
Tennessee	3.8	4.9	4.9	4.5	4.4	4.5	4.4	4.5	4.1	4.0	4.2	5.5
Region VI:												
Kentucky	2.2	3.0	3.1	2.8	3.0	2.7	2.5	2.1	2.5	2.7	2.7	3.4
Michigan	3.0	4.2	3.2	3.2	3.4	2.1	1.8	2.4	1.8	1.6	1.9	2.3
Ohio	1.5	1.9	1.6	1.7	1.6	1.3	1.4	1.3	1.1	1.0	1.2	1.6
Region VII:												
Illinois	2.7	2.3	2.5	3.2	3.6	3.5	3.3	3.0	2.5	2.1	2.1	2.3
Indiana	1.8	2.4	2.0	2.0	1.9	1.6	1.7	1.9	1.3	1.1	1.7	2.0
Wisconsin	1.2	1.5	1.4	1.1	1.0	.8	.8	.8	1.1	.7	.9	1.5
Region VIII:												
Minnesota	2.1	2.6	2.8	2.8	2.2	1.6	1.5	1.5	1.3	1.2	1.2	2.1
Montana	3.1	4.2	3.2	2.8	1.7	1.2	1.4	1.7	1.4	1.3	3.4	4.7
North Dakota	2.1	2.8	3.1	2.2	.8	.3	.3	.3	.3	.2	.2	1.6
South Dakota	1.3	2.3	2.2	1.3	.6	.4	.4	.4	.3	.3	.4	.9
Region IX:												
Iowa	1.6	2.0	2.1	1.6	1.3	1.1	1.1	1.0	.8	.8	.9	1.2
Kansas	2.7	3.7	3.7	2.3	1.8	1.5	1.7	1.4	1.1	1.1	1.3	1.8
Missouri	3.0	3.5	3.6	3.5	3.4	3.1	2.8	2.9	2.4	2.1	2.4	3.2
Nebraska	1.5	2.0	2.1	1.3	.9	.8	.7	.7	.6	.5	.5	1.0
Region X:												
Arkansas	4.9	5.4	5.4	4.0	3.2	2.6	2.2	2.4	1.9	1.5	1.8	2.9
Louisiana	2.5	4.1	3.8	3.1	2.8	2.5	2.6	2.4	2.0	1.9	2.0	2.5
Oklahoma	3.4	4.7	4.7	3.9	3.4	2.9	2.8	2.4	2.2	1.8	2.3	2.9
Texas	1.0	1.3	1.4	1.3	1.1	.9	.9	.8	.7	.6	.7	.9
Region XI:												
Colorado	1.1	1.6	1.8	1.3	1.5	1.3	1.2	1.1	.8	.6	1.0	1.5
New Mexico	1.7	2.0	2.3	1.8	1.4	1.0	1.2	.9	.8	.7	1.0	1.4
Utah	3.1	4.2	3.2	2.8	1.7	.9	1.4	1.7	1.4	1.3	3.4	4.7
Wyoming	1.1	1.9	1.8	1.3	.9	.6	.5	.5	.4	.4	.5	1.0
Region XII:												
Arizona	2.8	3.3	3.2	3.0	2.8	2.3	2.4	2.6	2.9	2.7	2.9	3.4
California	6.3	6.6	7.0	7.4	6.9	7.4	6.0	5.5	5.0	4.7	6.5	7.3
Nevada	4.2	5.3	5.0	4.4	3.7	2.8	2.5	2.4	2.2	2.5	3.5	3.9
Region XIII:												
Idaho	4.0	4.7	4.5	3.5	1.9	.9	.9	1.0	.8	.6	.8	3.0
Oregon	5.7	6.1	4.7	4.0	3.2	2.6	2.5	2.2	1.9	2.2	4.2	5.9
Washington	6.7	7.3	6.2	5.1	4.7	3.8	2.7	3.2	3.1	3.5	4.5	6.7

[1] Based on average monthly covered employment for 12 months ending June 1950.
[2] Based on average monthly covered employment for 12 months ending September 1950.
[3] Excludes Alaska and Hawaii; data not available.

State insured unemployment in selected weeks, 1952, as percent of average monthly covered employment [1]

State	Jan. 12	Feb. 9	Mar. 8	Apr. 12	May 10	June 14
Total	4.2	3.8	3.6	3.4	3.2	3.0
Alabama	3.8	3.6	3.6	3.4	3.9	4.9
Arizona	2.5	2.8	2.7	2.3	1.7	1.3
Arkansas	6.7	6.9	6.8	5.3	3.3	2.5
California	5.2	5.5	5.5	4.7	4.2	3.6
Colorado	1.2	1.2	1.3	.9	.9	1.0
Connecticut	2.5	2.3	2.1	2.2	2.2	2.1
Delaware	1.9	1.7	1.5	1.3	1.1	.8
District of Columbia	1.1	1.4	1.3	1.1	.9	.7
Florida	2.7	2.3	2.1	1.8	2.1	2.3
Georgia	3.4	2.8	2.7	2.7	2.4	2.8
Idaho	8.2	8.6	7.7	3.2	1.7	.7
Illinois	3.3	2.8	2.4	2.8	3.2	3.5
Indiana	2.7	2.5	2.2	2.0	1.8	1.8
Iowa	2.3	2.5	2.4	1.7	1.5	1.1
Kansas	2.3	2.0	2.1	1.6	1.1	.9
Kentucky	4.9	4.7	5.0	5.0	5.0	5.5
Louisiana	4.0	4.5	5.1	4.0	3.8	3.2
Maine	6.0	5.2	5.8	9.2	8.6	4.9
Maryland	2.4	2.1	1.8	2.1	2.5	2.1
Massachusetts	4.5	4.2	4.0	5.0	5.1	4.6
Michigan	5.3	4.6	3.9	2.8	2.0	1.6
Minnesota	4.0	4.6	4.7	4.4	2.9	1.6
Mississippi	6.0	6.6	6.9	5.6	4.8	4.1
Missouri	3.5	2.9	2.7	2.5	2.2	1.7
Montana	5.5	6.6	6.1	3.8	1.6	.9
Nebraska	2.6	3.4	2.7	1.7	1.0	.6
Nevada	4.8	5.3	4.4	3.2	2.5	1.6
New Hampshire	6.1	5.4	5.3	7.5	7.1	5.9
New Jersey	5.1	3.7	3.9	3.6	3.8	3.3
New Mexico	2.3	2.5	2.6	2.1	1.7	1.2
New York	5.5	4.8	4.6	4.6	4.5	4.2
North Carolina	4.5	4.0	4.3	4.2	4.5	4.0
North Dakota	5.8	7.9	7.7	5.4	1.0	.4
Ohio	2.2	2.1	2.0	1.7	1.6	1.5
Oklahoma	3.6	3.9	3.8	3.3	2.9	2.4
Oregon	9.9	8.7	7.3	4.2	3.0	1.5
Pennsylvania	4.2	3.5	3.4	3.5	3.5	4.0
Rhode Island	9.0	7.9	7.5	7.6	8.1	7.7
South Carolina	4.2	3.7	3.5	3.2	3.3	2.9
South Dakota	3.1	3.5	3.6	2.5	.8	.4
Tennessee	6.8	7.2	7.4	5.0	4.2	5.2
Texas	1.0	1.2	1.2	1.1	1.0	.9
Utah	3.8	4.2	4.2	2.8	1.5	2.2
Vermont	4.7	3.8	3.7	3.5	4.0	5.9
Virginia	2.1	1.8	1.7	1.3	1.6	3.2
Washington	9.0	7.7	6.1	4.0	3.0	2.3
West Virginia	4.4	4.1	3.9	3.9	4.4	4.8
Wisconsin	2.8	2.4	2.1	1.7	1.3	1.0
Wyoming	2.2	2.8	2.6	1.6	.9	.7

[1] Average monthly covered employment for the most recent preceding 12-month period for which data are available.

State insured unemployment in selected weeks, 1952, as percent of average monthly covered employment [1]—Continued

State	July 12	Aug. 9	Sept. 13	Oct. 11	Nov. 8	Dec. 13
Total	3.4	3.4	2.0	1.8	1.9	2.4
Alabama	5.6	5.4	3.4	2.9	2.9	3.4
Arizona	1.6	1.8	1.6	1.5	1.5	1.9
Arkansas	2.8	2.9	1.8	1.7	2.2	4.4
California	3.1	2.6	2.1	1.8	2.1	3.4
Colorado	1.0	.5	.3	.3	.3	.8
Connecticut	2.8	2.5	1.5	1.2	1.0	1.0
Delaware	1.2	1.6	.6	.6	.6	1.3
District of Columbia	.8	.8	.7	.7	.8	1.0
Florida	3.4	4.0	4.1	3.4	2.7	2.1
Georgia	2.8	2.9	1.9	1.7	1.7	2.3
Idaho	1.0	1.1	.7	.6	1.2	4.7
Illinois	3.3	3.6	2.3	1.7	1.6	1.9
Indiana	4.6	3.8	1.3	1.1	1.0	1.3
Iowa	1.1	2.0	1.8	.9	.6	1.1
Kansas	1.3	1.4	.7	.7	.7	1.4
Kentucky	5.6	5.3	3.6	3.4	3.6	3.4
Louisiana	3.2	3.2	2.2	1.7	1.8	2.6
Maine	3.5	3.0	2.5	2.2	3.3	3.9
Maryland	2.5	2.5	1.2	1.0	1.0	1.5
Massachusetts	4.6	3.8	2.7	2.2	2.2	2.4
Michigan	4.3	10.2	1.8	1.4	1.4	1.3
Minnesota	1.7	1.6	1.0	.8	1.0	2.0
Mississippi	4.7	4.9	3.2	2.9	3.2	4.7
Missouri	2.3	2.6	1.3	1.4	1.7	1.9
Montana	.7	.5	.4	.4	.8	2.9
Nebraska	.8	.6	.3	.5	.4	1.4
Nevada	1.2	1.4	1.5	1.4	1.7	2.8
New Hampshire	6.0	4.6	4.6	3.9	3.5	3.5
New Jersey	4.4	3.6	2.4	2.1	2.2	2.7
New Mexico	1.0	1.1	.8	.7	.8	1.5
New York	4.4	3.5	2.5	2.3	2.6	3.2
North Carolina	4.6	3.0	2.5	2.2	2.3	2.8
North Dakota	.4	.5	.4	.3	.8	4.2
Ohio	2.2	2.2	1.1	.8	.9	1.0
Oklahoma	2.5	2.6	2.1	1.8	2.1	3.0
Oregon	2.2	2.1	2.0	2.9	3.6	6.8
Pennsylvania	4.0	4.1	2.6	2.3	2.1	2.5
Rhode Island	8.3	6.2	4.8	4.1	3.4	3.8
South Carolina	3.3	2.7	2.0	1.8	1.9	2.2
South Dakota	.4	.4	.4	.4	.5	1.6
Tennessee	5.4	4.7	3.0	3.2	3.3	4.0
Texas	.9	.9	.7	.6	.7	.9
Utah	1.7	1.1	.8	.7	.9	2.0
Vermont	4.3	4.7	3.5	2.3	2.1	2.6
Virginia	2.9	2.2	1.2	.9	.9	1.2
Washington	2.3	2.3	2.3	2.6	3.8	6.8
West Virginia	6.4	5.9	3.2	2.9	3.1	3.5
Wisconsin	2.3	2.4	1.3	1.0	.8	1.4
Wyoming	.5	.4	.2	.2	.3	1.0

[1] Average monthly covered employment for the most recent preceding 12-month period for which data are available.

State insured unemployment[1] in selected weeks 1953 as percent of average monthly employment[2]

State	Jan. 10	Feb. 14	Mar. 14	Apr. 11	May 9	June 13
Total	3.4	3.1	2.9	2.8	2.6	2.4
Alabama	4.1	3.8	3.9	3.7	3.6	3.3
Arizona	2.2	2.7	2.8	2.4	2.4	2.4
Arkansas	5.5	5.9	5.4	4.4	3.8	3.1
California	4.8	4.6	4.5	3.9	3.4	3.0
Colorado	1.2	1.5	1.4	1.2	1.0	.7
Connecticut	1.9	1.4	1.3	1.3	.8	.9
Delaware	1.4	1.7	1.3	.9	.8	.8
District of Columbia	1.3	1.6	1.6	1.4	1.2	1.0
Florida	3.0	2.0	2.0	1.7	2.0	2.4
Georgia	3.2	2.5	2.5	2.3	2.4	2.4
Idaho	7.6	8.5	6.5	4.5	2.5	1.8
Illinois	2.6	2.1	1.9	2.1	2.4	2.3
Indiana	2.4	1.7	1.4	1.2	1.2	1.5
Iowa	2.0	2.4	2.3	1.7	1.4	1.1
Kansas	2.1	2.4	2.4	1.7	1.4	1.5
Kentucky	4.0	4.6	4.8	4.7	4.7	4.2
Louisiana	3.5	3.3	3.4	2.9	2.5	2.5
Maine	5.7	5.2	4.7	6.9	6.7	3.3
Maryland	2.2	2.0	1.8	1.9	2.1	1.7
Massachusetts	3.3	2.9	2.8	2.7	2.7	2.1
Michigan	1.9	1.7	1.5	1.3	1.0	1.3
Minnesota	3.5	4.4	4.5	3.6	2.5	1.4
Mississippi	6.7	6.2	6.1	5.3	5.1	4.1
Missouri	2.7	2.5	2.4	2.0	2.1	2.3
Montana	5.0	6.6	6.5	3.9	2.5	1.4
Nebraska	2.4	3.2	3.0	1.5	1.2	.7
Nevada	3.7	3.9	3.4	2.7	1.8	1.8
New Hampshire	5.1	4.1	4.4	5.7	5.9	4.8
New Jersey	4.2	3.3	3.1	3.5	3.3	3.0
New Mexico	2.5	2.5	2.5	2.0	1.7	1.4
New York	4.5	3.8	3.5	3.8	3.6	3.5
North Carolina	4.0	3.8	4.1	4.0	4.0	3.8
North Dakota	6.8	9.8	9.6	5.9	2.5	1.2
Ohio	1.4	1.3	1.2	1.1	1.0	1.3
Oklahoma	3.7	4.3	4.1	3.5	3.4	3.0
Oregon	9.9	10.4	7.4	5.5	3.8	2.7
Pennsylvania	3.8	3.2	3.1	3.3	2.6	2.5
Rhode Island	6.4	5.9	5.7	4.7	5.0	4.0
South Carolina	3.2	2.9	3.0	2.8	2.9	2.7
South Dakota	3.3	3.9	4.0	1.9	1.0	.5
Tennessee	5.3	5.1	4.3	4.5	4.0	3.6
Texas	1.1	1.2	1.3	1.2	1.2	1.1
Utah	3.2	3.8	3.3	2.4	1.8	1.7
Vermont	3.4	3.2	2.7	2.0	2.0	1.6
Virginia	2.2	1.8	1.8	1.3	1.3	2.8
Washington	8.9	8.4	6.3	5.2	3.6	2.4
West Virginia	4.8	4.6	4.8	4.6	4.2	4.1
Wisconsin	2.0	1.9	1.7	1.3	1.1	1.1
Wyoming	2.1	2.9	2.9	1.5	.9	.6

[1] Based on average monthly covered employment for 12 months ending June 30, 1952.
[2] Based on average monthly covered employment for 12 months ending Sept. 30, 1952.

State insured unemployment[1] in selected weeks 1953–54 as percent of average monthly employment[2]

State	July 11	Aug. 8	Sept. 12	Oct. 10	Nov. 14	Dec. 12	Jan 9, 1954
Total	2.5	2.4	2.3	2.2	3.1	3.9	5.5
Alabama	3.1	3.3	3.0	2.4	3.7	5.2	6.5
Arizona	2.4	2.8	2.5	2.4	2.6	3.1	4.1
Arkansas	3.1	3.0	1.9	2.6	3.7	5.5	7.2
California	2.8	2.3	2.0	2.0	2.7	4.0	4.8
Colorado	.7	.8	.7	.6	1.3	2.0	3.0
Connecticut	1.5	1.6	1.3	1.1	1.6	1.8	3.3
Delaware	.8	.7	.8	1.3	1.8	2.5	3.3
District of Columbia	1.1	1.2	1.1	1.1	1.5	2.0	2.2
Florida	3.3	4.0	3.8	3.3	2.3	2.3	2.8
Georgia	2.5	2.2	2.0	2.0	2.8	4.2	5.7
Idaho	1.5	1.5	1.6	1.4	3.1	7.7	10.4
Illinois	2.2	2.2	1.7	2.1	2.4	3.3	4.4
Indiana	1.6	1.4	1.3	1.9	2.7	3.5	6.2
Iowa	1.1	1.0	1.1	1.0	1.6	2.4	4.3
Kansas	1.8	1.5	2.0	1.6	2.6	2.7	3.6
Kentucky	3.9	4.1	3.4	4.1	5.2	6.8	8.9
Louisiana	2.3	2.6	1.9	1.5	1.8	2.5	3.9
Maine	2.9	2.8	2.7	3.8	5.7	7.8	8.8
Maryland	1.9	1.5	1.4	1.3	1.9	2.3	3.7
Massachusetts	2.6	2.1	2.4	2.4	3.2	3.7	4.9
Michigan	1.7	3.8	3.2	2.9	4.3	4.5	5.9
Minnesota	1.3	1.2	1.0	.9	1.5	2.9	4.9
Mississippi	4.3	4.4	3.5	3.0	4.4	6.2	9.4
Missouri	2.7	1.7	1.7	2.1	2.9	3.6	4.8
Montana	1.0	.8	.5	.6	1.0	2.5	5.7
Nebraska	.7	.5	.6	.6	.7	1.7	2.8
Nevada	1.8	1.8	1.1	1.9	3.3	5.0	5.3
New Hampshire	4.8	3.9	4.9	6.2	6.7	6.7	8.7
New Jersey	3.1	3.0	2.7	2.2	3.5	4.5	6.3
New Mexico	1.6	2.0	1.8	1.8	2.4	3.4	4.2
New York	3.6	3.1	3.3	2.6	4.0	4.2	5.8
North Carolina	3.9	3.0	3.1	2.8	3.9	5.0	8.3
North Dakota	.7	.5	.4	.2	1.3	3.7	7.2
Ohio	1.0	1.0	1.0	1.3	2.0	2.6	3.9
Oklahoma	3.2	2.9	2.2	2.2	2.9	4.1	5.3
Oregon	2.9	3.1	2.9	3.4	6.7	10.3	12.7
Pennsylvania	2.6	2.8	2.8	2.6	3.5	4.5	6.4
Rhode Island	3.9	4.2	3.8	4.2	5.6	6.7	9.7
South Carolina	3.2	3.0	2.8	2.6	3.2	4.1	5.7
South Dakota	.4	.4	.4	.4	.7	2.0	4.3
Tennessee	4.1	3.9	3.6	3.5	5.1	6.5	9.5
Texas	1.2	1.3	1.2	1.1	1.3	1.7	2.1
Utah	1.5	1.4	1.0	1.0	1.6	3.2	4.9
Vermont	1.5	1.6	2.3	1.6	2.2	4.1	6.3
Virginia	2.6	2.0	1.4	1.3	1.8	2.3	4.3
Washington	2.6	2.8	3.1	3.4	6.2	8.7	11.3
West Virginia	4.6	4.2	3.3	3.2	4.0	5.4	7.8
Wisconsin	2.3	2.2	2.5	1.9	3.0	3.8	5.1
Wyoming	.4	.4	.3	.2	.5	1.5	2.9

[1] Based on average monthly covered employment for 12 months ended Dec. 31, 1952.
[2] Based on average monthly covered employment for 12 months ended Mar. 31, 1953.

Source: U. S. Department of Labor, Bureau of Employment Security, Division of Reports and Analysis.

Mr. CAREY. The contingency fund that we are recommending will help to prevent a repetition of this but adequate annual appropriations should also be voted.

We strongly oppose the provisions of the Reed bill which would give Federal grants to States for administrative purposes over and above what Congress appropriates. We do not object to earmarking of all funds collected by the Federal unemployment insurance tax for employment security purposes. We strongly oppose the part of the plan that provides that excess funds, above appropriations and a specified fund, would be given to the States in proportion to their taxable payrolls. States could use these additional grants for administration over and above amounts which the United States Congress and the Federal Bureau had found necessary. This would tend to undermine the present budgetary review and appropriations procedure.

Some strong supporters of the Reed bill would in fact like to end the Federal role in administrative financing and stop all congressional appropriations, giving all administrative funds to the States automatically. Both these proposals might well lead to inadequate funds in the poorer States as well as wasteful spending in others.

Automatic distribution of funds to States on the basis of taxable payrolls has no relation to the needs of individual States at a given time. Wealthy States get more than poor ones. Moreover, administrative expenses are likely to be highest in any State at a time when its taxable payrolls are lowest and unemployment highest.

Insofar as the States become less and less dependent upon receiving administrative funds from the Federal Bureau, they will be more tempted to ignore efforts by the Federal Bureau to maintain the Federal standards embodied in the law, including the labor standards which are intended to keep the threat of loss of unemployment insurance benefits from being used to undermine wage levels and unions.

The Reed bill thus would undermine Federal leadership in maintaining and improving unemployment insurance in the very type of period that such leadership is most needed.

It makes no sense to us to deny grants now to States heavily afflicted by unemployment to set up a plan which, in future years of slight unemployment, would make grants to all States automatically regardless of need.

The CHAIRMAN. Did you say you had some material to put in, in addition to what has been put in?

Mrs. ELLICKSON. That includes most of it. There are a few comments based on yesterday's testimony that I would like to add to this.

The CHAIRMAN. Go ahead.

Have you identified yourself to the reporter?

Mr. CAREY. I did so at the beginning.

Mrs. ELLICKSON. Regarding the use of administrative funds by the States to supplement what the Federal Government does, I think the argument could be expanded on the point mentioned yesterday on this. If Congress earmarked the proceeds of the Federal unemployment insurance tax, which we favor, you would have less trouble in getting adequate appropriations for employment security purposes. There would be less temptation to cut the budget below what is requested by the administration because this money would be earmarked for unemployment insurance and, therefore, could not be used for other purposes. So we believe that the earmarking, plus adequate

appropriations and plus the contingency fund, would enable the Federal Bureau to meet the needs of the States quite adequately.

The CHAIRMAN. Do you favor confining the use of the funds to benefits, as distinguished from administrative expense?

Mrs. ELLICKSON. We certainly do, and, of course, we believe that the funds should be made available to the States as grants related to need, as Mr. Carey has explained.

The CHAIRMAN. You favor confining the money to benefits?

Mrs. ELLICKSON. Very definitely.

Mr. CAREY. And to administrative matters appropriated by Congress for that purpose.

The CHAIRMAN. That leaves me a little bit in doubt as to which is which.

Mrs. ELLICKSON. You are talking about the surplus, I believe.

The CHAIRMAN. Yes.

Mrs. ELLICKSON. Mr. Carey was thinking of the appropriations.

The CHAIRMAN. There has been a suggestion that it be limited to benefits as distinguished from administrative purposes in the States?

Mrs. ELLICKSON. Yes.

The CHAIRMAN. Now, what is your position on that?

Mrs. ELLICKSON. Our position is that the surplus should be limited to benefits, but we believe under a different system than is being advocated.

The CHAIRMAN. I understand.

Mrs. ELLICKSON. We would like to point out also that when the State administrators come and say they need more money from the Federal Government for certain purposes, as we understand it there is absolutely nothing in the way of the States appropriating additional money to meet the needs that were mentioned, such as controlling the cutting of wood in New Hampshire. If the State thinks this is an important function, the State can appropriate the money for that purpose. The States have accumulated certain funds called penalty funds through levying fines, and so on, which are available, but they haven't even used up those resources from their own collections for some of these purposes.

The CHAIRMAN. I am trying to keep an open mind on that, but I must say that struck me as a rather farfetched use of these funds. And I take it that is your own opinion.

Mrs. ELLICKSON. Yes.

Senator FREAR. Mr. Chairman, I am not very clear as to the question you asked, and as to what you mean by appropriations. Just what do you mean by appropriations, in your remarks?

Mrs. ELLICKSON. Well, what we mean is that we believe in a continuation of the present system of financing administration in the States, under which the executive branch of the Government draws up a budget for money.

Senator FREAR. Is this National or State?

Mrs. ELLICKSON. National. And the National Government, then, has a budget it submits as part of President Eisenhower's budget which provides so much money for the Federal bureau, and so much money which the Federal bureau will then grant to the States for carrying on their activities.

Senator FREAR. Does that mean for benefits or strictly for administration within the States?

Mrs. ELLICKSON. This is strictly for administration.

The CHAIRMAN. If I may interrupt, there was a discussion yesterday, there was some complaint from the States, that they submit their budgets to the Federal Government and the Federal Government does not in all cases comply with the kind of budget they would like to have set up. And, for example, one of our witnesses quoted the wood-chopping case which the lady has developed this morning, as something they would like to do under their budget which they submit to the Federal Government.

Another example that was given was, the Federal agency is in favor, apparently, of budgetary amounts for accumulating general, overall statistics on fraud, but would not approve a request for an item to chase down specific cases in—what State was that, the State of Georgia? I think that was the testimony that provokes what we are talking about now.

Senator FREAR. What percentage for the State budget for the administration, or the administrative budget of the State, is given by the Federal Government?

Mrs. ELLICKSON. Well, the entire amount is given, 100 percent, except that it can be supplemented through these other sources.

Senator FREAR. In other words, all the administrative costs of the State unemployment funds is contributed by the Federal Government. It is not necessarily a part of the three-tenths of 1 percent that the employer pays to the Government, because I understand that goes into the general fund, does it not?

Mrs. ELLICKSON. Yes.

Senator FREAR. But, an appropriation through the Bureau of the Budget is made, based on the request by the individual States?

Mrs. ELLICKSON. Well, the individual States, I believe, make estimates to the Federal Bureau. The Federal Bureau then develops recommendations that go from the Secretary of Labor to the Bureau of the Budget and the final recommendation is then incorporated in the President's budget recommendation.

Senator FREAR. But the State does not have to live within the appropriation made by the Federal Government.

Mrs. ELLICKSON. It does have to live within it, unless it appropriates some money of its own to supplement it.

Senator FREAR. If it doesn't, then it has to supplement by State appropriations?

Mrs. ELLICKSON. That's correct, or out of these penalty funds.

Senator FREAR. Then does that retard the work of the State administration in going after the people who make false claims?

Mrs. ELLICKSON. We believe that inadequate funds for any agency interfere with its proper functioning. We believe that the work of the Federal Bureau of Employment Security has been restricted in an unfortunate manner because its staff has been continuously cut in the field of unemployment insurance. And in the same way it is certainly true that the State agencies suffered from the $20 million slash that Congress voted last year, below what President Eisenhower had recommended. And we would have liked to have seen more in the original budget request, because we think this is a very important program that needs development. But there are many more things than fraud that one involved—for example, having enough employment offices so people can get to them easily, is very important.

The CHAIRMAN. The witness from Georgia sort of summarized it by saying they would like to have more elbowroom over the disposition of these funds. They don't want to be held as tightly as apparently they are being held by the Federal agencies that deal with this subject.

Senator FREAR. Is there a formula by which Federal appropriations are made to the States?

The CHAIRMAN. Does that whole thing not boil down to what you recommend to the Appropriations Committee?

Mr. MURRAY. The process is this: The State first submits its estimates to us, as to their prospective needs. We review those, and adjustments are made in regional offices which are sent in to the Department, where a total budget is prepared and submitted to the Bureau of the Budget. Then, the Bureau of the Budget makes its determination as to whether that should be smaller, or larger, and incorporates that as a part of the President's budget. That is submitted to Congress and Congress determines what it believes is necessary.

When the total appropriation is given to the Bureau, then it is distributed on the basis of the State budgets submitted—if it is less than has been requested we have to make adjustments. The original budget is built up on the basis of a number of categories; where there have been time studies and allowances are for overhead administration, and so on. I might say, incidentally, we allocated this last year $3 million—we have allocated for this fiscal year, over $3 million for fraud investigation, in addition to a special half-million dollars mentioned yesterday for a special study of fraud.

Senator FREAR. Then I understand it, there is some flexibility in the allocation of Federal funds to States?

Mr. MURRAY. Yes, sir.

Senator FREAR. Some Federal authority—your agency or someone else—has some flexibility.

Mr. MURRAY. Yes.

Senator FREAR. So if a State prepares a budget and doesn't foresee great unemployment, you have a way of assisting that State in its increased costs, because of increased unemployment?

Mr. MURRAY. We have been, for several years, getting what is called a contingency amount which can be allocated to the States if there are unforeseen changes in workloads, or changes in the State law that are more expensive, and except in this last year, where there were State salary increases that have been passed by the State legislature. Last year we were restricted on that, but we are hoping to open that up again.

Senator FREAR. Thank you.

Mrs. ELLICKSON. May I say we are advocating a larger contingency fund than has been voted. At the present, I believe it is $6 million. Now, this is much too small. We suggest $25 to $50 million, because that would give you a little leeway, then, as heavy loads go up. And I might point out in addition that since many State legislatures meet only every 2 years, it is not true that greater flexibility would necessarily be introduced by leaving this to the States, because they would not have a method, in the 2-year interval, of appropriating money to meet the increasing workload that has suddenly resulted now, for example, as recession has started. Having an adequate Federal con-

tingency fund would provide flexibility. We believe that when Congress, through its Appropriations Committees and other consideration, has gone over the budget and has provided what seems currently necessary, and a contingency fund, that you have a system of providing money for the States which should be adequate and which they can, if they want to, supplement.

The CHAIRMAN. Is there any further testimony?

Mr. CAREY. Mr. Chairman, Mr. Kranz was to make some statement with response to the experience in the State of New Jersey, in response to a question by Senator Frear.

The CHAIRMAN. Proceed, sir.

Mr. KRANZ. My name is Harry Kranz. I am legislative director of the New Jersey State CIO. I am also a member of the Federal Advisory Council to the United States Department of Labor's Bureau of Employment Security. I have served on two committees of the Council, one of which considered the question of financing administrative costs of unemployment insurance, the other the question of financing benefit costs of unemployment insurance.

I want to speak directly to the question of the Senator from Delaware, regarding the experience of my State, which is a neighboring State to Delaware, the State of New Jersey which has, I think, fairly typical experience.

Our State, to give you a little background, first, is not a poor State in its unemployment compensation trust fund. You have heard a lot about Rhode Island and Massachusetts which have low trust funds. Our State has one of the second or third richest trust funds of any of the programs in the Nation.

The CHAIRMAN. You have figured out these trust funds in terms of per capita of workers?

Mr. KRANZ. No, the basis generally used by both the Federal and State agencies is to derive a ratio for comparison of the funds and the ratio is derived as follows: You take the total amount of money available in the trust fund as a ratio, compare it with the total taxable wages paid to workers in that State in the prior year and that gives you what is called the reserve ratio.

The CHAIRMAN. Do we have that in the record?

Mr. KRANZ. The reserve ratios for the States?

Mr. MURRAY. We are submitting that.

The CHAIRMAN. Is it in the record?

Mr. MURRAY. It will be submitted in the next day.

The CHAIRMAN. All right, let's get that in the record.

(See table 2, column 4, p. 27)

Mr. KRANZ. The record shows that we have a ratio of 12 percent. There are only 1 or 2 States which top that figure. Rhode Island and Massachusetts have the lowest reserve ratio of any of the States.

Our fund has over half a billion dollars in it. We topped the half-billion dollar mark about 2 or 3 months ago. We have about $506 million in our trust fund. Last year we paid out in benefits only about $50 million in our State. The revenues received were approximately $70 million, so that our trust fund is still growing.

The CHAIRMAN. How much is your trust fund?

Mr. KRANZ. Our trust fund is $506 million, as of January 1, of this year. Over half a billion dollars.

The reserve ratio, as I say, is either the second or third highest in the country.

The CHAIRMAN. How much did you pay out?

Mr. KRANZ. Last year—and this is typical for the last 2 or 3 years—we paid out in benefits approximately only $50 million, about one-tenth of the money available in the trust fund.

The CHAIRMAN. How much does your fund earn a year? How much interest do you get?

Mr. KRANZ. The interest exceeds $10 million. While paying out approximately $50 million in benefits, the income to the fund last year was in excess of $70 million.

Senator FREAR. Does that include the $10 million interest?

Mr. KRANZ. It does—no; it does not include the interest; it includes $10 million of worker contributions which we also have in New Jersey. New Jersey and Alabama are the only 2 States where workers still contribute.

Senator BYRD. How is it invested?

Mr. KRANZ. The same as those trust funds of all the other States, by the Federal Government, by the Treasury Department in, I believe, Federal obligations.

The CHAIRMAN. Mr. Teets, how do we invest in Colorado? Are you limited to Federal securities?

Mr. TEETS. Yes, sir; all the trust funds must be sent here to Washington—all of them, from all States.

The CHAIRMAN. Thank you, very much.

Senator BYRD. What is the total amount of trust funds in Washington, of all the States?

Mr. KRANZ. I don't know what the current figure is.

The CHAIRMAN. We had that figure yesterday. What is that figure?

Mr. TEETS. It is around $9 billion.

Mr. LAYDEN. With respect to the remark made by Mr. Kranz on the annual disbursement, benefit payments in New Jersey, I think he made the mistake of saying that the annual rate was at $50 million where actually in 1952 it was $52 million, and last year they increased it to $60 million.

Mr. KRANZ. I was speaking not from notes, but in round figures, and that was just an introduction to the point I am going to make later.

The point, which is not refuted, is that our trust fund has been increasing month by month and year by year and our fund is certainly adequate to pay decent benefits if our State legislature were willing to do so. The fact of the matter is that the group which Mr. Layden represents, the chamber of commerce and the manufacturers' association, and our legislature, which still is and has been under the control of the Republican Party, have consistently opposed the benefit increases which labor and other groups in our State have sought. Whether the increase went from $15 as the maximum, to $18, to $26, to $30, every step of the way we had opposition from the groups who are here supporting the Reed bill and saying, "Leave this problem to the States."

Furthermore, on the question of the adequacy of our benefits, despite the size of our fund, despite the fact that workers have contributed in New Jersey to increasing this fund and to paying part of the cost of

unemployment by their own direct contributions, despite these things, our benefits are only $30 a week maximum, as compared with an average weekly wage in the State of about $75 a week. Again, I am giving you a round figure; it may be $74, or $72. I am not saying it is exactly $75, but approximately $75 a week.

Our benefits, therefore, have declined in terms of where they were when the program started in New Jersey. We started with a $15 maximum, and an average weekly wage of $27 a week, in 1939. Today, with the maximum increased to $30 we have an average weekly wage of $75, so that the ratio has declined from, originally, close to 60 percent, today to about 37 percent.

Last year, when our legislature did meet—it meets annually; we don't have 2-year legislatures—last year it met and again, the legislature, as a result of the opposition of the powerful employer groups in our State, refused to increase the $30 maximum above that figure.

Now, on the question specifically raised by the Senator from Delaware about merit rating, we, of course, have a merit-rating system in our State that also bases the employer tax rate in direct ratio to how much benefit his workers collect. Generally speaking, the more benefits his employees collect, the higher will be his tax rate the following year.

The CHAIRMAN. What percentage does the employee pay of the total rate?

Mr. KRANZ. The workers in New Jersey now pay for unemployment compensation, one-fourth of 1 percent of their wages, up to the maximum of $3,000 a year. That has been reduced. It originally was 1 percent, and over the years it has been reduced.

The CHAIRMAN. You say in New Jersey, the average employer contribution is 1.4?

Mr. KRANZ. That is correct.

The CHAIRMAN. How much would the employee add to that?

Mr. KRANZ. One-fourth of 1 percent, or 0.25, expressed in percentage terms, of wages.

The CHAIRMAN. What is the total employer plus employee cost?

Mr. KRANZ. If the employer figure is 1.4, and the worker figure is 0.25, that would make a total of 1.65, as the total.

The CHAIRMAN. Thank you.

Mr. KRANZ. On the merit rating problem, we have the merit-rating system, as I indicated, where the greater amount of benefits an employee collects, the higher that employer's tax rate, generally speaking, will be the following year; and conversely, if the employer can prevent his workers from collecting benefits, then his tax rate will go down.

Now the problem as evidenced in our State is that this has not resulted in keeping workers employed. Actually, it has had an effect after they have been laid off. The employer comes in, usually in many cases, with little justification, to oppose the benefit payment after the layoff, in an attempt to keep his rate down, so that the effect of merit rating is to attempt, in thousands of cases, to prevent the worker, for some excuse or another that the employer can imagine, from getting the benefit.

Senator FREAR. That is definitely defined, is it not, as to what reason the employer is not charged with that tax? Isn't it the decision of the employer to decide whether it is against his benefits or not, if it is against the rules and regulations set up? Is that not true?

Mr. KRANZ. Every time we have managed to get a benefit increase in New Jersey, the employers have inserted amendments into the bill which took away benefits from some people or introduced new reasons for denial of benefits.

The second thing is, when the worker gives his claim and the employer cites one of these reasons in the law, which may be untrue, in many cases the worker getting an official notice from the State that, "You are up for hearing on such and such a date, on charges or appeal"—a certain percentage of workers getting official notice to that effect wouldn't bother appealing and so the employer will win out.

Senator FREAR. You are not trying to tell me what happens in New Jersey happens in Delaware, are you?

Mr. KRANZ. I am saying what perhaps might be true in Delaware, though I have never been a resident in that State.

Senator FREAR. You may get a debate on that.

Mr. KRANZ. On the question of merit rating, however, the important test is, as we have seen, its operation.

There was some question here about statistics about particular industries. I have examined them in my own State. The facts show that the highest tax rates in New Jersey, far above the average of 1.4, up to the maximum 2.7, the highest tax rates are being paid by these very industries that are most hit by unemployment over which they have no control whatsoever.

The textile firms are paying the maximum; garment manufacturers are up there, also the construction industry, and retail trade. These are industries which, generally speaking, cannot control unemployment by merely keeping people on the payrolls when there are no roads to construct or there are no textile goods to handle. Many industries are at low rates, and one of the causes for that is that when the benefits were increased a few dollars several years ago, the bill was also amended to reduce every employer's tax rate across the board for a total of a $28 million tax cut in our State, so that what is happening in the State bears little or no relation to keeping people employed as the original theory of merit rating was. It is more designed to deny benefits to people already laid off by employers opposing those benefit payments because it affects the employers' tax rate.

Senator FREAR. The statement was made by Mr. Carey, I believe, that the leather industry, in addition to the textile industry, was one of the hard-hit industries. I made the reference to the leather industry in the city of Wilmington, Del.

Now I can't agree at the moment—I'll have to have more figures from you or someone else to dispel the idea that I have, that our leather industry in Delaware is not paying the maximum of 2.7, in Delaware, which leads me to believe that they have maintained employment in the leather industry in Delaware.

Mr. CAREY. I did not mean to say that the leather industry in Delaware was hard hit; I was saying that the leather industry in Delaware could do little should they have a condition of unemployment. There is nothing much they can do about it; whereas there are other corporations that could do an awful lot about it. And with or without the merit-rating proposition, there is very little that a leather employer, or a manufacturer using leather products, can do about maintaining stability of employment.

Senator FREAR. I can't quite agree with that, Mr. Carey, because I believe—at least I am basing what I talk about on both the employees and employers in the leather industry in Delaware—that when a decided upward trend in the market for leather goods was established nationally, the leather industry in Delaware did not add a great number of employees to its payroll, but instead tried to maintain the average income for its employees the year round, rather than taking on extra employees for perhaps 2 or 3 months and then finding themselves in a declining market and not only laying off the extra ones they had hired, but going back and laying off some of their more permanent employees. They have thus maintained a rather stable industry in the leather goods in Delaware, regardless of what happened nationally.

Mr. CAREY. I am not a resident of Delaware. I think you are talking about Rhodes & Son, but I think sometime you and I ought to have a discussion about the leather industry in Delaware.

Senator FREAR. That is all right; but I know of 2 or 3 leather industries there.

The CHAIRMAN. Is that all?

Senator FREAR. I will be glad to talk to them when it doesn't consume the time of the committee.

The CHAIRMAN. Is there anything else, Mr. Carey?

Mr. CAREY. Mr. Sifton?

Mr. SIFTON. I would like to perhaps take any partisan edge off a little bit by referring to the statement made by Senator Ferguson a few weeks ago about unemployment in Michigan, which has reached 140,000 in Detroit and 240,000 in the State of Michigan and is still rising. He said that he believed unemployment benefits should be sufficient to maintain a decent standard of living for the unemployed worker and his family. This was not a happenstantial statement; it was played back and he said it again. Also, that the duration should be sufficient to cover the period of unemployment. He thought that 26 weeks would perhaps do it; but if it did not, then there should be a study made.

I believe that the duration in Michigan, now, is 20 weeks; and in Michigan we have made every attempt to make this a thoroughly nonpartisan enterprise with regard to the State legislature to persuade them to comply with the recommendations of the Federal Advisory Council, or President Eisenhower. Governor Williams has made a recommendation to the legislature in which he transmitted and endorsed and recommended the proposals that were made by both the Council and President Eisenhower.

It now appears from the naked eye and the keenest ears anyone possesses that the legislature will adjourn without honoring either recommendation, in Michigan.

We would like to solicit this committee's assistance in making good on Senator Ferguson's judgment on what is required with respect to unemployment compensation.

On the question of merit rating, I have observed this thing since 1934 in the State of New York and in the Federal Government, too, and to put it very simply it seems to me that so-called experience rating, or merit rating, is the opposite. It gives a direct cash profit motive to finding new ways to deprive and withhold benefits from workers, because, for example, in the State of Delaware, 0.6 percent is the average contribution rate. Mr. Teetor came here and testified

and asked for a free hand, from the State of Indiana. The rate is 0.7 percent in Indiana.

This amounts to unfair interstate competition. If you will glance down our table, this contribution rate is a factor in the location or relocation of plants. And the simple way to state it is, as far as a genuine prevention of unemployment, a 3 percent tax tail will never wag a 97 percent wage dog. I mean people will employ or not employ depending on whether they can make a profit out of that continued employment.

Now, we have mass unemployment. I do not know about Delaware, but the proposal that Chrysler has made in Detroit and perhaps nationally is to share the unemployment by going on a 4-day week.

Now, we have a great deal of unemployment that amounts to short workweeks that do not show in any figures. There is an incentive for doing this. Anything that will prevent a consecutive 7 days of unemployment will protect the fund, but God help the unemployed worker, or the underemployed worker. We are going to enjoy chronic economic ill health based on 3- and 4-day workweeks unless we can get back to a strengthened purchasing power that will absorb the production that this country is crying to shell out and distribute and consume.

The matter of unemployment being a State or National situation was best dealt with when this law was declared constitutional by the late Justice Cardozo, and I recommend as the strongest light that has been thrown on this his eloquent words in saying that unemployment once thought national now spreads from State to State and spreads its evil effect—I mean the thing reads like—well, it is great literature, and I suggest that the members of the committee might refresh their memory on that.

Senator FREAR. Mr. Chairman, it is a little difficult for me to disagree with what the speaker has just said, but I would like to call the speaker's attention to the fact that in Delaware I don't believe we are an unusual State, but I know of many instances where the employer has told the employee of his benefits that he can get from unemployment and has gone to the office and assisted him in getting those benefits.

Mr. SIFTON. Well, there may be a hardy plant who can do that.

Mr. CAREY. Thank you, Mr. Chairman. I would like to express my appreciation to you, Mr. Chairman, and the members of the committee. Thank you.

The CHAIRMAN. We will meet at 3 o'clock in the old Supreme Court chambers.

Now, if any of you don't know where that is, find your way to the Senate and ask a guide around there. It is down the hall a little ways. The old Supreme Court room, at 3 o'clock.

(Whereupon, at 12:50 p. m., the committee recessed, to reconvene at 3 p. m. in room P–63, United States Capitol.)

AFTERNOON SESSION

(The committee reconvened in room P–63, United States Capitol, at 3:05 p. m.)

The CHAIRMAN. The hearing will be in order. Dr. Cruikshank, we are glad to see you. Go ahead, please.

STATEMENT OF NELSON H. CRUIKSHANK, DIRECTOR OF SOCIAL INSURANCE ACTIVITIES, AFL; ACCOMPANIED BY ANDREW J. BIEMILLER, AMERICAN FEDERATION OF LABOR

Mr. CRUIKSHANK. Mr. Chairman and members of the committee, my name is Nelson H. Cruikshank, and I am director of social insurance activities of the American Federation of Labor. My office is in the headquarters of the AFL at 901 Massachusetts Avenue NW., Washington, D. C.

I am accompanied by Mr. Andrew J. Biemiller, who is a member of the legislative committee of the American Federation of Labor and who has the assignment of working in this field of the social insurances in the legislative field.

Mr. Chairman and members of the Senate Finance Committee, I appreciate the opportunity to appear before the committee and present the views of the American Federation of Labor in opposition to the bill which you now have under consideration, H. R. 5173. The American Federation of Labor is always glad to present its views before a committee of the Senate with respect to any legislation affecting the welfare of its 10 million members and, indeed, the welfare of all wage earners in this country. There follows in the prepared text, Mr. Chairman and Senator George, comment about what appeared to be an exceptionally hurried review of this very important legislation which, with your permission I would like to change, as it hardly seems appropriate since we observe that the committee has accommodated its schedule to the necessity of this afternoon's session and we are very glad to note that the very careful review which that indicates is being given of this important legislation. We appreciate the time that is being devoted to this review.

The CHAIRMAN. We are giving what we think is adequate time. We would like to give longer but this committee has a tremendous amount of business ahead of it and we have to cut our cloth accordingly.

Mr. CRUIKSHANK. We earnestly plead with the members of this committee to conduct a thoroughgoing examination of these proposals and their far-reaching implications.

The position that I present to your committee, Mr. Chairman, is an official position of the American Federation of Labor. The proposals contained in this legislation were reviewed last August by the executive council of the American Federation of Labor, which referred them to the convention, meeting in St. Louis, Mo., in September, unanimously approved the action of the executive council in this respect. In addition, the convention adopted the following declaration:

> In the 1st session of the 83d Congress, large corporate employer interests, working hand-in-glove with the Interstate Conference of Employment Security Agencies, renewed their attacks upon all Federal participation and safeguards presently contained in the unemployment compenstaion program. The Mills-Mason bills, which emerged from the House Ways and Means Committee as the Reed bill (H. R. 5173) was the instrument of these attacks. This bill, which would effectively undermine participation of the Federal Government in the operation of the program and leave it entirely under the discretionary control of State administrators, passed the House and is now before the Senate Finance Committee. We strongly urge that the American Federation of Labor and its affiliated unions do all that lies within their power to bring about the defeat of the Reed bill in the forthcoming session of Congress. (P. 640, Official Proceedings of the 72d Convention of the American Federation of Labor.)

Only last week, the social security committee of the AFL met in Washington and, in anticipation of these hearings, examined again this proposed legislation. This committee unanimously supported the views contained in this statement.

Reduced to its essentials, this bill would earmark the excess of unemployment tax collections over Federal and State administrative expenses for employment security purposes. This excess would be used first to build up a $200 million loan account to provide repayable advances to States whose unemployment benefit funds are depleted. After the $200 million balance has been accumulated, the excess would be distributed to all of the States in the proportion that their taxable payrolls bear to the aggregate payrolls of all States.

This excess would then be available to the States for use either (a) for the payment of unemployment benefits, or (b) for additional administrative expenditures over and above the amounts as determined by Congress as necessary for the proper and efficient administration of the program and appropriated by the Congress for that purpose.

We have no quarrel with the principle that all the receipts from the Federal unemployment tax should be earmarked and used only for the purposes of the employment security program. We are deeply concerned over those provisions of the bill which call for the automatic distribution of a portion of Federal tax receipts to the various States without relation to need or purpose.

Our reasons for opposition to this particular provision of this bill are based mainly on the following considerations: First, it represents an unsound principle of Government. In support of this view, I refer to a statement contained in a letter to the chairman of the House Ways and Means Committee under date of May 8, 1953, from the Under Secretary of the Treasury, Hon. Marion B. Folsom:

> The committee, I believe, has tentatively agreed that amounts distributed to the States shall be available for the payments of benefits, and to the extent that an appropriation is made by the State legislature, for administrative purposes. However, sound administration counsels against a system whereby a legislative body appropriates funds it has no responsibility for raising. It is all the more undesirable if it occurs after Congress has already appropriated what it deems to be necessary for proper and efficient administration. Moreover, it is to be expected, with the borad language in the bills now before the committee concerning the use of contingency amounts appropriated, that there will be greater flexibility in meeting the needs of the States. Accordingly, we propose that the amounts allocated to the States be available only for benefit purposes.

The American Federation of Labor associates itself completely with this opinion of the honorable Under Secretary of the Treasury. And I am sure, Mr. Chairman and members of the committee, you share our respect for his opinion. I had the opportunity to become very well acquainted with Mr. Folsom when I had the pleasure of serving with him on the Advisory Committee which you appointed, Senator Millikin, and we do respect his opinion.

Lest any member of this committee, particularly the members of the present majority party, should feel that the opinion concerning sound governmental principles cited by the Under Secretary result from his possibly having been contaminated by too long an association with the administration of unemployment compensation as a member of the New York State advisory committee and as a member of three advisory groups to the Congress under Democratic administrations,

I should like to call up another authority expressing vigorous support of this view. In the city of Chicago on March 27, 1953, the United States Chamber of Commerce sponsored a National Social Security Conference. In a speech before that conference, Mr. D. Russell Bontrager, a Republican member of the Indiana State senate, made the following statement:

> One of the basic rules of government is that when the responsibility for the spending is divorced from the tax-levying responsibility, then irresponsibility in the spending of funds is invited and encouraged.

That is as concise and accurate a definition of what the bill now before this committee would accomplish as any we have seen, though I am sure that neither Mr. Bontrager nor the chamber of commerce had this bill in mind when they invoked this general principle.

It might be possible to have some respect for the candor, at least, of the proponents of this measure if they had frankly set forth in its language the fact that this money was to be turned over to the directors of the State agencies as an administrative slush fund over and above the amounts duly appropriated to them for proper and efficient administration. But the devious technique employed in this bill to disguise that fact, through a spurious pretense of a fiscal review at the State level, precludes even that.

The CHAIRMAN. Doctor, I think there might be fair disagreement with your argument about the use of a slush fund. That has some very ugly implications.

Mr. CRUIKSHANK. Seriously, and respectfully, I think there are ugly implications to this bill. There have been some very curious things going on in this whole area of State administration. If you object to the words "slush fund" which has a particularly bad meaning, I would be willing to take that out of the statement, but I would not be willing to take out the reference to some of the really unfortunate things that are going on in this field.

The CHAIRMAN. I have no objection to any complaint about the bill that you have as it is except that I don't want to sit here and allow any witness, without at least some objection on my part, to imply that the whole House of Representatives and the committee over there are engaged in parceling out slush funds.

Mr. CRUIKSHANK. I don't mean that, sir. I don't mean that they are. I mean that the proposals of this bill would make available grants to these State administrators out of hand without relation to need or purpose, which could become a slush fund. That is the reference to the slush fund.

The CHAIRMAN. This is a horse of a different color. Go ahead.

Mr. CRUIKSHANK. This proposal, gentlemen, is nothing less than subversive of the system of checks and balances on which our system of democratic government is based. One of the first principles of that system is the principle that all executive officials should be subject to the restraints and safeguards of the budgetary review and appropriation process. Only in this way can they be effectively held responsible to the people whose servants they are supposed to be. This bill would casually scuttle that vital principle. The bill as it stands would not lead to the improvement or strengthening of the employment security program. Rather, the reverse is true. In creating two duplicating sources of administrative funds, it would render the administrators virtually independent of both the Congress and the

State legislatures. It would enable them to ignore with impunity all proposals for the improvement of the program, weaken the force of any standard that might be recommended to them, and protect them in the arbitrary exercise of their powers in each of the separate States.

The proponents of this measure are fond of referring, in disparaging tones, to the bureaucrats in Washington. But in this bill we see bureaucracy burgeoning into full bloom.

Secondly, even if such redistribution of a part of the funds for administrative purposes were sound, the basis for such distribution contained in this bill is not a logical one, since it proposes to distribute the excess funds in amounts related to the taxable payrolls within the States. The cost of administration of an employment security program in an individual State does not necessarily bear any relationship to the size of the taxable payroll. There are many factors which do determine the cost, such as the size of the benefit claim loads, the size of the covered firms, the density of the population, and the method of keeping the wage records within the State. These factors are not taken into account in the formula proposed for the distribution of the additional funds for administration. We feel that a much sounder proposal is to establish a contingency fund out of which the Secretary of Labor would be authorized to make additional grants for administrative purposes upon showing of need by a State administration.

The American Federation of Labor is also opposed to the provisions in H. R. 5173 for making loans or advances to the States out of the proposed $200 million reserve fund. It is our position that the excess of receipts from the unemployment tax over necessary administrative expenses should be used to establish and maintain a reinsurance fund, insuring all State funds against the risk of insolvency. Aid to the States from this fund should take the form of grants, rather than loans.

It is only by accepting the theory that unemployment within a State is due to some fault or failure on the part of the citizens of the State deserving of punitive action that this bill can be made to take on the appearance of logic. Under its terms, in the event of continued unemployment employees would have to pay higher taxes year after year, unemployed workers would undoubtedly receive lower benefits, while at the same time experience a loss of work opportunity as industries fled to other States having a more favorable tax rate.

The CHAIRMAN. Would it be true, Doctor, that if we made it a true reinsurance fund by the same token we would have to promote absolutely uniform standard in the State to protect the Federal Government in that sort of a scheme?

Mr. CRUIKSHANK. Well, we touch on this matter of standards later in this statement, but I don't think it would be necessary to have standards in order to protect the solvency of the fund, because you would have provisions in making these funds available on a grant basis that would require the States to meet the standard of a tax rate and so forth. Yes, perhaps I didn't understand you correctly. That kind of standard, I think, you would have to have, even on the loan.

The CHAIRMAN. If we undertook absolutely to run a reinsurance fund, we would have to maintain tight control over the rate in the States, over the type of rise, and everything else. I think you would have to tighten this up tremendously over your present standard.

Mr. CRUIKSHANK. I think that is probably true and I don't think that is anything to be regretted.

The CHAIRMAN. I am not discussing the merit of the plan, but I think you would find that to be the case.

Mr. CRUIKSHANK. Yes, I think so. If, however, you reject this theory, as we do, then logic should impel you to reject this bill, as presently written. I know of no economist who suggests that unemployment results from causes confined to State areas and subject to State control. The forces that give rise to periods of unemployment are national, and, in some cases even international in character. Their effects are felt unevenly as among the several States. But, because it is a national problem, it demands a national solution. There should be an adequate means of directing the resources of the Nation so as to assist in meeting the problem in critical areas of the Nation. A system of reinsurance grants meets the requirements of this basic principle. A provision for repayable loans, with penalties attached, does not.

Under the provisions of H. R. 5173, the repayment of the loan by the State is required before the State has had an opportunity to rebuild its reserves. A State might have to borrow several times from the loan fund and would, therefore, have to retain the maximum State rate, while at the same time the employers within the State would have to pay increasing rates of taxes to the Federal Government.

The establishment of a reinsurance system as a source of grants would be a very substantial aid to the permanent solution of the basic difficulties faced by States with depleted funds. Loans, on the other hand, would offer at best only temporary relief and in their ultimate effect might prove self-defeating. They would tend to keep State funds in a chronic condition of insolvency or debt and would act as a strong deterrent against improvements in benefits, regardless of the pressing need for such improvements.

There is one other further consideration which we feel argues very strongly against the proposal to meet the emergency needs of some States by the loan method. That is the question of the constitutional and other legal limitations existing in a number of States which would make loans unavailable to those States.

There is an extensive treatment of the subject of these limitations in a recent publication of the Council of State Governments, entitled "Public Authorities in the States" (with special reference to pp. 11–18). In this study, 20 States are listed as having constitutional provisions limiting legislative borrowing power to those instances where approval is received by popular referendum. Twenty more States are listed as being even more severely restricted in their borrowing powers. The constitutions of these States forbid them to incur any debt, with such minor exceptions as small amounts for casual deficits, to defend the State, or for a few other special purposes. It would appear, therefore, from this study, that serious constitutional limitations on borrowing power exist in 40 States.

There does appear, however, to be a legal question as to whether these restrictions are applicable in all of the affected States with respect to a liability payable only from a particular tax. Resolution of this question is, of course, a matter for the appropriate State authority, and it appears that it has been resolved in 22 of the States having the limitation referred to. In these States, judicial authorities have held

that the limitations either are not substantial or that they do not apply to the liability payable from a particular tax.

It is most significant, however, that in a number of States subject to the limitations on borrowing power, the issue has never been resolved by the competent State authority. These States are: Arizona, Georgia, Indiana, Kansas, Louisiana, Maine, Maryland, Nebraska, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Dakota, Texas, Utah, Virginia, West Virginia, and Wisconsin.

Still more significant is the fact that, in the following six States, it has been finally determined by appropriate judicial authority that the limitation does apply even with respect to a liability payable only from a particular tax: Idaho, Illinois, Kentucky, Montana, Rhode Island, and Wyoming.

What you have, therefore, gentlemen, in H. R. 5173, is a measure which proposes that loans be advanced to the States to meet emergency needs for unemployment compensation, when it seems quite clear that six States could not possibly have access to such loans. One of these States is now facing an emergency situation.

I should like also to point out that, even with respect to the 20 States which I have listed where the borrowing power has not finally been determined, the effectiveness of the proposal to advance funds to these States might be as seriously limited as in the six States where a decision has already been rendered. Not even the proponents of the Reed bill have proposed that the Federal Government force loans on the States against constitutional provisions or prior to a determination by the competent authority within the State that it has authority to borrow. Any value that might accrue to a State in meeting an emergency situation with respect to its unemployment would be largely conceled as a result of the delay involved in the court actions necessary to determine its legal authority to borrow.

In contrast to the radical proposal to fly in the face of constitutional limitations existing in these 26 States, no new or revolutionary principle is involved in our proposal to meet emergency situation by grants. The principle of grants is already fully established. The Reed bill, itself, recognizes the principle of grants and, indeed, would distribute automatic cash grants each year out of hand and regardless of need for administrative purposes, but would confine to repayable loans any assistance with respect to benefit payments to States which are in real need and whose funds are faced with actual jeopardy. Under our proposal, grants would be extended as a form of insurance where loss has occurred and a genuine need is shown to exist.

The American Federation of Labor further opposes H. R. 5173 because it does not touch the basic needs of the country to provide adequate protection against the currently rising number of unemployed.

In his State of the Union message, delivered to the Congress on January 8, the President cited some of these basic needs. He referred to the need to extend coverage to some 6½ million workers who now lack the safeguard of unemployment insurance. He referred also to the recommendations that would be submitted by the Secretary of Labor in reference to weekly benefits and the duration of periods of protection.

In his Annual Economic Report, the President made further reference to these matters, and the Congressional Joint Committee on the

Economic Report supported the recommendations unanimously and agreed that they wished to underscore the statement contained in the President's message that "unemployment insurance is a valuable first line of defense against economic recessing."

Implementing the President's recommendations, the Secretary of Labor on February 16, addressed a letter to the governors of all the States, asking that they bring to the attention of the State legislatures the vital needs in this area. He recommended particularly action with respect to extension of coverage, the raising of the maximum benefit provisions to provide that the payments to the great majority of the beneficiaries equal at least half their regular earnings, and the desirability of assuring longer periods of unemployment insurance protection. These are among the genuinely urgent issues in the field of unemployment insurance, and we are glad to note that the President and the Secretary of Labor are calling them to the attention of the governors.

We have little faith, however, that the States will act in response even to the President's request. In the first place, there are only 14 State legislatures that are in session this year, and some of them are already approaching their adjournment date. But, beyond this, the States could have taken action any time within the past decade of high employment to improve the protection afforded under their unemployment insurance programs. However, because of the tremendous pressures born of the powerful monetary incentives in the other direction, the States have whittled away the basic protections contemplated in the original unemployment insurance program. Just as no State put into operation an unemployment insurance program before the Federal Government took action in 1935, so we cannot expect any State today to take action to improve its unemployment insurance program even at the behest of the President of the United States. The forces in the opposite direction have proven themselves more powerful than the economic arguments and humanitarian appeals of the President. When these incentives are analyzed, it is not difficult to understand why this is so.

The CHAIRMAN. Since the system came into effect, have none of the States improved their standards?

Mr. CRUIKSHANK. They have made slight improvements but relatively the protection afforded is qualitatively and quantitatively poorer protection than it was in 1940.

Senator GEORGE. They have made many notable improvements, Doctor.

Mr. CRUIKSHANK. As I say, they have, for example, raised benefits absolutely, but they have not kept pace; that is the proportion of the potential wage loss that is recoverable under this insurance is less today than it was in 1940.

The CHAIRMAN. Taking each State's law by itself, there has been improvement in some of those State laws, have there not?

Mr. CRUIKSHANK. There have been many improvements but there have been also many retrogressions which, in our opinion, balance the improvements.

The CHAIRMAN. What retrogressions have there been?

Mr. CRUIKSHANK. For example, in the matter of disqualifications, you have in a number of States—I can't give you the exact number right now, but you have provisions that unemployment must be

attributable to the employer. Now, under provisions of that kind you have situations where a worker leaves one employer in order to find a better job, to accept a higher wage, or in response to any of the incentives that we think are normal and proper in a free, democratic society.

In some cases where the second employee—say he has gone from plant A to plant B—through lack of orders or some other thing while he has worked there a few weeks, he gets laid off. He applies for his unemployment compensation and he is told at the office, "No, you don't have any rights because you voluntarily left your employment with employer A and that is where your wage credits reside and you haven't yet built up rights under employer B," and he is denied his unemployment compensation benefits.

That kind of thing has increasingly crept into the State laws. The definitions of suitable work, the requirements for actively seeking employment, as proof that the worker is not voluntarily unemployed have been increasingly stringent and detrimental in many cases to the basic reasons for the program.

I would have to say at this point, Mr. Chairman, so there can be no doubt about it, our historic position is that we never want, in the AFL, unemployment compensation to compensate anything but genuinely involuntary unemployment. We agree there should be provisions of eligibility and qualification that establish effectively the fact that an unemployed worker is involuntarily unemployed in order to be eligible for benefits. But many of these disqualification provisions as they have been examined by impartial boards again and again, by our university centers and other groups of that kind that look at it objectively, have pointed out in report after report that they have gone far beyond the necessity of any unemployment insurance law to properly police itself.

The CHAIRMAN. Don't you think that some of that—let's assume they made a mistake—is due to a desire to protect the fund and to preserve the soundness of their system?

Mr. CRUIKSHANK. I think undoubtedly some of it is.

The CHAIRMAN. It is not all attributable to some villainous effort to burden the worker?

Mr. CRUIKSHANK. I believe that is correct. I will not borrow your word "villainous" today, sir, but I will say economic incentive to disqualify workers aside from the merits of his case for his particular appeal for unemployment benefits.

The reason for that, Senator, is quite clear. Under our setup, which is peculiar in this country, that the charge for unemployment, or the measure of unemployment of any employer's former workers is not the number of those workers actually unemployed but the number of them who can successfully establish a claim for benefits.

Now, that is one of the basic points where the whole theory of this method of financing, with individual employer experience rating, breaks down. That the employer's tax is adjusted, in theory, on the number of workers, the number of his workers who become unemployed. But that is only in theory. In fact, only by the number of his workers who can establish a successful claim for benefits, as that is the only measure that is used—well, there are 2 or 3 States that have developed modifications where it is not the only measure, let me say for the sake of complete accuracy; but in the main, that is the only

measure that is used for measuring the degree of unemployment attributable to the individual employer.

Now, that is what provides a tremendous additional incentive to develop little gimmicks and quirks in the law which would otherwise not find their way in to disqualify workers, to set up artificial standards of eligibility which go so far toward defeating the purposes of an unemployment insurance program.

The CHAIRMAN. I am not prepared to say that perhaps there wasn't some motive of that kind in some cases, but I suspect also that the States have found a lot of chiseling on these funds and have attempted to set up some standards that would solve at least a part of that problem.

Mr. CRUIKSHANK. There has been some chiseling. There is some chiseling in every program, public or private.

The CHAIRMAN. That doesn't make it good.

Mr. CRUIKSHANK. No, that doesn't make it good but it does put us on notice that we need to——

The CHAIRMAN. It puts us on notice to set up protections against that thing.

Mr. CRUIKSHANK. But it puts us on notice not to throw out the baby with the bath.

The CHAIRMAN. I agree with this and I am taking a general exception to this very discouraging view that there is no feeling of humanity, that there is no regard for workers' rights in the States, and that it is in contrast a sort of heaven for employers to come here for relief. I don't accept that theory.

Mr. CRUIKSHANK. I am sure you are not putting those words in my mouth, Senator.

The CHAIRMAN. I am putting my own words in my own mouth. I have enough trouble doing that.

Mr. CRUIKSHANK. We do say that it has been extraordinarily difficult, in this and other fields, for workers to secure through the State legislatures what they feel is their equitable right. There are reasons for that which I think are objective and which can be substantiated and documented.

The CHAIRMAN. All right; go ahead.

Mr. CRUIKSHANK. With nearly 3½ million people now unemployed, and the number increasing daily, we respectfully urge this committee and the entire Congress to devote its attention to the necessity for developing better Federal standards universally and equally applicable to all the States, designed to strengthen and improve the system, rather than to waste its valuable time on a measure such as that before you, designed primarily to give free play to the bureaucratic whims of State administrators by providing additional [pause] funds.

The CHAIRMAN. Leaving out the word "slush". Well, I have won "a" victory, after a long time. Thank you very much.

Mr. CRUIKSHANK. Conceded, Mr. Chairman.

We submit that the present situation demands that Congress amend the Social Security Act so as to provide additional standards for all the States to meet the following objectives:

(1) Benefits: The maximum primary benefit payable under State laws shall not be less than two-thirds of the average weekly wage of covered employment within the State. Subject to this maximum,

each individual's primary benefit shall not be less than two-thirds of his average weekly earnings.

(2) Duration: Benefits shall be payable to all eligible unemployed persons for a period of not less than 26 weeks.

Of course, the key word there, you understand, is "eligible," because he has to be available for work and it doesn't mean a flat 26 weeks to everybody.

(3) Disqualifications: The States should be required to limit their disqualifying provisions to those actually designed to prevent payment of benefits to any workers who are not genuinely involuntarily unemployed. The period of disqualification should be limited to such duration as corresponds to the period of time during which the individual's unemployment can properly be considered a result of his disqualifying act. We suggest that 4 weeks represents a realistic period.

(4) Coverage: Coverage should be made coextensive with the coverage of the Federal old-age and survivors' program. In addition, protection should immediately be extended to the employees of the Federal Government.

And as you know, that was included in the President's message to Congress, requesting the addition of that provision.

The act should further be amended to provide means whereby States would be permitted to provide for uniform rate reductions to all employers, as well as individual experience-rated reductions.

Further changes in the financing of the program should be provided along the lines I have indicated above, namely, that proceeds of the Federal Unemployment Tax Act would be earmarked in a Federal unemployment account in the Federal Treasury, such account to be used for paying the Federal and State administrative expenses (including the establishment of a contingency fund) and reinsurance grants to those States which are in financial difficulty because of high rates of unemployment.

These are the genuine needs of an adequate unemployment program, which could be developed within the framework of the present Federal-State program. Anything short of such action will leave the Nation still without the basic protection of adequate unemployment insurance.

Once again we should like to ask that the special interest of those supporting this particular piece of legislation be fully investigated. When the legislative representative of the American Federation of Labor, Mr. Andrew J. Biemiller, testified before the House Ways and Means Committee on April 15 with respect to the Mills-Mason bill, which preceded the present measure, he called for an inquiry into the operation of the Interstate Conference of Employment Security Agencies, contending that its members had become a lobbying front for certain employer interests who had tremendous amounts of money at stake in this proposal. To date, no such investigation has been made. Instead it is still contended that these State administrators and the members of this interstate conference represent the interests of almost all of the States in the enactment of this legislation.

The CHAIRMAN. Well, what of it, what of that last sentence? It is stated that they represent the interests of almost all the States in the enactment of this legislation. The people who are members of this

conference are working with the problems in the States every day; are they not?

Mr. CRUIKSHANK. Yes, sir.

The CHAIRMAN. They are officials of the States, why are they disqualified to represent their States?

Mr. CRUIKSHANK. I wonder if, I could proceed with this, and then perhaps you might still want to ask your question if it is not answered completely further on in the statement.

The CHAIRMAN. Very well.

Mr. CRUIKSHANK. I have here in my hand a memorandum—I think it may have been mentioned in this morning's testimony—prepared and distributed by that organization, in which it is urged that all possible pressures be brought to bear on the members of this committee and on their colleagues in the Senate and the House to secure the immediate passage of this legislation.

Now there are a couple of things about this, Mr. Chairman and members, to which I would like to direct your attention. In the next to the last paragraph of this memorandum appears these words:

> As soon as possible, and within the next month and a half, contact both of your Senators and any others you may be able to, directly or, even better, through those whose opinion would be valued by them, see that they are clearly aware of the problem and of your views and of the views of all in your State who support the bill.

Now, Mr. Chairman, this is a distinctly lobbying technique. It is the kind of thing we do.

Senator GEORGE. I was going to say I think I have observed that on the part of the A. F. of L. and the CIO.

Mr. CRUIKSHANK. The difference is, we are not being paid out of taxpayers' money. I have been on the Federal payroll, and I would not be permitted during the periods of service that I had with the Federal Government, to do this kind of thing; and I don't think any group should be permitted, when they are being paid by moneys that come out of the Federal tax receipts, to carry on a distinctively lobbying technique of this kind.

Now there is one other rather significant thing that appears—and I didn't fully realize the significance of it until this morning. In the instructions to their members—their fellow State administrators—on the bottom of the second page of this memorandum, after they outline who is for and who is against the bill, and rather reluctantly admit that the important and interested agencies of the Federal Government are against the bill in its present form, they have this note, and I quote:

> The United States Department of Commerce is presently studying the bill carefully for the first time. What position it will take, if any, in the Cabinet, and/or before Congress, is not known at this time.

I would just like to raise the question, was it possibly the witness of this morning, Mr. Teetor, with whom they were conferring, and being unable to get a position of the Department of Commerce opposed to the position of the rest of the administrative agencies, he then came in and appeared as an individual, but at the same time, appearing as an individual, put before this committee information that was available to him only as an officer in the Department of Commerce?

The CHAIRMAN. The committee, I don't believe, was much misled, if at all, by the gentleman's appearance. The chairman of the com-

mittee made it a point quickly to develop that he was appearing in a strictly personal capacity. If he revealed any secret information that isn't available to everyone else, that would be interesting, but I know of no charge of that kind being made.

Mr. CRUIKSHANK. No; I was not making that charge. The significance here, it appears to me, is that here is an organization of individuals who receive their salaries for being State administrators, who are carrying on a lobbying activity with accepted lobbying techniques and lobbying upon Members of the Congress and also on other administrative agencies of the Government.

Now, I think, and we have felt for a long time—and there was another resolution that came up out of the Wisconsin State Federation of Labor, to our convention in St. Louis, and we have repeatedly called for an investigation of the lobbying activities of this group of administrators, and we haven't had that investigation, and I am repeating again, sir, our respectful request that that kind of activity be investigated.

The CHAIRMAN. The chairman of this committee, I must be frank to say, doesn't feel any great excitement over the activities of this bureau, any more than he feels about your activities, or the representatives of any other organization. If there is a violation of law, that is a horse of a different color.

I think that every member of the committee this morning was fully aware of the status of the gentleman who testified. I don't mind saying that I wondered why he appeared at all, because he appeared simply as a citizen. As such, he has a right to appear, but I had been led to believe he was representing an official agency and thus put him ahead of one of our State governors, which I would not have done had I known he was appearing strictly for himself, but any citizen has a right to come in here and tell his story, and we are glad to hear it.

Mr. CRUIKSHANK. I gathered, Mr. Chairman, from this morning's proceedings, that you were quite aware of the situation with respect to this witness, but my main point is not with respect to this witness. My point, and the point which my organization wishes to raise, is the propriety of these people carrying on lobbying activities when they are on the public payroll.

The CHAIRMAN. My memory is that there is some kind of a statute that bears on that subject. Do you claim that that statute has been violated?

Mr. CRUIKSHANK. I wouldn't claim that that is the case, and I wouldn't say that it is not the case.

The CHAIRMAN. Then why waste our time?

Mr. CRUIKSHANK. I am asking the committee to make an inquiry as to whether they are in violation of the law, or whether they are in violation of propriety, Mr. Chairman.

The CHAIRMAN. We might do that some time when we haven't anything else to do.

Mr. CRUIKSHANK. Ah, but the position they take and the amount of dust they can raise on this bill, is related to it and effects your decisions with respect to this bill.

The CHAIRMAN. I think there is a great—I am speaking personally, of course—I think there is a great misunderstanding as to the amount of dust that various people who appear before the committees can raise. After a fellow has been around here a while, he gains certain

understandings about things without making speeches for the record and without thumping his chest, and he learns how to evaluate things that come in here. I don't think that you need have the fears on the subject that you do have.

Mr. CRUIKSHANK. I appreciate that reassurance.

The CHAIRMAN. I don't intend it as a reassurance. I am just stating a fact. People are always worrying about some lobbyist affecting legislation. I think that every fellow who has been around here a while learns there are two sides to a story. A lobbyist, if he is a good one, is usually well equipped to tell one side of the story and the fellow in the Senate, if he is well equipped, makes a mental note "I better look up and see what the other side of the story is," and so the influence of lobbyists for employers and employees and organizations of all kinds, sort of irons itself out in the end, because a wise or reasonably wise legislator takes the pains to find out both sides of the story.

Mr. CRUIKSHANK. Mr. Chairman, I don't want to labor this point, but I trust that I don't gather correctly from what you say, that you equate the activities of persons on the public payroll, with activities of people like Mr. Biemiller and myself and the other gentlemen who are waiting to testify in supporting or opposing this legislation.

The CHAIRMAN. Only because there is a law on the subject, that I am going to take a look at that law for my own satisfaction, to see what goes on, insofar as that law is concerned.

Mr. CRUIKSHANK. We would be very glad to have that done.

Senator GEORGE. Doctor, I, in my own individual capacity have frequently seen men on the public payrolls up here who were directly interesting themselves in legislative matters before the Senate. I never take any offense at it, but that happens nearly every time you have a sharp issue, let us say, in which the administration is very much interested. You will find somebody around, out here in the reception rooms who are on the public payrolls, some of them with pretty high salaries now and then, and they are not loath to express themselves on how they feel about a certain kind of legislation.

Now, your criticism of State people, here, I don't think you ought to indulge in it because this is their job in the States and they are supposed to know more about it than anybody else, actually.

Now, we have had, you know, from the very beginning, an issue, here, between a completely federalized unemployment system and the system which we did adopt. Now, frankly, I don't think we could have adopted a federalized system, at that time. I am not yet convinced that it is a wise system, because this question of employment, while it is national, and unemployment is a national problem, and employment is a national problem, yet it is affected by conditions that exist in all of the States. They are not always similar to the conditions that exist in remote parts of the country, from those States. Their administrative officers are supposed to be able to give us some information, and I find it helpful—I don't object to seeing a Cabinet officer around here occasionally, or somebody else around here occasionally.

Mr. CRUIKSHANK. That I think is quite different and we wouldn't oppose that. I am glad you mentioned that, because I do want to differentiate between that and the kind of thing I am talking about. I think it is entirely appropriate, and I am sure that you in the discharge of your duties as a Senator, as well as the other members of

this committee, would want to talk with State administrators about the way the program is working in the States. I think that is entirely appropriate and it is the kind of thing you need to have to come to wise decisions with respect to this program. But that, I think, is quite different from that organization, while posing as a group of professional administrators, getting out circulars of this kind to their members, asking them directly and indirectly, through persons who can have an influence on the Senators, bringing pressures to bear on them in regard to a piece of legislation. That is quite a different thing.

Senator GEORGE. Maybe I wouldn't do that, and maybe I wouldn't even counsel that, and certainly I wouldn't want to approve it, but I don't know how you are going to draw the distinction that you are making here against the State administrators in this field when right now—I have had some difficulty in getting in and out of my office this morning on account of postmasters and post-office employees. They are all on the public payrolls. But, they are up here presenting what they think is a just case. I can't find any fault with them about it.

Mr. CRUIKSHANK. But, there is another question that arises there.

Senator GEORGE. And they have associations and they pass resolutions.

Mr. CRUIKSHANK. Did they come in here to see you at their own expense, or with public travel money?

Senator GEORGE. I don't know about that.

Mr. CRUIKSHANK. These individuals travel on public travel money, expending public funds to carry on their lobbying activities.

Senator GEORGE. Well, they made that money out of post-office jobs and postal jobs.

Mr. CRUIKSHANK. Yes, but it becomes theirs. They paid their tax on it and I am sure you wouldn't carry forth that analogy.

Senator GEORGE. I don't know how you are going to distinguish between them.

The CHAIRMAN. Now, Doctor, I'll show you how this works out. We have heard from State representatives, we have heard from representatives of the Government, we heard from a gentleman in a sort of a quasi-relationship, we have heard from Mr. Carey of CIO, we are hearing from you. Before we get through, we'll have a pretty good résumé of the questions that are involved here. I don't think that our minds are going to be exploited by the fact that you represent a labor organization, or that Mr. Teets, there, speaks for some of these State officials. What is the harm in it?

Mr. CRUIKSHANK. I apparently haven't made my point, Senator.

The CHAIRMAN. What is your point?

Mr. CRUIKSHANK. My point is not that these people shouldn't be heard. I would say, myself, I would be the first to say your hearings were incomplete had you not heard from the State administrators. My point is that they should not as public officials travel on public money, spending public money and all, to act as a lobby, and that is quite different from giving their professional counsel and advice and suggestions and factual data before this committee, at the request of this committee and at the invitation of this committee.

The CHAIRMAN. Even if they come voluntarily—more people come voluntarily and ask to be heard than we ask to come. It

doesn't matter how a witness gets here if he has something to tell us after he gets here.

Mr. CRUISHANK. I am not talking about a witness. I am talking about a man traveling at public expense and comes in here and spends sometimes 3 or 4 weeks, padding up and down the Halls of Congress, buttonholing every Member of Congress, pressing for legislation, while he is on the public payroll.

The CHAIRMAN. I say to the extent that involves a violation of law I am interested and I am going to take the pains to acquaint myself with what goes on in that field.

Mr. CRUIKSHANK. That is the only issue we are raising.

The CHAIRMAN. A part of our system is to get information. You necessarily get it from people who are lined up one way or the other. There are very few people who come in here and say "I am strictly judicious. I have no interest in labor; I have no interest in the employer; I come here as a pure, unpolluted judicious character. Now listen to me for that reason."

We don't get information that way. We get it from the various people who are interested and as I say we have the job and after a while you get a little facility for weeding out the bum stuff and getting the good stuff and keeping the legislative process rolling. I believe your fears are exaggerated on this score.

Now, Bernie Teets has been in town here, I don't know how long, I don't know whether he is paying for it out of his own pocket, whether an association is paying him, whether public funds are paying him. He comes from my State. As far as I can remember, we haven't had a conversation prior to the time that he appeared in this hearing room, except there were some telephone conversations as to whether we were going to have a hearing.

Am I right about that, Mr. Teets?

Mr. TEETS. That's correct, Senator.

Senator JOHNSON. Mr. Teets comes from my State, too, and Mr. Teets has never spoken to me. Not one word. He hasn't lobbied me. I wish he would. He has kind of neglected me.

Mr. CRUIKSHANK. He should be brought up on charges by his own organization for not carrying out their directive.

The CHAIRMAN. He has made a very effective presentation to this committee, and thus I assume he has carried out the purpose of his organization. He is a very effective man in his State, too.

Well, go ahead.

Senator JOHNSON. He is doing a good job and he is an able fellow, and this committee ought to have counsel from such men as Bernard Teets.

Mr. CRUIKSHANK. I repeat, Senator, we do not object to that, at all. In fact, we would object if you didn't.

Senator JOHNSON. Well, I'm glad to hear you say that.

Mr. CRUIKSHANK. We object to the confessed lobbying activities of this organization while on the public payroll, at public expense. The Senator or the chairman has assured us he will look into the legal aspects of that and that is all we are asking for.

Senator JOHNSON. I agree with you, that that is an unfortunate document that you have just read from. I don't know who signed it, I don't know who got it up, I don't know anything about that.

The right of petition is one of the rights that the Constitution gives to the American people and if they want to petition, they have a right to do it.

Mr. CRUIKSHANK. I don't know the Constitution provides them the right to petition at Government expense, and that is my point.

The CHAIRMAN. You will have a devil of a time, Doctor, asking these fellows who don't make very much money, to come down here at their own expense.

Mr. CRUIKSHANK. That, again, I would not object to, I would not object to their having expenses paid when they are on official duties. When this committee would ask them to come in and appear. It would be entirely legitimate for them to come in and advise this committee. But, I object to their acting as a lobbying group at public expense. I do not believe that you or the other members of this committee condone that, and I'll be glad to leave this document with you as evidence of the fact that it is going on.

The CHAIRMAN. It will be put in the record.

(The document referred to follows:)

INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES,
November 5, 1953.

To: State administrators.
From: Henry E. Kendall, president, and Newell Brown, chairman, legislative committee.
Subject: Reed bill.

Passage of the Reed bill (H. R. 5173) constitutes the most important legislative objective of the interstate conference in the coming year. Such is the opposition that concerted, and immediate action by all the bill's supporters is essential to assure its passage. This memo is designed to assist you in giving the bill effective and timely backing and is prompted by decisions reached at the recent annual meeting of the conference.

Your immediate consideration and action are most important.

The Congress opens in early January—the opposition is active today.

CONTENTS

I. Bill's history and current status.
II. Nature of opposition.
III. Nature of support.
IV. Bills' provisions, in each case with—
(1) Conference position.
(2) Opposition position.
(3) Conference rebuttal.
V. Suggested action by administrators.
VI. Senate Finance Committee membership.

I. BILL'S HISTORY AND CURRENT STATUS

The past.—The bill's principles have been prime conference objectives since 1948 when the Lynch bill, containing 1 of the 2 main features was introduced but never acted on. In the 81st Congress, H. R. 4133 (Mills) contained them but was never voted on. Last winter, 82d Congress, a somewhat modified version, in twin bills, H. R. 3530, 3531 (Mason-Mills) were introduced. Extended and heated hearings took place during the spring. The bills were further modified without sacrifice of basic principle. A resultant "clean" bill, H. R. 5173 (Reed) came out of the House Ways and Means Committee. This was passed by the House 294 to 91 in July, just before Congress adjourned.

The present.—The Reed bill has been referred to the Senate Finance Committee in the 2d session of the 82d Congress which opens in early January. It does not have to pass the House again unless the Senate amends it. Extended hearings are probable at the behest of the bill's opponents. Subsequent steps presumably include committee recommendation, Senate vote, and Presidential action.

II. NATURE OF OPPOSITION

The significant opposition today and yesterday wants amendments to, rather than outright killing of, the bill, but the proposed amendments (see paragraphs E and F below) would largely emasculate the bill. This opposition is composed of—

The Labor Department.
The Treasury Department.
The Bureau of the Budget.
The White House—concurring passively in the joint position of the above-mentioned three departments.
Some groups of organized labor.

III. NATURE OF SUPPORT

Few supporters agree with the bill in every detail, but all are agreed now on the compromise represented by the Reed bill as it stands. Supporters include—

The interstate conference—most States actively, only one inactive opposition.
Local, State, and National trade associations throughout the country.
House of Representatives, over 3 to 1.
Many State governors actively interested, in addition to State administrators.

NOTE.—The United States Department of Commerce is presently studying the bill carefully for the first time. What position it will take, if any, in the Cabinet and/or before Congress is not known at this time.

IV. BILL'S PROVISIONS AND ARGUMENTS PRO AND CON

A. *Earmarking.*—Beginning immediately, money collected by the Federal Government under the Federal Unemployment Tax Act and not spent for current employment security activity would be held for other employment security uses, rather than being spent for other Federal Government costs as in the past.

(1) Conference believes this to be not only equitable but long overdue.

(2) Opposition generally agreed on principle—may be a further issue on the mechanics. However, Reed bill in present form precisely follows Treasury Department's recommendation with respect to mechanics. Outside chance, in spite of all present indications to the contrary, that broad issue of earmarking, per se, may be raised.

(3) Rebuttal—if necessary. This is a special tax raised for a special purpose. It is inequitable to use proceeds of such a tax for general revenue purposes.

B. *Federal reserve fund.*—This excess between collections and disbursements each year would go initially into an unemployment trust fund.

(1) (2) (3)—All agreed.

C. *$200,000,000.*—All excesses would go to this trust fund until it reached $200 million, a matter of 3 years or so on the basis of present excess collection experience.

(1) Conference recommended $50 million, but compromised on $200 million.

(2) Opposition agreed at $200 million, started at $300 million.

(3) Rebuttal, none.

D. *Redistribution.*—Any excess not needed in the future to maintain trust fund at $200 million, once it reaches that figure, would be redistributed to the States in the ratio that the covered wages in each bear to total wages covered by all unemployment compensation laws.

(1) Conference agreed.

(2) Opposition agreed, although originally some opponents wanted no redistribution of any kind. So far as this objection is related to the Federal cash budget situation, amendments already made have presumably met it. They may again raise this issue or question the prorating formula, however.

(3) Rebuttal: If redistribution in itself becomes an issue, answers are the obvious uselessness of a huge accumulating reserve held in Washington; and the propriety of a redistribution which would have the net effect of varying employer tax rates not only in accord with local benefit needs but also needs for administrative money.

E. *State use of redistributed funds.*—Such funds would be placed in each State unemployment compensation reserve fund for use in paying benefits and would

remain there permanently unless and until the State's legislature, by specific legislation, granted the State agency a specific amount for a specific administrative purpose. Not more than the amount of redistributed money accumulated in the past 5 years by a State might be so used for administrative purposes.

(1) Conference:

Believes such money should be used primarily for benefit payments,

But

Believes States have long needed more administrative latitude, a latitude which would be possible where some of such money can be used for administrative expenses. The current tight purse-string control by a Federal department by definition and charter prolabor over State operations which must tread the middle ground between labor and management is improper.

Further, the money was initially collected for administration, not benefit payments.

(2) Opposition adamantly opposes use for administration but will probably go along if restricted to use only for benefit purposes.

The Federal Government appropriates for employment security administration, and raises the necessary money through FUTA. It should have entire control over expenditures. Bill proposal waters down this control.

States might use irresponsibly the power to use some money for administration.

State latitude would upset present budgetary procedure, aimed at equity among States.

(3) Rebuttal: In other programs States have some discretion in administrative use of money raised by Federal Government. What's proposed isn't exceptional. As to sanctity of Federal control where it appropriates, the House (the appropriating branch and not one to give up its legitimate prerogatives lightly) is on record over 3 to 1 as favoring Reed bill, including proviso for administrative use of this money.

Congress cannot claim to be all-wise as regards present and prospective detailed administration and benefit needs in each State. State legislatures, close to the scene, are better judges.

Lack of faith in State discretion is one of the hallmarks of all centralist thinkers: In any case, labor and management both have strong interests on both sides of the question of using some redistributed money for administration. Decisions would not be made lightly.

Current budgetary procedures and controls go far beyond the manifest or implicit intent of the present law. The business of spending something beyond what is granted for proper and efficient administration does not constitute upsetting procedures, or overriding congressional and Labor Department intent.

F. *Use of $200 million.*—Money would be available to States whose benefit funds get into trouble according to specific criteria, on a non-interest-bearing loan basis, providing the needy State has an average contribution rate of 2.7 at the time of its request for a loan.

(1) Conference agrees.

(2) Opponents reluctantly accept principle of repayment having preferred outright grants. Opposition now concentrating on weakening the repayable feature of advances.

(3) Rebuttal. Only through providing for certain repayment of advances can the full responsibility of the States to finance their benefits be maintained and the integrity of the State systems be preserved.

NOTE.—The administration may urge an amendment which would include in the possible uses of this fund withdrawals to cover any minus balance between FUTA receipts and appropriations. While the conference has taken no position officially on this, presumably it would oppose it as inequitable, considering 15 years during which the Federal Government has kept the plus balances, and the improbability of the contingency in the foreseeable future.

G. *Repayment of loan.*—A State receiving a loan would have to repay from its benefit fund within 2 years. If it failed to do so, repayment would be forced through the procedure of the Federal Government collecting more than 0.3 percent from FUTA—covered employers in ensuing years: 0.45 percent, 0.60 percent, 0.75 percent, etc. The difference between this gradually increasing rate (assessed regardless of the State's own contribution rates) and the usual rate of 0.3 percent would be used to liquidate the loan.

(1) Conference believes:

A loan without definite, enforceable repayment proviso is no loan at all in effect.

That such proviso is essential since all States, through their interest in redistribution funds, are adversely affected by withdrawals from the Federal reserve.

That anything short of a strictly repayable loan plan can promote Federal standards through pressure from Washington on debtor States.

That only through a businesslike loan program can there by any assurance that a troubled State will make its maximum effort to get its law, administration, and economy back on a sound, solvent basis.

(2) Opponents, most of whom originally favored outright grants, now want loans repayable when the State gets ready to pay, measured by a given fund solvency criterion. They argue:

Forced repayment before State is ready could aggravate the conditions which produced the need in the first place.

Such a proviso would not be in keeping with Federal policies of lending assistance in shoring up weak local economies.

States can be trusted (in this case) to make maximum effort to get out of the hole; and if they can't be trusted, proviso could be made to forbid benefit increases and to exercise other Federal controls to prevent irresponsibility until State has paid up.

(3) Rebuttal: While forced repayment could aggravate or stretch out economic depression, if depression persists sooner or later the answer must be complete local economic overhaul. Continued Federal unemployment compensation handouts (at the expense of all other States) is no permanent solution and would simply postpone for a time the day of necessary economic overhaul. If a State stays in trouble more than 2 years, something more than UC pump priming is needed. Only one State appears worried by the forced repayment possibility.

Federal handouts over an indefinite period do not constitute a sound business-like means of assisting troubled States.

Unlike the case of administrative use of redistribution money, in this case there are few or no internal State forces working for sound planning. In fact, both labor and management would have positive inducements to stay in a debtor status, once there. Belt tightening by both would be essential to simply getting out of trouble. If, in addition, a loan had to be repaid when the system was again solvent, further and protracted belt tightening would be required. As long as the loan didn't have to be repaid and more could be had without definite repayment strings, why cut benefit rates and raise contribution rates, etc. In this sense the loan without definite repayment proviso would be worse than a grant.

As for the Federal Government forcing a State to tighten its belt, this involves additional Federal invasion of States' rights in this field and is a step toward federalization. Further, putting a ceiling on a State's benefit formula could well aggravate or prolong the economic situation which brought on insolvency in the first place.

V. SUGGESTED ACTION BY STATES

A. Become acquainted with the problem. The legislative committee will be glad to answer any questions not covered above.

B. As soon as possible and within the next month and a half, contact both of your Senators and any others you may be able to, directly or, often better through those whose opinion would be valued by them. See that they are clearly aware of the problem and of your views and the views of all in your State who support the bill.

C. As opportunity offers in the next 6 months, make contact as above with your State representatives, against the possibility that a Presidential veto may face the House.

Time is important. Please act now.

VI. SENATE FINANCE COMMITTEE

Eugene D. Millikin, chairman, Colorado

Hugh Butler, Nebraska	Walter F. George, Georgia
Edward Martin, Pennsylvania	Harry Flood Byrd, Virginia
John J. Williams, Delaware	Edwin C. Johnson, Colorado
Ralph E. Flanders, Vermont	Clyde R. Hoey, North Carolina
George W. Malone, Nevada	Robert S. Kerr, Oklahoma
Frank Carlson; Kansas	J. Allen Frear, Jr., Delaware
Wallace F. Bennett, Utah	Russell B. Long, Louisiana

The CHAIRMAN. I am looking this up not to make a big production out of it, but just to satisfy myself as to where I am in my own conduct of these matters so far as the law is concerned. I remember having

been critical of certain types of lobbying by Government employees, and so I would like to attain a reasonable degree of consistency in my positions in the past. I am not as excited about this as you are, because after all it boils out on this table, here. You are having your opportunity, Mr. Carey had his, the states have had theirs. As I say, as far as I am concerned, if somebody is going to do any lobbying around here, they ought to come and see me on any subject that comes before the Senate Finance Committee. Mr. Teets hasn't lobbied me. I don't recall of any from the labor organizations lobbying me. I hope no one has neglected his duty, but we get this thing around the table, here, and in the end we get the facts.

We are not fooled very much of the time, I do not believe.

Mr. CRUIKSHANK. Their contention that they represent the interests of the States, however, was effectively exploded at the National Conference on Labor Legislation held the last week in February here in Washington at the call of the Secretary of Labor. There were 40 different States represented at that conference. Thirty-five of those in attendance, designated by their governors, were the commissioners of State labor departments (or the comparable State labor agencies). Two were deputy commissioners; 2 were representatives of State employment security commissions, and 1 was the director of the women's and children's division of the State department of labor—making 41 in all, coming from the State labor departments. These representatives unanimously passed resolutions condemning the measure now before you, H. R. 5173, in its present form, and calling for grants to States, rather than loans, and specifically condemning the redistribution of funds for administrative purposes. They likewise took unanimous action in endorsing the principle of Federal standards in the unemployment compensation program along lines very similar to those which I have indicated above. Copies of these resolutions are attached to this statement, and I respectfully request that they be made a part of the record of these hearings, along with the list of names of those participating.

The CHAIRMAN. Doctor, is there any particular doubt that these people you are talking about came here at the expense of the public, with public money?

Mr. CRUIKSHANK. No, sir.

The CHAIRMAN. Of course, they did. They came here with public money and you are urging us to listen very attentively to what they have to say.

Mr. CRUIKSHANK. Mr. Chairman, there are several vitally important differences. First, a number of them came at their own expense. Some of them came at the expense of States, I presume.

The CHAIRMAN. Of course.

Mr. CRUIKSHANK. But, they did not come here lobbying. They came here at the request of the Secretary of Labor who was asking and seeking their advice through their governors, on State legislation.

The CHAIRMAN. In the end it all comes to that anyhow because, Mr. Teets of Colorado calls up and says "Are you going to have a hearing on this bill?" And I say, "Yes. We will be glad to have you appear."

Well, I could put that on embossed stationery and have it engraved and issue him an invitation to come, but that is a sufficient invitation to come. Must we subpena everybody?

Mr. CRUIKSHANK. I don't mean for you to subpena them. That is not the question at all.

The CHAIRMAN. Well, I'm glad to have him.

Mr. CRUIKSHANK. This memoranda as you read it calls upon these members to get to work within their States at the time during the recess and to bring pressures upon them, call upon people who will have influence on the Members of Congress. I submit that is a lobbying technique.

The CHAIRMAN. I have requested that that be included in the record.

Let me suggest to you that these resolutions, this body you are now talking about, also may have had a lobbying purpose, and I would like to suggest to you that of those you mention, how they come here and the auspices under which they come here, and who they are coming to see indicates that they are traveling on expenses that don't come out of their own pocket. I am very glad to have their opinion. I am not going to throw their opinions in the wastebasket because maybe they drew on a State account to come here.

Mr. CRUIKSHANK. There is still a difference between that and lobbying.

The CHAIRMAN. The difference is you approve of what these people had to say and you disapprove of what the other fellows had to say.

Mr. CRUIKSHANK. There is a fundamental difference in principle.

Mr. Chairman, I am disappointed in my own ability to make that issue clear, which I am sure, if there were someone here able to make that clear, would make it very apparent to you. There is a basic difference in principle between people lobbying on the Government payroll, than there is people coming in here and presenting a point of view about legislation at the request of, or the invitation of a committee.

I am not interested in whether it is an engraved request or a verbal request. There is a basic difference in principle. I'm sorry if you don't recognize it.

The CHAIRMAN. Everyone who has come here has come in expressed words or implied words, at the invitation of this committee.

Mr. CRUIKSHANK. I'm not talking about that.

The CHAIRMAN. They say "Are you going to have a hearing on a certain bill?" We say, "Yes." They say, "When is it going to be?" We indicate when it is going to be. "Well, we would like to be heard."

Then somebody says, the secretary of the committee or the chairman of the committee, "Come ahead and we will be glad to hear you," just as we say, "Come ahead, Doctor Cruikshank, we'll be glad to hear from you." I'm sorry if you are not getting any expenses out of this.

Mr. CRUIKSHANK. That is not the point. What I'm talking about—and if you will investigate the activities of this organization you will find that they not only come to hearings—which again, let me repeat, is perfectly all right with us—but they will swarm like bees over Capitol Hill, buttonholing Members of Congress engaging in a lobbying activity, assuming the guise of disinterested administrators, when they are actually representing certain identifiable financial interests, and a proper investigation of that will reveal it, and I hope you will not attempt to avoid such an investigation.

The CHAIRMAN. Believe me I am not attempting to avoid anything. I told you what I will do and all that I will do and I told you, also, that I am not going to make a big production out of it. But, if these fellows have been swarming around over the Capitol like bees, three members of the committee here haven't been swarmed.

Mr. CRUIKSHANK. Well, they will be.

The CHAIRMAN. I should think these three members of the committee would be swarmed if someone was here attempting to influence the opinions of this committee.

Mr. CRUIKSHANK. They will be because this has just been before your committee, now and you will get it.

The CHAIRMAN. This has been pending since last year, Doctor.

Go ahead.

Mr. CRUIKSHANK. Well, I make the point that these are officials, chosen by the governors of the States as those closest to the labor problems and to the administration of labor laws within the States. Because most of them are not directly responsible for administering the unemployment compensation programs within their States, they do not have the bureaucratic interest in the Reed bill that is represented by the membership of the Interstate Conference of Employment Security Agencies, but I am sure no one would contend that they are any less close to the problems of the wage earner or the unemployed worker in the States.

In view of the fact, therefore, that H. R. 5173 represents unsound principles of government administration and finance; that it does not meet the basic needs of an unemployment compensation program in a time of crisis; that it does not meet the standards set up by the Bureau of the Budget, Department of Labor and the Department of the Treasury nor have the support of disinterested State labor officials nor of any representative labor organization, the American Federation of Labor urges this committee to reject this bill in its present form and to report in its stead amendments to the Social Security Act that will provide an adequate system of protection against the contingency of unemployment, embodying the recommendations we herewith submit.

Thank you very sincerely, Mr. Chairman and members of the committee.

The CHAIRMAN. This appendix Twentieth National Conference on Labor Legislation Report of the Resolution Committee, what is that?

Mr. CRUIKSHANK. Is that not appended to your copy, sir?

I would like to say a word for the reporter, that we appended the entire report, there, but it is only to a point down toward the bottom of page 3 that is relevant to this record.

The CHAIRMAN. That's all you want to put in?

Mr. CRUIKSHANK. Yes, sir. The two resolutions dealing with unemployment compensation.

The CHAIRMAN. Do you know what to put in, Mr. Reporter?

The REPORTER. Yes, sir.

(The information previously submitted appears at p. 105:)

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

Mr. CRUIKSHANK. Thank you, sir.

The CHAIRMAN. Now we will hear from Mr. Frank B. Cliffe.

STATEMENT OF FRANK B. CLIFFE FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES

The CHAIRMAN. Identify yourself to the reporter, if you will, please.

Mr. CLIFFE. Mr. Chairman, members of the Senate Finance Committee, my name is Frank B. Cliffe. I am vice president and chief financial officer of H. J. Heinz Co., Pittsburgh, Pa.

I appear before your committee representing the Chamber of Commerce of the United States to support the major principles of H. R. 5173 to amend the Social Security Act. The bill provides that the excess of collections from the Federal unemployment tax over unemployment compensation administrative expenses shall be used to establish and maintain a $200 million reserve in the Federal unemployment account. The remainder of such excess shall be returned to the States. The reserve will be available for advances to the States.

This legislation is supported by the Interstate Conference of Employment Security Agencies.

I believe there is common agreement among all parties concerned that the proceeds of the unemployment tax act should be used exclusively for the unemployment compensation programs. We fully endorse the exclusive use of the three-tenths percent Federal tax for the Federal-State employment security program.

Since the beginning of the unemployment insurance program, over $1 billion of the Federal tax on employers in the various States has been diverted to the general revenue purposes of the Federal Government. We are glad to see the Congress considering a long overdue remedy to this situation.

When the Social Security Act was under consideration in 1935, nobody knew how much the administration would cost. This three-tenths percent was somebody's guess that it would be an adequate amount. It has proven to be more than adequate.

There appears to be no disagreement between the State and national authorities upon the establishment of a loan fund designed to aid those State unemployment trust funds which may get into temporary difficulties. The Congress endorsed the loan principle in the Reconversion and Demobilization Act of 1944 through establishment of the so-called George loan fund.

Also, President Eisenhower in his economic message in January stated:

> The reserves of most States are sufficient to finance payments for a number of years at the unemployment experience of 1946–52. But the reserves of a few States are less adequate and might be jeopardized by widespread unemployment. It is recommended, therefore, that the Congress provide machinery for granting noninterest bearing loans to a State whose reserves are near exhaustion.

The President went on to say:

> Since those appropriations (to the States for administrative purposes) are less than the receipts from the tax, it is possible to use the difference to establish a fund from which loans to needy State funds can be made.

That was a recognition by the President of this $1 billion of excess over a period of some 13 years.

H. R. 5173 provides the mechanics for establishing and administering such a loan fund. We commend this committee for recognizing the loan fund principle and the need for supporting the State unem-

ployment compensation trust funds during possible temporary emergencies.

There no longer appears to be any disagreement between State and national authorities on the principle that excess collections after establishment and maintenance of the loan fund, be allocated to the unemployment trust funds of the respective States (which trust funds are held by the United States Treasury). Allocations would be made on the basis of the ratio which the amount of wages subject to contributions in the individual States bears to the total wages subject to contributions under all State unemployment compensation laws. Federal and State authorities agree that the funds so allocated could be utilized for unemployment benefit payments by the States.

However, there is disagreement concerning the utilization by the States of such allocated funds for administrative cost purposes.

The members of the Chamber of Commerce of the United States believe that the percentage of State unemployment compensation contributions (including experience-rating credits) which an employer may offset against the unemployment tax should be increased from 90 percent to 100 percent, thus taking the Federal Government out of the tax collecting field, which was discussed this morning, Mr. Chairman.

Each State should then pay the administrative costs of its own unemployment compensation system, as well as the costs of the State employment service, from its general revenues. This procedure would allow each State to administer its unemployment compensation program in conformity with its legislative process.

The CHAIRMAN. Don't you think in view of the fact that the Federal Government does have a function in this business and does collect the tax, that it has a just ground to establish standards for the States?

Mr. CLIFFE. Yes, Mr. Chairman, as long as the Federal Government is collecting the three-tenths percent it has a basis for some standard, with the emphasis on "some."

The CHAIRMAN. Well, even go further, with regard to collecting the whole tax.

Mr. CLIFFE. It is not collecting the whole tax, sir, because the States have the responsibility for the collection of the bulk of the tax.

The CHAIRMAN. The money comes down here.

Mr. CLIFFE. And the State deposits its total collections in Washington.

The CHAIRMAN. In view of the relation of the Federal Government to this whole scheme, which seems to be a combination Federal and State plan, don't you believe that the Federal Government does have some duty to lay out some standards to govern the use of the money which it either collects or for which it acts as depository?

Mr. CLIFFE. You are getting into a fine line, there, Senator, as you well realize. How much responsibility should the Federal Government carry? That is a debate two centuries old.

The CHAIRMAN. I think you can very easily get to the point where you can argue that it shouldn't carry any, and it is toward that that I am directing my queries.

Mr. CLIFFE. The Reed bill, Mr. Chairman, does not go as far as the chamber of commerce's official position recommended. The chamber of commerce's official position, which was accepted by a referendum of its membership nearly a year ago, on a 17 to 1 vote, called for the

Federal Government getting out of all of the tax-collecting responsibility and throwing the entire responsibility upon the State to finance their own operations. If that were done, then there would be still less reason for the Federal Government to have any standards controlling State activity, but that is not in the present Reed bill.

The CHAIRMAN. What would be the role of the Federal Government under what the chamber would like to see?

Mr. CLIFFE. The role of the Federal Government would then be, as you pointed out a moment ago, sir, to receive all the funds collected in the respective States, to act as custodian or trustee of those funds, and to return them to the States as and when the States needed them to pay benefits.

The CHAIRMAN. Under that theory, why couldn't the States deposit their own funds? They are accustomed to depositing funds.

Mr. CLIFFE. The reason that I believe the Congress provided for the Federal custody of the funds was the large amount that would be involved and the irregularity of the demand for the withdrawal of those funds.

As you well realize, sir, any security which has to be turned back into cash, under certain circumstances, is only as good as your ability to get it into the cash form at the time you need it. If you own a house, you may have paid $30,000 for it, but if you can only sell it for $20,000, it isn't worth $30,000, in cash, at that time.

The CHAIRMAN. We have State funds invested in their own securities, and I assume a limited list of other securities. Why give the Federal Government any role, at all, if the Federal Government doesn't have, let us call it a supervisory interest over this thing? Wasn't the purpose of making the Federal-State operation to give the Federal Government some control over the operation?

Mr. CLIFFE. I wouldn't disagree too strongly with that position, but I have not advocated it. I have not advocated it because it is not the present position of the United States Chamber of Commerce, for which I am speaking, sir.

H. R. 5173 is a step in this direction—that is giving the responsibilities to the States—and is consistent with the overall chamber position that all costs of this program should be borne by the States. Only by placing ultimate responsibility for financing benefits and administration on the States can the integrity of the State unemployment compensation systems be maintained.

We, therefore, fully support the alternative use of funds allocated to the States for either the payments of benefits or for meeting administrative expenses.

We emphasize that in our opinion the States should be allowed to utilize these reallocated funds for administrative purposes. There are many instances where additional funds would have made for more efficient and effective administration of the State programs. Too many times the States have not had sufficient funds to properly check on the validity of claims for benefits or otherwise to properly administer their programs.

The CHAIRMAN. The theory has been suggested, here, that because of whatever the factors may be that exist in a particular State, some States have much more drastic unemployment and employment problems than others, and that some national recognition should be taken of that fact. In other words, that each State should

not operate in its own little compartment, but that all States have an interest in seeing that the exaggerated unemployment, let us call it, in one State, is adequately met in that State, by some sort of contribution from all of the States. What do you think of that?

Mr. CLIFFE. I comment on that in a supplemental statement, which you do not have in front of you, because I prepared it after this morning's session, Mr. Chairman, if I may go on with that.

The CHAIRMAN. Go ahead.

Mr. CLIFFE. I read the statement presented yesterday by Mr. Siciliano, Assistant Secretary of the Department of Labor and, except as noted above concerning the use of funds allocated to the States for administrative purposes, I am in agreement with the amendments which he suggested as a result of the Department's further study of the bill since its introduction in May of 1953.

I had expected to limit my testimony to 10 minutes, as the clerk of the committee who invited me to be present, suggested; suggesting that it should be very short.

The CHAIRMAN. Well, we are big-hearted people around here.

Mr. CLIFFE. You showed it very clearly this morning, sir, and I appreciate it.

The CHAIRMAN. We'll leave a little more leeway to the chamber or any other witness who is in real need of it.

Mr. CLIFFE. May I just go on? This will not take very long, because it is double-spaced material.

The CHAIRMAN. Proceed.

Mr. CLIFFE. I had expected to limit my testimony to the subject matter contained in H. R. 5173. However, there were a few things mentioned by the CIO that should not be allowed to pass without comment.

H. R. 5173 does not call for—and I quote from the CIO testimony—"holding down benefits at the very time that their improvement is most needed." As the bill was introduced, there was a 3-year lag between a loan to a State and the time when employers' rates would be even slightly raised, if the loan had not been repaid. That would allow for recovery from almost any recession. Mr. Siciliano's proposed amendments would permit an even greater interval.

It would not force States to raise the employers' tax rates as a condition to receiving a loan, but only if, after 3 or more years, the loan had not been repaid.

The refund to all States of any part of the 0.3 percent Federal tax not needed for administrative expense, plus setting up the loan fund, would be returned in proportion to the amount received from each State. Thus, it would be equivalent to lowering the Federal tax to 0.25 or 0.2, or whatever amount was needed for the purposes for which it was levied. Take the money in as at present, but the amount not needed goes back in proportion to the way it came in. It is just the same as reducing it to a net, lower tax rate.

Part of these Federal grants for administrative expenses are for 100 percent of the cost of running the State employment offices. Under the original Wagner-Peyser Act, the States carried half of this cost, but were relieved of their share of this as these offices, under wartime conditions, were temporarily under direct Federal control.

The statement submitted this morning is full of strange contradictions, which I am sure you must have noted.

Surely, a committee of the Congress should honor the judgment of their fellow legislators who are meeting in the respective States. The provisions of the laws of each State, as to benefit amount, duration, conditions of grant, et cetera, represent the normal legislative process in each State in which all persons have opportunity to be heard, in every session, and where changes have been made from year to year, mostly to liberalize, occasionally to correct abuses revealed by experience, which point you made a while ago with the previous witness.

Of course, the CIO is dissatisfied with present State laws. Present State laws are more liberal than even the CIO demands of 1935–38 when this legislation was first being passed. As long as benefits go only to employees, and the initial cost is borne solely by employers—except for fractional amounts in two States—naturally, CIO has a desire for more. But the State legislatures must have the balancing judgment, to deal wisely with the overall economy of the State.

In comparing benefits with wages, it must always be remembered that wages are subject to a Federal, and in some cases, a State and local tax, but benefits are net take-home pay. Thus, wages of $75 per week may result in a take-home of $60 ,which is the amount against which benefits should be measured.

In comparing benefits with statistical standards of cost of living for a family, it must be remembered that in many families, there are 2 wage earners, 1 of whom may still be employed or who may also be drawing benefits, thus doubling the statistical average of benefits for the family, not to mention the use of accumulated savings or the effect of defering purchases of durable and semidurable goods.

Rhode Island's difficulties stem back to legislative and administrative difficulties long before Governor Roberts took office. Notwithstanding these early warnings, the State requested permission to transfer $29 million out of its unemployment funds to set up another State welfare program. That $29 million would have radically changed the look of their fund in all subsequent years, if it had been left in the fund for which it was collected.

Employers' pressure against payment of benefits occurs where the employee is asking for benefits that are not authorized by the State law. It is the State that decides whether to pay, after all the facts are made available by the employer and the claimant, as Senator Frear pointed out this morning.

Nothing in the Reed bill would prevent any State from building up its own trust-fund balance, in good times, as high as the State legislature authorized, contrary to a statement made this morning.

The CIO worries about the solvency of the funds of some States, and at the same time proposes Federal legislation to force State disbursements at a higher level than the State considers sound public policy.

The CIO complains that the present system of Federal grants for administrative funds has not worked well, and then opposes solution of this problem. If the States had full responsibility for administrative expense, as advocated by the chamber of commerce, there would be no problem of the Federal reviews and cuts.

Gentlemen, I think the Reed bill, H. R. 5173, is basically desirable; it has the support of the United States Chamber of Commerce and the State administrators, and should be passed with the amendments previously mentioned above.

The CHAIRMAN. Do you have anything further?

Mr. CLIFFE. I have nothing, sir, unless there are questions.

The CHAIRMAN. You have no complaint with regard to lack of generosity as far as time is concerned?

Mr. CLIFFE. You have been most gracious all day today. I was not here yesterday, but I am sure that same spirit prevailed.

The CHAIRMAN. Thank you very much, sir.

Mr. Layden, please.

STATEMENT OF BRUCE LAYDEN, DIRECTOR, SOCIAL SECURITY AND INSURANCE DEPARTMENT, NEW JERSEY STATE CHAMBER OF COMMERCE

Mr. LAYDEN. Mr. Chairman and members of the committee, my name is Brude Layden. I am director of the social-security and insurance department of the New Jersey State Chamber of Commerce. I appear here today as a member of the social security committee of the Council of State Chambers of Commerce, on whose behalf I wish to testify.

The Council of State Chambers is composed of 31 State and regional organizations in 28 States. By reason of its grassroots organization, the Council of State Chambers is representative of a very substantial cross section of the business community, representing almost every conceivable kind and size of business enterprise.

I have been specifically authorized to appear on behalf of the following State and regional chambers of commerce.

Alabama State Chamber of Commerce
Arkansas Economic Council-State Chamber of Commerce
Colorado State Chamber of Commerce
Connecticut Chamber of Commerce
Georgia State Chamber of Commerce
Idaho State Chamber of Commerce
Illinois State Chamber of Commerce
Indiana State Chamber of Commerce
Kansas State Chamber of Commerce
Massachusetts State Chamber of Commerce
Missouri State Chamber of Commerce
New Jersey Chamber of Commerce
Empire State Chamber of Commerce, Inc. (New York)
Chamber of Commerce of the State of Oklahoma
Pennsylvania State Chamber of Commerce
East Texas Chamber of Commerce
South Texas Chamber of Commerce
West Texas Chamber of Commerce
West Virginia Chamber of Commerce

And I have just received a telegram advising us we should add to this list Virginia and Delaware.

We wish to endorse the following three principles which are embodied in H. R. 5173, the Reed bill, as a means by which the employment security program can more directly serve the needs and public policies of the respective States:

Principle I: The utilization of all revenue collected under the Federal Unemployment Tax Act—now codified as subchapter C of

chapter 9 of the Internal Revenue Code—for employment security purposes.

At the present time, Federal unemployment tax receipts are covered into the Federal Treasury as internal revenue collections. Such collections are used to finance general government costs as well as to finance the administration of employment security. We believe that the total revenue collected under the Federal Unemployment Tax Act should be used solely for employment security purposes.

Principle II: Establishment of a contingency reserve fund for the purpose of extending temporary loans to any State whose unemployment compensation fund is threatened with insolvency.

Federal unemployment tax collections have consistently exceeded annual appropriations made by Congress for employment security administration. We support the use of such excess tax collections to create a contingency reserve fund. From such a fund, States whose unemployment compensation trust funds are threatened with insolvency could secure interest-free loans to assure continued payment of unemployment benefits to eligible claimants.

However, we believe that every such loan should be made in accordance with effective provisions requiring repayment within a reasonable period of time.

Principle III: Annual redistribution to the States of the amount by which the Federal unemployment tax revenue exceeds Federal appropriations for employment security administration.

We support the principle that, once the contingency reserve fund has been established, any excess of Federal unemployment tax collections not needed to maintain this trust fund at an adequate level should be distributed to the States in an equitable manner.

It seems particularly important to us that such redistributed amounts should be available to a State either for benefit disbursement or for administrative expense of the state's employment security program. However, it seems entirely appropriate that no such moneys be used for administrative purposes unless the State legislature specifically authorized such expenditure.

Each of these principles—the use of all Federal unemployment tax revenue for employment security purposes, the establishment of a loan fund, the redistribution of excess revenue to the States for benefit payment or employment security administration financing—is incorporated in H. R. 5173.

We respectfully request that this committee give favorable consideration to these principles.

The CHAIRMAN. Thank you very much.

Mr. LAYDEN. Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. Vocelle——

STATEMENT OF JAMES T. VOCELLE, CHAIRMAN, FLORIDA INDUSTRIAL COMMISSION

Mr. VOCELLE. Mr. Chairman, and Senator George, I am one of these public administrators about which much has been said.

I don't want to get off into any byways, here. The committee has been most indulgent and I don't want to take up any more of your time than necessary, but perhaps on a question of personal privilege,

I want to say that I notice in the statement of the American Federation of Labor, it is said that—

> The members of the Interstate Conference have become a lobbying front for certain employer interests who have tremendous amounts of money at stake in this proposal.

I would like to say for the record that not a single employer in the State of Florida has ever discussed this measure with me in any way, shape, or form. It may be the employers of Florida are not as alert as they are in some States, but none have discussed it with me.

I am here today at the request of the junior Senator from Florida, Senator Smathers. He asked the committee to hear me, today, for whatever it may be worth. It may not be worth anything.

The CHAIRMAN. We are very glad to have you.

Mr. VOCELLE. I am very much interested in this matter. I deem it to be a part of my obligation and duty as a State administrator of the unemployment compensation program in Florida, because I think that this measure vitally affects this program, not only in my State, but throughout the country.

Now, we are for the Reed bill for two basic reasons: We think that it provides justice to the people who pay the tax, and that it also affords a greater amount of protection to the people who receive the benefits. I would like, briefly, to explain to the committee why we have reached those conclusions.

It seems to me that we have gone far afield of what we are talking about, here, or what we are dealing with, in this particular bill, although I realize, of course, that the committee has been interested and is interested in this whole unemployment compensation picture. But we are dealing here, really, with a very simple matter. All we are dealing with in the Reed bill is the disposition of the surplus of the Federal tax collections over and above what is expended for the administrative cost of the program.

Now, that is all we are dealing with. As you gentlemen know, when this program was first inaugurated, whether rightly or wrongly, it had a dual conception. It was provided that the States should raise the funds with which to pay the benefits, but that a Federal tax should be collected for the purpose of paying the cost of administration, and to the extent that the Federal Government has paid the cost of administering the program, to that extent the Federal Government has kept its hands on the program.

For example, to bring the thing down to brass tacks, we get up a budget in our State which is the same as is done in all the other States, for each fiscal year. We present that to the Employment Security Bureau here in Washington. We tell them, "This is what we think is going to be necessary. There is the amount of money. It is all broken down into items. We think this is what is going to be the necessary amount of money we will need to properly administer this program in Florida."

They don't always agree with us. They have a regional administrator, or director, down in Atlanta. They come down there. In fact, they are going to be in my office tomorrow, to go over the budget for fiscal year 1955.

So the Federal Government keeps its fingers on that, as I think it should, because it collects the money. But the point is, as has already been brought out, when this program was originally inaugurated,

nobody knew how much it was going to cost. Nobody knew how much the administration of it was going to cost. So somebody guessed 10 percent would be a right figure, and that is the amount that the Federal Government collects. That is, the employers are allowed 90 percent of what they pay the State, which leaves it 10 percent.

Well, that amount has been found to be more than adequate for the purpose.

For example, last fiscal year, the Federal Government collected about $70 million more than was channeled back. Of course, we think that Congress was rather niggardly in its appropriations. It has resulted in a curtailment of the program, but if the Reed bill is enacted, there won't be the same incentive for that.

Now, then, there was no question in the world but what the employers of the country were to be taxed for the purpose of establishing, of maintaining, and of carrying out this unemployment insurance program, and it seems to me, when I said we think the Reed bill is justice to the man who pays the tax, it seems to me it is unfair to the employer who pays the tax for that money to be diverted into channels for which it was never intended. And so, we propose in the Reed bill to come to grips with that situation, and to dispose of that surplus.

Now, what are the objections raised?

I would like to discuss—in order to bring the thing down to a concrete proposition—I would like to discuss the case of the State of Rhode Island. Now, our good friends from Rhode Island are opposing the bill. Well, what is Rhode Island's position, today? Rhode Island's position is just simply this, that if they need additional money to bolster their reserve fund, where are they going to get it from? The only source in the world that they have to get it from, is to increase the tax, their State tax on their employees. But that won't be true if they pass the Reed bill.

Now, it is interesting to me, in passing, that while Rhode Island and Massachusetts have the lowest reserves of any States in the Union, they are not among the States levying the highest tax. There are at least 4 States that levy a tax in excess of the 2.7 percent, but Rhode Island and Massachusetts are not among those states.

Now, if the Reed bill were passed, the situation that Rhode Island would be confronted with would be simply this: As you know, we propose under this bill to set up a $200 million fund, out of which advances can be made to States that get into difficulties with their reserves, under conditions.

The Governor of Rhode Island certifies to the Secretary of Labor that there is not as much money left in his reserve fund as was paid out during the current year, for benefits. Then he may get an advance.

Now, the proposition has been presented, here, that this thing is unconstitutional. Well, of course, I don't pose for one moment to be a constitutional lawyer, but I would like to call your attention to the fact that it is not spoken of as a loan. There is no obligation on the part of the State, at all. There is no liability created on the part of Rhode Island or any other State that gets an advance under this bill. The Federal Government—the Congress retains in the power of the Federal Government the ability to be repaid for this advance by an additional tax on the employers of the States receiving the advance. That is your collateral.

Now, they say, that ought not to be done. It ought to be an outright grant.

Well, it seems to me that the State of Wisconsin, for example, which levies a 4 percent tax, is doing what it thinks is complete justice to everybody concerned, and going beyond the 2.7 percent, and the employers of that State should not be called upon to pay an obligation of the State of Rhode Island which is only levying a 2.7 percent tax. However, it is definitely true that Rhode Island or any other State getting into difficulties in this program, it seems to me, should have a source to which they could go, to tide them over the difficult situation that they find themselves in, and that is exactly what the Reed bill does. That is exactly what it does.

Now, I have a chart here which I would like to leave as a part of the record, which shows exactly what would happen in the distribution of surplus under the Reed bill, if it were effective.

It shows exactly what each State would get. That is the surplus over and beyond the $200 million fund. It will take about 3 years to create that $200 million fund.

For example, this past fiscal year, with a surplus of $70 million, the State of Rhode Island would have had added to its corpus, $420,000.

Your own State of Colorado, Mr. Chairman, would have gotten $490,000. Senator George's State of Georgia, my native State, would have gotten $980,000, and my State of Florida would have gotten $840,000.

It is difficult for me to understand how you can hurt a program by adding more money to the program. Now, we are not changing in anyway, as I see it, by the Reed bill, we are not changing the basic concept of unemployment insurance as it was originally defined. We are carrying it right through, along the original lines. We are not disturbing it at all. As I say, the only thing we are doing, we are providing for a distribution of this surplus, which today is going into the general revenue fund of the Government, the Federal Government, which it was never intended to do, and it is doing that only because there is a greater amount coming and a lesser amount having to be paid out for administrative expenses than was originally contemplated by a pure guess as to what it was going to cost.

The CHAIRMAN. Do you know whether anybody in the beginning of the thing rendered an opinion on whether the Federal Government had a right to appropriate or expropriate these funds for general purposes?

Mr. VOCELLE. No, sir; I do not. I don't know that that question was ever raised.

The CHAIRMAN. Does anyone know of an opinion rendered to warrant the use by the Federal Government?

Mr. TEETS. I think the tax is collected and composed as all other taxes. There are no restrictions on it. Therefore, no one has ever questioned it, there being no restrictions.

Mr. VOCELLE. The tax was levied for this purpose and there was no other idea in its creation and as it was levied there were no strings attached to it. The Reed bill is taking care of that.

Much has been made here today, about the opponents of the Reed bill. I will say I was present at the Interstate Conference of the Employment Security Administrators and I was at the Labor Con-

ference though I was not present when these resolutions were adopted because I am opposed to the particular resolution against the Reed bill, but the members of the interstate conference, with all due respect to them, are the ones who come to grips with this program all the time. They are the administrators of the unemployment compensation program in the States. They should know more about it than anybody else. With all due respect to the labor commissioners they don't come to grips with this particular problem. They see an entirely different phase of it.

The CHAIRMAN. As far as you know, did the labor commissioners come to Washington out of their own pockets or did they come at State expense or Government expense?

Mr. VOCELLE. Mr. Chairman, I came to that meeting exactly as I have come here today, at State expense, because I felt that in each instance that I was transacting and performing business for the people of Florida although I will say this, that under the limit put on the expenditures by the State of Florida, that every time I take a trip of any kind for the State, it costs money out of my own individual pocket.

We would like to leave this chart here.

The CHAIRMAN. Put it in the record.

Mr. VOCELLE. It shows what would happen in the distribution of these funds to the States, under the terms of the Reed bill.

(The chart referred to follows:)

State, District, or Territory	Percent of State payroll to total United States payroll (calendar 1952)	Approximate amount to be returned to States under H. R. 5173	State, District, or Territory	Percent of State payroll to total United States payroll (calendar 1952)	Approximate amount to be returned to States under H. R. 5173
Alabama	1.1	$770,000	Nebraska	0.5	$350,000
Alaska	.2	140,000	Nevada	.2	140,000
Arizona	.4	280,000	New Hampshire	.3	210,000
Arkansas	.6	420,000	New Jersey	4.2	2,940,000
California	8.9	6,230,000	New Mexico	.3	210,000
Colorado	.7	490,000	New York	12.9	9,030,000
Connecticut	2.0	1,400,000	North Carolina	1.7	1,190,000
Delaware	.3	210,000	North Dakota	.1	70,000
District of Columbia	.6	420,000	Ohio	7.0	4,900,000
Florida	1.2	840,000	Oklahoma	.9	630,000
Georgia	1.4	980,000	Oregon	1.0	700,000
Hawaii	.2	140,000	Pennsylvania	8.6	6,020,000
Idaho	.3	210,000	Rhode Island	.6	420,000
Illinois	7.2	5,040,000	South Carolina	.9	630,000
Indiana	3.0	2,100,000	South Dakota	.1	70,000
Iowa	1.0	700,000	Tennessee	1.4	980,000
Kansas	.9	630,000	Texas	3.9	2,730,000
Kentucky	1.2	840,000	Utah	.4	280,000
Louisiana	1.2	840,000	Vermont	.2	140,000
Maine	.5	350,000	Virginia	1.4	980,000
Maryland	1.6	1,120,000	Washington	1.7	1,190,000
Massachusetts	3.8	2,660,000	West Virginia	1.1	770,000
Michigan	5.3	3,710,000	Wisconsin	2.3	1,610,000
Minnesota	1.6	1,120,000	Wyoming	.2	140,000
Mississippi	.4	280,000			
Missouri	2.3	1,610,000	Total, United States	100.0	70,000,000
Montana	.3	210,000			

Mr. VOCELLE. I would like to say, because of my general concern and interest in this program we feel that the Reed bill is a must in the stabilizing of this program and in justice and fairness to everybody concerned.

The CHAIRMAN. Thank you very much.

Senator GEORGE. I would like to ask you one question: If outright grants were made out of this fund or any other fund, would it not be necessary for the Federal Government, then, to prescribe more in the way of additional standards with which the States would have to comply?

Mr. VOCELLE. It would be inevitable in my opinion.

Senator GEORGE. In other words, the Federal Government would have to take over the system, practically?

Mr. VOCELLE. That is right, and I am not trying to put anything into anybody's mouth or read anybody's mind but it seems to me that is one of the other basic differences in the approach to this problem.

Senator GEORGE. I was here in 1935 when we first considered this Unemployment Compensation Act. It was not contemplated that there would be any surplus. It was thought that the amount that would be reserved by the Federal Government for the payment of administrative expenses would probably be absorbed in payment of those expenses and it would pay the necessary expenses of administering it.

Mr. VOCELLE. Yes, sir.

Senator GEORGE. The idea was, we did lay down in the basic act, certain minimum standards which all States had to comply with. They were laid down as minimums, so that there would be some uniformity. The Federal Government was to collect the money—that is to receive it here, so as to give stability to the unemployment system that we were trying to set upona national basis. It was not contemplated that there would be any surplus and until the State administrator began to call my attention to it, I did not know that the surplus had accumulated to such an extent.

Mr. VOCELLE. Nearly $1 billion.

Senator GEORGE. That, I think ought to be said here, just for the record. I doubt if any opinion was ever given, but the Treasury having that amount of money finding no express prohibition against using it for any purpose, decided they had a right to use it for all purposes.

Mr. VOCELLE. That is right.

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

Mr. Krauss will be the next witness.

STATEMENT OF THEODORE J. KRAUSS, CONFERENCE OF STATE MANUFACTURERS ASSOCIATION

Mr. KRAUSS. Mr. Chairman, and members of the committee, my name is Theodore J. Krauss. I am executive vice president of the Associated Industries of Missouri, whose principal office is located at 2004 Railway Exchange Building, St. Louis, Mo.

In this appearance before the committee I am also representing 34 other Statewide employer organizations which are members of the Conference of State Manufacturers' Associations. Each of these organizations is autonomous and independent. Each performs similar functions in its services to employers in these 34 States. Cumulatively their membership totals about 40,000 firms. The associations

which I am authorized to represent in presenting our views to this committee are as follows:

Associated Industries of Alabama
Associated Industries of Arkansas, Inc.
Association of Washington Industries
California Manufacturers Association
Manufacturers Association of Colorado
Manufacturers Association of Connecticut, Inc.
Associated Industries of Florida
Illinois Manufacturers Association
Indiana Manufacturers Association
Iowa Manufacturers Association
Associated Industries of Kansas
Associated Industries of Kentucky
Louisiana Manufacturers Association
Associated Industries of Maine
Associated Industries of Massachusetts
Michigan Manufacturers Association
Minnesota Employers Association
Associated Industries of Missouri
Associated Industries of Montana
Associated Industries of Nebraska
New Hampshire Manufacturers Association
New Jersey Manufacturers Association
Associated Industries of New York State, Inc.
Ohio Manufacturers Association
Associated Industries of Oklahoma
Columbia Empire Industries, Inc. (Oregon)
Pennsylvania Manufacturers Association
Associated Industries of Rhode Island
Tennessee Manufacturers Association
Texas Manufacturers Association
Utah Manufacturers Association
Associated Industries of Vermont
Virginia Manufacturers Association
West Virginia Manufacturers Association
Wisconsin Manufacturers Association

I would like to call attention to the fact that included in the above list are the Associated Industries of Rhode Island. Rhode Island seems to have attained considerable publicity during the time that I have been attending the hearings, since this morning, and I wanted to place in the record, Mr. Chairman, this telegram which I received here today in care of the committee, in care of Mrs. Springer, which reads as follows:

Associated Industries of Rhode Island reaffirms its position in favor of the Reed bill now before the Senate Finance Committee. Your testimony is in full accord with our views. Associated Industries of Rhode Island, Frank S. Shy, president.

The CHAIRMAN. Can you give us some idea of the size and scope of the Associated Industries of Rhode Island?

Mr. KRAUSS. I don't have the figures as to the exact number of firms who are members of the Associated Industries of Rhode Island. I do know it is a long, established association and I know that it represents the major industries in that State.

The CHAIRMAN. It is not limited to a few industries as it cuts across the economic front there?

Mr. KRAUSS. Not at all—I didn't get your question.

The CHAIRMAN. I say it is not limited to a few organizations.

Mr. KRAUSS. Oh, no.

The CHAIRMAN. Does it cut across the whole economic front there?

Mr. KRAUSS. It does. That is my understanding.

The CHAIRMAN. All right.

Mr. KRAUSS. Succinctly stated, it is our position that (1) the States should be entirely free of Federal purse-string control over the administration of the States' unemployment compensation programs, and (2) that in lieu of the complete release of Federal control at this time, H. R. 5173 which gives the States a limited degree of independence commensurate with their responsibilities is a welcome step in the right direction.

As the law stands today, the Federal Government levies against employers in each State a three-tenths percent tax which, historically, is for the purpose of paying the administrative operating costs of the unemployment-compensation programs for which the States are responsible. The tax collected has been deemed by the Congress to be more than is necessary for its historic purpose. Consequently, the Congress has appropriated only a portion of the tax receipts for the purpose for which they were raised. The excess collections, which are now well over $1 billion since the program was started, have been diverted to general revenue. All that H. R. 5173 proposes to do is to lend some of this excess to the States from which it was collected in the first place. And what is not set aside for lending purposes, the provisions of the bill would cause to be returned to all of the States proportionately.

The return of the tax moneys back to the States, however, would, under the bill, be made after the Federal administrators have first decided how much of the total appropriated by Congress any particular State is to receive for operating-cost purposes. In other words, H. R. 5173 comes into operation after the Federal Government has decided administratively how much should be taken from some States and given to others—first deciding, of course, which are the poor, needy, or inefficient and which are the rich or efficient—a procedure which seems to penalize the efficient States.

It will, therefore, be seen that under H. R. 5173 the Federal Government would retain authoritative control of the purse strings of funds for administrative purposes appropriated by Congress, while the States would still have the responsibility of administering an adequate unemployment compensation program.

We believe that the State governments are much closer to those individuals in the States who administer the program, those who are paid benefits, and those who foot the bills. The States are, therefore, a logical location of both authority and responsibility for the unemployment compensation program.

However, so long as the authority or purse-string power to control is to remain in the Federal Government without responsibility for operation, and so long as the operational responsibility is in the States but without authority, we feel that the little bit of fiscal control or authority which H. R. 5173 would give to the States will bring just a little bit of government back home.

We believe that the States which fail in their responsibility because of the present system of State responsibility without fiscal power to control should be assisted by permitting them to make loans in the manner prescribed by the provisions of H. R. 5173.

We believe that the best way to use tax collections in the unemployment compensation program is in the States, and know of no reason why any part of these taxes should go into general revenue of the Federal Government. Therefore, we feel that the earmarking of the three-tenths percent by H. R. 5173 is a belated recognition of a principle that should have been recognized years ago.

Let me take this opportunity to state that if a tax to support the operating costs of the unemployment compensation program were levied in the States, we would have no need of a vast Federal control program to decide administratively what State is going to get how much—with the purse-string controllers making suggestions on how a State is to administer its law moneywise. In other words, if we did not have the three-tenths percent tax, we would not have the Federal administrative control of the State programs without responsibility or any fear of failure on the part of the Federal administration.

Even without the three-tenths percent tax there would still remain in the Federal law the requirement that a State have an unemployment compensation law under the penalty of its employers paying a 3 percent tax without a benefit system for employees. There would still remain the Federal standards relating to employer experience rating and to the suitability of work of claimants. There would still remain the compulsion of conformance to these Federal standards. Is that not enough Federal control?

All H. R. 5173 does is to give to the States a bit of relief from complete Federal purse-string dominance over the administration of their programs. We urge the committee to approve it.

Mr. Chairman, if I might comment for just a minute, there has been considerable testimony here about maximum tax rates and the fact that some States do levy more than the 2.7 percent. The last speaker made reference to that. Missouri is one of the States that does levy a tax in excess of 2.7. Our maximum rate is 3.6 percent.

The CHAIRMAN. What is your surplus at the present time?

Mr. KRAUSS. Our surplus at the present time, our trust fund, is over $221 million. That is in excess of 10 percent on a reserve ratio basis. On a reserve ratio basis I think it is one of the strongest in the entire country.

Our average tax rate for the last fiscal year, 1953, was one-half of 1 percent. There are only two other States in the United States which have as low a rate.

However, we do have a provision in there under which 3 percent of the employers in Missouri who are covered by the program—and there are 18,337 of them covered—paid 3.6 percent.

We also have an experience rating under which the incentive which was discussed this morning is given to employers to stabilize their employment and we are mighty proud of the fact that in Missouri 23 percent of the employers have a zero rate.

As a matter of fact, cumulatively, there are 51 percent of the employers who pay two-tenths of 1 percent or less in unemployment compensation taxes for benefit purposes as against the three-tenths percent paid for administrative purposes to the Federal Government.

I might say the amount collected from Missouri under the three-tenths of 1 percent Federal tax was in excess of $7 million. A little over $3,600,000 was returned to the State for administrative purposes—about 48.4 percent.

Now, it is that remaining 51.6 percent collected last year which would be subject to the provisions of this bill, setting up part of it in the loan fund and returning a portion to the State of Missouri.

We think that in Missouri we have a very good operating law, a very sound law, one that has worked satisfactorily. We have not only a 3.6 percent maximum rate at the present time, which applies to some employers, but during the war we had a war risk experience rate where employers paid 4.5 percent. There are a number of other States which did the same thing to build up their reserve accounts. I know Wisconsin was one of them. I don't recall which other States there were included in the program, but I do think that these figures here, with reference to the operation of the State of Missouri, demonstrate the fact that a sound fund can be set up paying adequate benefits and at the same time maintaining a degree of solvency which assures the availability of a fund for the use of those who need it in time of need.

The CHAIRMAN. Has there been any particular complaint to members of your organization about the amount of the tax paid?

Mr. KRAUSS. Amounts of the State tax?

The CHAIRMAN. Yes. You have a 3.6 rating, you say.

Mr. KRAUSS. That is paid only by employers whose experience shows that their unemployment is high.

The CHAIRMAN. Do you have great objection over that?

Mr. KRAUSS. No, we don't. Those are employers who realize that their instability of employment has caused a drain on funds and they have willingly paid the maximum rate.

The CHAIRMAN. Are your manufacturers who belong to your organization engaged in well-diversified industry, all kinds of industry?

Mr. KRAUSS. Very well diversified. Industry in the State of Missouri is generally well diversified and members of our association are in all industries operating in the State.

The CHAIRMAN. Is there a particular industry that has a dominant interest in your organization?

Mr. KRAUSS. No; I could not say that there is a single one which has a dominant interest.

The CHAIRMAN. Is there any grouping of any particular kind of industry that has a very substantial representation in your organization?

Mr. KRAUSS. Well, the manufacturing of electrical goods maintains a rather substantial percentage; the chemical industry, the shoe industry, the meat industry. That is about all I can think of offhand, which are in a large proportion.

The CHAIRMAN. Thank you very much.

Mr. Caples.

STATEMENT OF WILLIAM G. CAPLES, NATIONAL ASSOCIATION OF MANUFACTURERS

Will you identify yourself, Mr. Caples, and make yourself comfortable.

Mr. CAPLES. Yes, sir.

Mr. Chairman, and gentlemen of the committee, my name is William G. Caples. I am a vice president of the Inland Steel Co. of Chicago, Ill. I appear before you on behalf of the National Association of Manufacturers, being chairman of its employee benefits committee. This committee is charged with studying and recommending association policy in social security, unemployment compensation, and related matters.

The National Association of Manufacturers is an organization of more than 20,000 manufacturing companies, of which over 80 percent may be classified as small business, since they employ fewer than 500 employees.

The proposed legislation which you are considering is concerned with two principal modifications of the Federal law dealing with unemployment compensation:

1. It would create a repayable loan fund to assist temporarily insolvent State funds; and

2. It would earmark Federal unemployment tax receipts for unemployment compensation purposes, returning excess collections thereunder to the States.

Two basic questions need to be considered in evaluating this proposed legislation. The first is, Does it contribute to the enhancement of State authority and responsibility?

NAM believes that the unemployment compensation program must place full reliance upon the States for development and administration of their respective programs. No legislation should be considered favorably which would result in increased control by the Central Government under the guise of improving unemployment compensation. The legislation before you should be measured in that light as well as in the light of its contribution to better government, particularly at the State level.

The second question is, Does the proposed legislation improve the prospects of unemployment compensation as an incentive program?

To be successful, the program must contain incentives for employees to remain at productive work whenever possible, and actively to seek work when unemployed; incentives for employers to stabilize employment—and I want to say in view of the CIO's testimony this morning, there are many things we can and do do to stabilize employment where we have a history under the merit system—incentives to insure the prompt payment of justified claims; and to help prevent the payment of improper claims; incentives for State government to improve administration and to operate the program to serve its declared purpose.

It is in this last sense that the bill before you is important. The basic law should incorporate incentives for the States to so manage their programs as to be able to finance benefits and administration on a long-term basis without either the necessity or threat of Federal financial assistance.

We would like to discuss the general principles involved and to measure their meaning in terms of our interest in having a successful unemployment compensation program.

The bill before you provides for establishment of a $200 million account in the Federal unemployment trust fund, out of which noninterest-bearing, repayable advances would be made to States whose funds are threatened with insolvency.

We subscribe to this general principle. The association's position, adopted February 6, 1953, reads in part:

> While it is the responsibility of each State to finance its own system on a sound basis, nevertheless temporary emergencies may arise in State unemployment insurance systems, and it may be desirable to provide a pooled catastrophe reserve fund of limited size from which an individual State could borrow during a temporary emergency, in which case specific provisions should be made for the repayment of such loans under definite terms which would encourage the State to place its own system on a sound financial basis as soon as possible.

This is a desirable time to consider the establishment of a loan fund because there is no known current fiscal emergency in any of the State unemployment funds. By contrast, in 1950 and 1951 such was not the case; at that time the funds of at least three States were considered to be close to bankruptcy. The atmosphere was not conducive to deliberate consideration of the long-range effects of proposals supposedly designed to assist temporarily endangered State funds. Actually, some of the means suggested for helping State funds would have paved the way for wholesale and basic change in the unemployment compensation program.

For example, during the past 2 years, the Congress has heard testimony supporting so-called reinsurance grants—outright Federal subsidies to insolvent State funds. It is clear that such an approach has four major disadvantages:

1. Direct Federal grants would lead to a weakening of State initiative and responsibility. Grants of Federal money would not induce the States to amend questionable benefit practices which may have led to insolvency; they would not have acted as a spur to adjustment of State financial policy to meet changing conditions.

2. Since there would be little incentive to correct conditions which had led to insolvency, the cost of nonrepayable grants would tend to increase as other States would avail themselves of the free Federal money.

3. Ultimate federalization would thus be invited. The Federal Government could not make such grants without assuming control over their use.

4. Federal funds should never be permitted to be incorporated in the wage structure in any State, a consequence of nonrepayable assistance to State funds. This certainly would be true in the case of any State in which staggered employment plans or other devices providing alternate periods of work and benefits are in vogue. Such arrangements to violence do the basic purpose of unemployment compensation, perpetuate underemployment and avert or postpone needed individual or industrial adjustments to changed economic conditions.

Many employers of Rhode Island—the object lesson of those proposing reinsurance have been against nonrepayable Federal grants.

As Mr. Krauss stated before this committee just a few minutes ago, they have taken the position that Rhode Island should meet its own problems even if it means higher payroll taxes. Many of the employers of that State—as well as Massachusetts, another State which had had financial difficulties—have supported the repayable advance in preference to outright grants. That was shown in testimony before the House committee on this same bill, or the Mills-Mason bill.

Since 1949–50 the financial condition of State reserve funds generally has improved, including the State of Rhode Island. In the last year the strength of the State's fund has increased; on December 31, 1952,

it represented 3.9 percent of taxable wages; on September 30, 1953—the last date for which firm figures are available—the fund balance represented 4.5 percent of taxable wages for the preceding 12 months. While this is the lowest ratio in any of the States, it represents definite improvement over 1951.

The CHAIRMAN. How was that improvement achieved?

Mr. CAPLES. Well, it was approved in two ways, I think. One was, the administration of the law was tightened, and they raised the tax rate. It went up to maximum rate.

It is likely that the absence of repayable loan provisions on the Federal level increases the likelihood of attempts to federalize the system during periods of temporary emergency. It seems wise to be prepared for such an eventuality as we were anticipating during the period 1944–51 when the George loan fund was in effect.

The George fund was adopted in the belief that State reserves might become depleted in the postwar period during the transition to a peacetime economy. This approach was adopted, rather than providing outright grants, because the Congress was not willing to subsidize State benefits with Federal funds.

The provisions of the George loan fund were never used; no appropriations were ever made by the Congress to that fund. However, its existence undoubtedly deterred serious consideration of other schemes of doubtful soundness. It is significant that we never heard much about reinsurance as long as the George fund was on the books, with no State in serious enough condition to apply for help.

Adoption of a loan fund at this time would permit the continuation of desirable experimentation without committing the program to a wholesale and basic change. However, enactment of permanent solvency legislation should not be considered a desire to foreclose later review and revision of unemployment compensation financing practices based on additional experience. Many States have made, or are in the process of making, studies of the long-range financing of their respective programs. As these findings become available and as further experience may point the way, it may be possible to reach the desirable ultimate objective of 100 percent State responsibility for the financing, administration, and control of their unemployment compensation programs.

For the time being, a limited, repayable loan fund would have certain advantages:

1. It is more in keeping with the objectives of the unemployment compensation program; a State is induced to place its system on a sound financial basis without resort to grants of free Federal money. In this connection, it is important to retain the payroll tax as the exclusive source of program funds.

2. A loan which must be repaid acts as an incentive to corrective action, a virtue not possessed by nonrepayable grants. If a State is unwilling to live within its income, there is no compelling reason for other States, or the Federal Government, to permanently subsidize it.

3. A loan fund has the advantage of providing a solvency mechanism free from additional and burdensome Federal controls. Reinsurance grants would seem to be no bar to irresponsible benefit practices without Federal direction as to their use. We would thus take the first step to ultimate federalization, if we adopt the subsidy approach.

The measure under consideration does not restrict the freedom of the States to use their own judgment with respect to experience rating systems although it does require that the State requesting the loan be levying a 2.7 percent rate. This requirement in our opinion is undesirable since it imposes a Federal standard where State authority should be controlling. Experience rating must be the basis for any unemployment compensation tax policy; to interfere with its operation—as proposed in past reinsurance bills—is to weaken State financing procedures that much more.

We believe that the loan provisions of H. R. 5173 in general merit serious and favorable consideration by this committee.

The CHAIRMAN. Do I understand you are opposed to a 2.7 rate as part of the loan mechanism?

Mr. CAPLES. Yes; and for this reason: Our logic is this, Senator: If a State gets in trouble on a repayable loan—and they have to have money, and they have to have it now, we don't believe there should be any restriction on their getting the money. The obligation to repay will be sufficient to force them to bring the tax up, regardless of what is said or is not said in this bill.

In other words, we don't think that it is desirable to have this as a requirement of the bill, althougn we are not unalterably opposed to it, either. It is an administrative detail which is rather unsubstantive as we see it.

Does that answer you, sir?

The CHAIRMAN. Well, that is an answer to my question.

Mr. CAPLES. Was that sufficient?

The CHAIRMAN. That is sufficient because I can see you have given what you consider to be your answer.

Mr. CAPLES. The second major feature of this bill is directed to the earmarking of Federal unemployment compensation tax receipts for unemployment compensation purposes and the return of excess collections to the States.

NAM believes that the Federal program should permit full State control over administrative funds and the State use of any surplus accumulated thereunder for employment security purposes.

In the past, the financing of administrative costs out of the 0.3 percent Federal unemployment tax has produced a considerable excess of tax collections over disbursements. The controls exercised by the Federal authorities over State administration have often been onerous and unduly restrictive. In addition some States have paid considerably more in taxes to the Federal Government than have been returned to them in the form of administrative grants.

The principle of allocating back to the States the excess of Federal collections under the Federal unemployment tax is a step in the right direction. However, we feel it necessary that the States have control over all money paid by employers as payroll taxes for unemployment compensation purposes, except for the provision of a practical repayable loan fund at the Federal level to assist States during temporary emergencies.

To date, there has been an excess of collections under the Federal unemployment tax of somewhere between $570 million and $1 billion. It depends upon whose figures you want to take, there, in the alleged chargebacks. This excess, collected for employment security purposes, has been available to the Federal Government for other purposes.

This is inequitable and unbusinesslike and should not be permitted to continue. There is no evidence that the States would be incapable of managing any excess collections; indeed, there is some evidence that Federal administrative control has made necessary the curtailment of essential administrative services in certain States, notably California for the fiscal year 1949. In other particulars, the existence of onerous Federal control required congressional action which resulted in the Knowland amendment to the Social Security Act in 1950.

By the nature of the complete rulemaking power vested in the Federal authorities, the States have been forced in many instances to conform to Federal dictation rather than to operate on the basis that seemed to them most suitable to their conditions and needs. One case in point is found in hearings before a subcommittee of the Committee on Appropriations in the House of Representatives, 77th Congress, 2d session. The record discloses attempts by the Social Security Board to prescribe the standards under which partial benefits would be paid under a law passed by the Texas legislature. A remark by the chairman of the Texas Unemployment Compensation Commission in testimony before the subcommittee, is in point:

> We do not have a single thing in the world to say about the administration of our law, so long as they can control, in that arbitrary fashion, the purse strings.

That appears at pages 787–798 of the hearings.

Such conditions are not corrected in the present proposal, although it has the advantage of returning to the States money which is now diverted to the Federal Treasury. In any case, the excess collections returned to the States should be available for both benefit and administrative purposes. However, in the long run, we believe that the public interest would be better served and the cause of good government advanced if the States had full authority and responsibility over all phases of unemployment compensation operation.

In conclusion, the bill before you, in one major respect, contributes to improvement of our present program of unemployment compensation. The establishment of a repayable loan fund to assist insolvent States is consistent with the objectives of the program and should contribute to its financial solvency. It does not federalize the program; rather it would help the States to exercise a greater measure of responsibility.

We feel that the second feature of the bill—the earmarking of Federal unemployment tax receipts for unemployment compensation purposes and the return of excess collections to the States—is a step in the right direction. Many States will receive in return money which they do not now get; these excess-tax collections at least will be available for unemployment compensation purposes. However, we commend to your favorable study and consideration the eventual 100 percent offset of all employer unemployment compensation taxes except to the extent necessary to finance a loan fund such as provided in this bill.

Thank you for the opportunity to present our views.

The CHAIRMAN. We are happy to have had you here.

Does anyone else wish to say anything on this subject?

Do you wish any more time?

Mr. CAPLES. No, sir; you have been very generous.

The CHAIRMAN. There has been intimation that perhaps we haven't given the witnesses enough time. We are feeling very bighearted, as I said a while ago.

Mrs. Springer, are there any more witnesses?

Mrs. SPRINGER. That is all, Mr. Chairman.

The CHAIRMAN. The hearing is ended.

(The following were subsequently submitted for the record:)

DETROIT, MICH., *March 11, 1954.*

Mrs. ELIZABETH B. SPRINGER,
Clerk, Senate Committee on Finance,
Senate Office Building.

Mr. Carey and Mrs. Elickson in their testimony on House bill No. 5173, referred to a resolution passed by the Federal Advisory Council on Employment Security at its January meeting, and asked that Prof. Richard Lester's statement in support of the resolution be entered in the record.

Employer members voted against this resolution and I would respectfully request that a statement of my position also be entered in the record. Copy of such statement is available from Mr. Merrill Murray of the Bureau of Employment Security.

GEORGE A. JACOBY.

STATEMENT OF GEORGE A. JACOBY, EMPLOYER MEMBER, FEDERAL ADVISORY COUNCIL ON EMPLOYMENT SECURITY

At the meeting of the Federal Advisory Council on Employment Security on January 26, 1954, the following resolution was presented:

"The Federal advisory council recommends that, as expeditiously as possible, the maximum weekly benefit ceiling in each State be raised to an amount not less than three-fifths to two-thirds of average weekly earnings in covered employment."

As background for consideration of this resolution members of the council were furnished with tables comparing the relationship of benefits to gross wages in 1939 and in 1952.

I was one of five employer members of the council who voted against this resolution. No employer member of the council voted in favor of it.

It was agreed that members of the council might file statements subsequent to the meeting, outlining the reasons for the positions they had taken on this issue. Such a statement has been filed by J. A. Dunn and A. D. Marshall, the two employer members of the council who are members of the committee on benefit adequacy. I am in accord with the views taken by Messrs. Dunn and Marshall, but as they were speaking for themselves only I wish to have my own views a matter of record.

In my opinion, the States are the appropriate units of Government to determine the benefit levels which shall be paid under their unemployment compensation laws. The record shows that the States are deserving of confidence in their ability to keep benefit levels in line with changing conditions. They have made such adjustments when changes were needed, and they are continuing to do so. In 1953 alone 20 States passed amendments to their laws increasing the benefits available to claimants.

As a matter of principle I am opposed to action by the Federal Government designed to straitjacket the States into some rigid standard relating to benefit levels. As Messrs. Dunn and Marshall have brought out in their statement, the Federal Government can perform a useful function by making available to the States unique and pertinent information which is not already available to them. No useful purpose is served when pertinent data, even when readily available, is omitted from consideration.

My vote against this resolution was motivated by my opposition to Federal action in the field of benefit levels, and in addition to this matter of principle I feel that those who presented this resolution failed to give weight to the following factors:

(1) Benefit levels have increased faster than the cost of living. The claimant can buy more with his average benefit check today than he could with his average benefit check in 1939. Certainly this is a consideration in the determination of benefit levels, and should not be ignored by responsible individuals concerned with this issue.

(2) Protection for the worker has been improved by extensions in duration, as well as increases in weekly amounts.

For example, a State which in 1939 would pay $15 for 13 weeks, may now be paying $30 for 26 weeks. In that case, while weekly protection has doubled, total protection for the eligible claimant is four times what it was in 1939. That is, it is now $780 compared with $195 in 1939.

(3) The increase in maximum weekly benefit ceilings was recommended for the stated purpose of increasing the average weekly benefit check to a relationship with average weekly gross earnings comparable with that alleged to exist in 1939.

Comparisons between average benefit levels and average gross wages are misleading for several reasons:

(*a*) The comparison is between benefits paid claimants and gross wages paid all people who are working.

It is not a comparison between benefits paid claimants and the wages these claimants earn while working.

(*b*) Gross average wages include overtime, and to this extent are inflated. Not only was this a factor in increasing gross wages reported in 1952 and 1953, but the direct opposite was true in 1939, when the average hours worked were less than the normal workweek of 40 hours.

This creates a double distortion which understates the percentage relationship for 1952 and 1953 and overstates it for the year 1939.

(*c*) Benefit payments are free from taxes. They should be compared with take-home pay after taxes, not with gross wages before withholding.

All comparisons with 1939 or other prewar base periods which fail to take this factor into account are misleading.

(4) It is generally agreed that benefit levels should not be set so high that they destroy the claimant's incentive to work. However, in this connection, it is the relationship of benefits to take-home pay which determines the incentive for the individual to seek and accept suitable work.

An individual without dependents who received a benefit check equal to 67 percent of his gross wages would find that his check represented 85 percent of his wages after withholding.

Records show that the large majority of claimants do not have dependent children. This means that the individuals with the least incentive to seek employment would have the highest percentage of their spendable income replaced.

It is my opinion that sound decisions on proper benefit levels can be made only when careful consideration has been given to these factors and others which should enter into an objective determination on this issue. Since these factors vary from State to State and are better understood by those who are in close touch with local conditions, I feel it is unwise to bring pressure to bear on State legislatures to change their benefits to conform to any arbitrary national standard.

WASHINGTON, D. C., *March 11, 1954.*

Mrs. ELIZABETH B. SPRINGER,
Clerk, Senate Committee on Finance:

I understand that James Carey and Mrs. Catherine Ellickson of the CIO in their testimony before your committee on March 10, introduced into the record a statement by Prof. Richard A. Lester supporting a resolution by the Federal Advisory Council on Employment Security favoring increase in maximum unemployment benefits. I would appreciate you inserting in the record of the hearings a joint statement by Mr. Joseph A. Dunn and myself as employer members of this council made in opposition to this resolution of the council the text of the statement can be supplied by the Department of Labor.

A. D. MARSHALL,
Manager, Employee Benefits Department,
General Electric Co., New York, N. Y.

STATEMENT BY EMPLOYER MEMBERS OF THE BENEFIT ADEQUACY COMMITTEE, FEDERAL ADVISORY COUNCIL ON EMPLOYMENT SECURITY, RESOLUTION ON BENEFIT CEILINGS, JANUARY 26, 1954

The employer members of the Committee on Benefit Adequacy of the Federal Advisory Council do not believe that the Council should recommend that the States act to raise their maximum-benefit ceilings to an amount not less than three-fifths to two-thirds of average weekly earnings in covered employment.

We do not consider that it would be helpful to State legislatures to presume to advise them as to the opinions of some 30 individuals as to their deficiencies in providing for their own citizenry unless these opinions can be fully substantiated.

We conceive that the work of the Federal Advisory Council may be helpful to State legislatures. However, we do not believe that this possible assistance should be in the form of gratutious advice as to the adequacy of benefits under individual State laws. Rather, it is our opinion that a more appropriate function—and certainly one calculated to be better understood and appreciated by the States—would be to provide leadership in the development of unique statistical data not otherwise available to the States on the basis of which more informed consideration can be given by their legislatures.

The statistical data which has been presented to the Council in relation to the subject matters it has considered is available to the States; in fact, the data was assembled by the States in the first instance. Presumably this information has been taken into account by State legislatures in reaching the judgements they have.

It has been, and remains, our position that the extent to which the Federal Advisory Council can be helpful to the State legislatures is in the programing and evaluation of surveys designed to give them information in highly relevant areas in which either no studies or insufficient studies have been undertaken.

We have on repeated occasions suggested that the Council collaborate with the Bureau of Employment Security in the conduct of studies in these neglected fields. We have thus far been unsuccessful. Unless and until these surveys have been made we cannot consider joining in recommendations which lack any factual foundation except on data which the States originally accumulated. We feel that such recommendations can but impair the acceptance and the stature of the Council in the eyes of State legislatures.

After the Council had adopted the public members' recommendations the pro tem chairman asked that the management members include in their minority statement a specification of the types of data which they feel are lacking and should be secured before any attempts are made to form judgments on existing benefit levels. Illustrative, but by no means all-inclusive, of the types of material we believe relevant are the following:

(1) How do the average and maximum weekly benefit amounts of claimants in each State compare with the average gross weekly earnings of claimants?

(2) How do the average and maximum weekly benefit amounts of claimants in each State compare with the average net weekly take-home pay (after deducting Federal income and OASI taxes) of claimants?

(3) How does the composition of the claimant group differ from the composition of the group of all employed persons, in regard to:

(*a*) size of family;
(*b*) gross weekly earnings;
(*c*) weekly take-home pay;
(*d*) age;
(*e*) sex;
(*f*) status as primary or secondary wage earners;
(*g*) marital status of females.

For the purpose of these comparisons, frequency distributions rather than averages should be provided.

(4) With respect to claimants whose rates are established at levels below the statutory maximums, and at varying percentages of gross pay, what is the average exhaustion ratio for claimants in each percent-of-wages classification?

(5) What is the BLS family budget figure, for food and housing, in major cities for the following family classifications:

(*a*) secondary wage earners;
(*b*) single youths living at home with their parents;
(*c*) single persons in independent establishments;
(*d*) married persons with dependent spouses;
(*e*) families of 3 (man, dependent wife, and child);
(*f*) families of 4.

(6) How do the maximum benefit rates applicable to unemployed persons in those family classes in those cities compare with these budget figures?

(7) Has any consideration been given in estimating the costs of higher benefit maxima to the possibility that such higher benefit levels will increase the average duration as well as the average weekly amount of benefits?

If not, what statistical data support the conclusion that higher benefits will not prolong the duration of benefit payments?

(8) What is the experience of those exhausting benefits? How soon have they returned to work? Statistical data on this based on frequency distribution should be according to gross weekly earnings, age, sex, status as primary or secondary wage earner, and marital status.

Any answer to this question of benefit adequacy must involve a complete and comprehensive study of exhaustees.

The frame of reference for all questions is founded on our belief that unemployment insurance is primarily a short-range program paying benefits on a wage-loss replacement basis rather than on a basis of need.

J. A. DUNN.
A. D. MARSHALL.

(By direction of the chairman the following is made a part of the record:)

WESTINGHOUSE ELECTRIC CORP.,
Newark, N. J., January 21, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: We understand that H. R. 5173, the Reed bill to strengthen the State's responsibility in financing unemployment insurance administration, is in your committee for consideration in the near future.

We believe this bill has considerable merit and urge your committee to present a favorable recommendation for its adoption.

Very truly yours,

P. G. ADAMS,
Manager, Industrial Relations.

HOMASOTE CO.,
Trenton, N. J., January 22, 1954.

Hon. Senator EUGENE D. MILLIKIN,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: We have studied with interest H. R. 5173 which was passed by the House of Representatives in July 1953 and have noted its beneficial effect on industry generally in the State of New Jersey and elsewhere. We urge you to support H. R. 5173 when it reaches the Senate floor.

Yours very truly,

JOHN J. ZAMBORSKY, *Treasurer.*

THE FAIRFACTS CO.,
Trenton, N. J., January 21, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: We have reviewed the major features of the Reed bill, H. R. 5173, and feel that it would benefit our State as well as the others.

May we urge your complete support as an improvement in financing unemployment insurance.

Cordially yours,

GUTHRIE M. MITCHELL.

ECLIPSE-PIONEER,
DIVISION OF BENDIX AVIATION CORP.,
Teterboro, N. J., January 20, 1954.

Subject: H. R. 5173 (the Reed bill).

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: May I, on behalf of our company, urge the passage of H. R. 5173.

We have given very great consideration to the proposed measure and believe it will serve both the interests of industry as well as our people if it is passed.

Your support of this bill will, of course, be most sincerely appreciated.

Very truly yours.

A. E. RAABE,
Vice President and General Manager.

NEWARK DISTRICT TELEGRAPH CO.,
Newark 2, N. J., January 20, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: This company is an employer in the Federal Unemployment Tax classification, is in full accord with the provisions of H. R. 5173 (the Reed bill) passed by the House and referred to your committee.

We feel, strongly, that all revenues from this tax should, in fairness to the contributors, be devoted to that purpose and any surpluses be credited pro rata to the States' unemployment fund.

New Jersey has contributed, since 1936, to and including 1952 approximately $112 million and but $69 million has been returned to the State for the administration of the fund. We trust that H. R. 5173 will have your committee's approval and be favorably reported.

Very truly yours,

F. O. RUNYON, *President.*

JANUARY 25, 1954.

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: I urge your support and endorsement of H. R. 5173 (Reed bill).

I have studied this Reed bill and am hoping that you will give it your wholehearted support.

Yours sincerely,

C. C. BEACH.

WESTFIELD, N. J., *January 26, 1954.*

Senator EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR: Favorable reporting by the New Jersey Chamber of Commerce and in the public press on H. R. bill No. 5173 concerning greater State responsibility in financing and administering unemployment compensation, moves me to write asking your support of this bill when it comes before the Senate.

Yours very truly,

L. H. FLETEMEYER.

ORTHO PHARMACEUTICAL CORP.,
Raritan, N. J., January 25, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR MILLIKIN: We understand that H. R. 5173 (the Reed bill) was passed by the House of Representatives in July 1953, and is now before the Senate Finance Committee for consideration during the present session of Congress. It calls for a highly desirable change in the administration of the Nation's unemployment-insurance program and hence, we feel, deserves your vigorous support.

Under present legislation, money collected from employers for the three-tenths of 1 percent Federal unemployment tax is placed in the general funds of the Treasury for appropriation by Congress to the various State employment security agencies to administer their unemployment-insurance programs. In some instances these appropriations have been inadequate and have had little relation to the needs of the respective States. In general, collections from the 0.3 percent tax have greatly exceeded the amounts returned to the States for the administration of their employment-security programs, producing a completely unintended and very substantial profit to the Federal Government.

Under the Reed bill, on the other hand, all revenue collected from the Federal unemployment tax would be used for employment-security purposes. Annual surpluses would be used to create a reserve fund for interest-free loans to States during temporary emergencies when State funds are seriously depleted. Once

the contingency reserve fund had been established, surpluses then would be credited proportionately to the States for use at the latters' discretion to finance either benefit payments or justifiable administrative costs for which the basic Federal allocation is inadequate.

This company's position in favor of the ultimate enactment of H. R. 5173 obviously stems from no hope of personal gain or advantage, since the bill contemplates no reduction in the rate of tax that we must pay. Rather, we support the bill simply because it removes serious defects in our country's unemployment-insurance program and strengthens that program for more effective service in the future.

We urge you to give the Reed bill careful study and, if you agree that it is sound legislation, to take any action possible to insure its passage by the United States Senate.

Very truly yours,

E. D. VAN WAGONER,
Assistant Secretary.

ALLEN B. DU MONT LABORATORIES, INC.
East Paterson, N. J., January 26, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: H. R. 5173 (the Reed bill). Your vigorous support for this measure is strongly requested by us. Under existing law, State agencies are dependent upon Federal appropriations which, in some instances have been inadequate, and, which, on occasion bear little relationship to the needs and public policies of a particular State. It is our opinion that The Reed bill would go far toward eliminating existing inequities. We trust that you will lend your active support to this measure.

Very truly yours,

HARRY HOUSTEN,
Director of Industrial Relations.

PERTH AMBOY DRY DOCK CO.,
Perth Amboy, N. J., January 29, 1954.

Senator EUGENE D. MILLIKIN,
Senate Office Building,
Washington, D. C.

DEAR SENATOR: We would like very much to have you support the bill H. R. 5173 as it is of great interest to us and our allied industries.

Many thanks for your cooperation, we are,

Very truly yours,

AXEL OLSEN, *President.*

SAVINGS BANKS' ASSOCIATION OF NEW JERSEY,
Newark, N. J., February 4, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: Our association is vitally interested in H. R. 5173, known as the Reed bill, which would strengthen State responsibility in financing unemployment insurance administration.

It is only recently that this State has had to appropriate their own funds in order to engage more help to take care of the backlog of claims which, due to delay, were embarrassing the recipients.

The unused funds of contribution could well be used for the purposes outlined in this bill and we wish to go on record in favoring its passage.

Very truly yours,

P. B. MENAGH, *Executive Secretary.*

THOMAS A. EDISON, INC.,
West Orange, N. J., January 18, 1954.

Subject: H. R. 5173 (the Reed bill).

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: As you know, the major effect of the Reed bill would be to earmark for employment security program purposes all of the revenues collected from the three-tenths of 1 percent Federal unemployment tax. Such annual surpluses as are now flowing into the general Federal Treasury would be used:

(1) To create a contingency reserve fund from which a State might secure an interest-free loan to continue benefit payments during temporary emergencies when its own unemployment trust fund is seriously depleted; and

(2) To credit to a State's unemployment trust fund each year (after the contingency fund has been established) its prorata share of such annual surpluses which could be used at the State's discretion to finance either benefit payments or its justifiable administrative costs for which the basic Federal allocation has not provided sufficient funds.

This measure was passed by the House of Representatives last July and now being considered by your committee and no doubt will be reported out shortly. Anything that you may do to expedite this and bring about the passage of this bill will be appreciated.

With best wishes.

Sincerely,

W. HILDEBRAND.

AMERICAN SMELTING & REFINING CO.,
Barber, N. J., January 19, 1954.

Hon. EUGENE D. MILLIKIN,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: I understand the Senate will shortly take up for consideration H. R. 5173 concerning the Federal unemployment tax.

Since the policy of this administration is to return to the States, where possible, the control of truly State administrative functions, the passage of H. R. 5173 would be a move in this direction. In New Jersey we now have a very good unemployment compensation law which is being well administered. Why should New Jersey continue to pay funds into the Federal Treasury for services not rendered or needed?

May I respectfully request your support of H. R. 5173.

With the best of personal wishes and a sincere appreciation of your fine service to this country, I am

Very cordially,

K. HARMS, *Manager.*

PILLSBURY MILLS, INC., GRAIN DIVISION,
Wichita, Kans., February 5, 1954.

Senator EUGENE MILLIKIN,
Senate Office Building, Washington, D. C.

DEAR SENATOR: It is our understanding that bill H. R. 5173, commonly known as the Reed bill, which was passed in July 1953 by the House, is now in the possession of the Senate Finance Committee, of which you are chairman. We are very interested in this bill because we believe that it proposes to handle Federal unemployment insurance tax funds in a businesslike manner, which has not been done in the past. We also understand that this bill provides for the return to the States for their use on unemployment compensation of any excess Federal unemployment insurance tax collections over and above the amounts needed for unemployment compensation administration costs and for the loan fund. This latter step we believe very important because we are most interested in seeing that matters that concern the States be handled by the States and believe this is one good step in that direction.

Anything you can do to further the passage of this important bill would be appreciated.

Yours very truly,

H. W. MANUEL, *Manager.*

HOTEL LASSEN,
Wichita, Kans., February 6, 1954.

Senator EUGENE MILLIKIN,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: I trust that there is no difference in our opinions in connection with the necessity for such movements as Reed bill (H. R. 5173).

I urge you to give this your prompt attention and untiring support.

Ever-Lassen-ly yours,

WALTER SCHIMMEL,
Managing Director, Hotel Lassen.

WICHITA PONCA CANVAS PRODUCTS CO.,
Wichita, Kans., February 9, 1954.

Senator EUGENE MILLIKIN,
Senate Office Building, Washington, D. C.

DEAR SIR: We understand that the Reed bill (H. R. 5173) is in the files of the Senate Finance Committee, of which you are chairman. We further understand that this bill was passed by the House of Representatives in July 1953.

As employers, we are exceedingly interested in seeing this bill go through, and request that your committee give prompt attention to this measure in order to expendite bringing it to the floor of the Senate.

We would like to see all of the tax funds collected under the unemployment program earmarked exclusively to support this program. Also, we would like to see any repayable advances placed in a fund which would support the program or the State programs which are in danger of becoming insolvent.

We also feel that the States should receive as a return any excess Federal unemployment insurance tax collections.

As employers, we pay all the costs involved to defray administrative costs; therefore, we repeat, we are extremely interested in seeing this bill brought to the floor of the Senate, and request that your committee hold hearings on it as soon as possible.

Very truly yours,

W. J. PURFIELD.

STANDARD OIL CO. (INDIANA),
Wichita, Kans., February 9, 1954.

Subject: Reed bill (H. R. 5173).

Senator EUGENE MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: We understand hearings are to be held soon on the Reed bill (H. R. 5173). As employers in the State of Kansas, we urge your committee to give prompt attention and approval to this measure.

The establishment of a loan fund is looked upon by many as desirable to bulwark the solvency of State programs and to remove the possibility of insolvency by any State being used as an argument in favor of federalization of all State unemployment compensation programs. The surplus of the three-tenths of 1 percent being currently dumped into the general fund by the Treasurer and spent for general governmental expenses is ample to establish this loan fund and still leave a substantial amount to return each year to the States from which it is collected.

If this had been done each year since 1937, it would have substantially reduced the contribution rates of all employers eligible for merit rating during all these years. That money is now gone, and there seems little to be done about it, but let's stop the leak, now, and from now on.

Yours truly,

C. C. SMITH, *Manager.*

PERTH AMBOY, N. J., *February 1, 1954.*

Hon. EUGENE D. MILLIKIN,
Senate Finance Committee, Senate Office Building,
Washington, D. C.:

Our association has gone on record in approval of bill H. R. 5173 with respect to Federal-State Unemployment Insurance. We earnestly request your support.

THE INDUSTRIAL ASSOCIATION OF PERTH AMBOY,
ABEL LARSON, *Secretary-Treasurer.*

DETROIT, MICH., *March 6, 1954.*

Hon. EUGENE D. MILLIKIN,
Senate Office Building:

We urge your support of Reed bill H. R. 5173 because we believe its passage would be to the best interest for the proper administration of unemployment programs of each of the various States.

E. C. STEPHENSON,
Vice President, The J. L. Hudson Co.

JACKSON, MISS., *March 8, 1954.*

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D. C.:

Mississippi agency opposes Reed bill (H. R. 5173) as passed by the House of Representatives. With respect to hearing thereon it is requested especially that serious consideration be given to matter of formula for distribution of amounts to credit of States accounts. Although employment security is universally accepted in principle as a field national in scope, the formula as presently written may affect dangerously the operation of agencies of so-called deficit and near-deficit States. We believe that bill could be so amended as to strengthen the Federal-State system by safeguarding the financial position of such States. This could be done by providing for an initial allocation out of the surplus to the deficit or near-deficit States before the application of the formula as presently written for distribution of surplus to the States.

ROBERT PRISOCK,
Executive Director, Mississippi Employment Security Commission.

STATEMENT OF MISSOURI STATE CHAMBER OF COMMERCE ON REED UNEMPLOYMENT COMPENSATION BILL (H. R. 5173)

The Missouri State Chamber of Commerce supports the Reed bill (H. R. 5173) as a step in the right direction toward giving the States necessary leeway to meet their varying unemployment compensation problems. It will help do this by lessening to some extent the present Federal "bureaucratic" purse-string control over the State programs by earmarking the Federal unemployment tax and crediting the surplus to the States' accounts after a $200 million reserve fund is built up. This surplus which would be credited to the various State accounts would stand available for benefit payments, but could be used for administrative purposes only by specific State legislative appropriation which meets the requirements specified in the law.

The experience of Missouri and other States with the Federal-State unemployment compensation program indicates that the provisions of this bill would be a definite improvement over the present and past situation. However, it is only a step in the right direction. It is not the final or ultimate answer.

UNEMPLOYMENT COMPENSATION SHOULD BE PRIMARILY STATE

Ultimately, the Federal unemployment compensation tax should be offset 100 percent against the State tax instead of the present 90 percent and Federal grants for administration of the State unemployment compensation and employment services should at the same time be terminated.

When Missouri employers pay the three-tenths percent unemployment compensation tax to the Federal Government, they would like to feel that it will be used to give them and their employees a good unemployment compensation system—they were led to believe that this was the purpose of this tax. But, this is not what the Federal Government has done with their tax money.

Missouri and other States shortchanged on unemployment taxes

For the fiscal years 1938 through 1951 the Federal Government collected over $52,754,000 in unemployment taxes from Missouri employers alone, but returned only $25,306,000 to Missouri for administration of the State unemployment compensation system, according to United States Bureau of Employment Security figures. This is just a 48 percent return. The figure for all States during this period was $2,257,454,000 in taxes against $1,284,561,000 in grants for a return of 56.9 percent.

In 1952 Missouri and the other States received a return greater than the 1938–51 average. However, the Missouri return percentage was only 52.7 percent and for all States just 72.3 percent. In that year 15 States and Territories received back more than they paid in while all the others received less, according to a report prepared by the Bureau of Employment Security.

Again in 1953 Missouri had much less than a 50 percent return and 1954 promises to paint a still darker picture because of Federal budget cuts. For the fiscal year ended June 30, 1953, the Internal Revenue Service reports that it collected $7,326,130 in Federal unemployment taxes from Missouri employers, but the Missouri Division of Employment Security reports that it received $3,385,184.57 for this period. The basic grant for the 1953–54 fiscal year is $3,213,409.

Grant system hinders State unemployment benefit programs

The present Federal budget cut dramatically illustrates how the present grant-in-aid system hinders administration of the State unemployment compensation systems.

For the fiscal year 1954, the Federal Government allotted just $178.6 million to all the States for administration of their employment security programs, contrasted with $194.8 million for fiscal 1953. Also the States will have to absorb an estimated $8 million in salary increases, which leaves only $170 million to administer operations that they were allotted $194.8 million to do in 1953. And this came at a time when unemployment benefit claims were increasing.

As a result of this congressional cut the Bureau of Employment Security imposed detailed retrenchment measures upon the States through their allotment of administrative grants on the basis of specific retrenchment measures which will impair the effectiveness of the unemployment compensation program. The most serious of these retrenchment measures were a switch to biweekly reporting by benefit claimants and the closing of certain local offices.

Chance for unemployment benefit fraud increased by grant allotments

The switch from weekly to biweekly reporting by unemployment benefit claimants greatly increases the chances for fraud and improper payment. This will be the case because it halves the opportunities for interviews, checkups, etc., and exposes the claimant to job opportunities that much less frequently. It also increases the possibility of improper payments because claimants are more likely to forget relevant information about job applications, etc.

The Bureau's theory that biweekly reporting will result in any great savings is questionable. Halving the number of claimants reporting each week will not come anywhere near halving the costs. Any savings are likely to be insignificant in comparison with the increase in fraud and improper payments.

Much the same criticism can be made of closing certain local offices. But, in addition to increasing the fraud potential this step will result in poorer service for placements, etc., for the areas previously served by these offices.

Besides necessitating a switch to biweekly reporting and closing of several local offices, the Federal budgetary cuts have resulted in a reduction of personnel that has contributed to the demoralization of the Missouri Division of Employment Security.

All of this should not be interpreted as criticism of Federal Government economy. It is used simply to illustrate the unsatisfactory nature of the present grant system whereby the Federal Government collects an unemployment compensation tax and returns only part of it to the States with strings that hamper effective administration of the State laws.

The Reed bill is a step in right direction, but doesn't go far enough

The Reed bill (H. R. 5173) which the House approved before adjourning last summer is a step toward correcting the present system, but is not the final answer. The Reed bill would help by earmarking the Federal unemployment tax and crediting the surplus to the States after a $200 million reserve fund is built up. However, the Bureau of Employment Security could continue to make the basic administrative grants to the States in a discriminatory manner

The only completely satisfactory answer is a 100 percent offset to the Federal unemployment tax whereby the States collect all the unemployment taxes instead of part of them going to Washington to be returned to the States in a greatly diluted form. But, Congress should immediately take the first step in this direction by enacting the Reed bill (H. R. 5173).

STATEMENT OF THE ILLINOIS STATE CHAMBER OF COMMERCE ON H. R. 5173 FOR THE SENATE FINANCE COMMITTEE

This statement is presented on behalf of the Illinois State Chamber of Commerce, and is based upon action taken by its board of directors on recommendations made by its social security committee. The board of directors consists of 71 men from every section of Illinois and is thoroughly representative of over 12,000 business and professional people who make up the membership of the Illinois State Chamber of Commerce. The social security committee, comprising 74 business and professional people from all parts of Illinois, during the past 9 years has studied and researched the principles and practical operation of unemployment compensation. It has spent much time in studying the Federal-State relation aspect of this program, which is the concern of H. R. 5173, and last year Robert B. Martin, a member of the committee, testified in support of the predecessor bills, H. R. 3530 and H. R. 3531.

After complete study and review of the provisions in H. R. 5173, our committee recommended its approval, and the board of directors has now authorized this statement requesting your favorable consideration of this bill.

Diversion of the three-tenths of 1 percent tax receipts should be stopped

A review of testimony indicates that there is apparent unanimous endorsement of the principle that the funds collected from the three-tenths of 1 percent tax on all covered employers should not be diverted to pay general governmental expenses. Experience has shown that this tax, intended for the specific purpose of paying employment security administration costs, has created revenues far in excess of the requirements for which it is levied. Your committee has testimony indicating the amount of profit the Federal Government has accrued from this tax, and we heartily endorse this bill's provisions to stop this indefensible Federal action and eliminate this profit.

Justifiably, employers in Illinois are particularly concerned over the diversion of this tax money because our State has fared worse than any other with respect to the percentage of the tax returned to us in the form of administrative grants. During the years 1938 through 1950, Illinois employers paid $161.5 million under the three-tenths of 1 percent tax, but during that time only $60.5 million was returned to the State. The Federal Government retained 62.5 percent of our tax collections. In 1953 over $23 million was paid to the Federal Government by Illinois employers, and the State received only $9 million for administrative expenses of unemployment compensation and the employment services.

This year, 57 percent of Illinois employers, eligible for reduced unemployment tax rates, are paying the minimum rate of 0.25 percent. To say the least, it is difficult for them to understand why it is necessary to pay the Federal Government a tax of 0.3 percent to provide funds for administering the payment of benefits, while the tax to provide these benefits is only 0.25 percent. We vigorously endorse the proposal that these excess tax collections from Illinois employers be returned to the State, and support the establishment of a loan fund as a safeguard to insure the solvency of State unemployment compensation programs.

Loans to States—not gifts

The provision in H. R. 5173 creating this loan fund from excess tax collections is desirable to meet temporary emergency conditions which may arise in any State. While the solvency of State unemployment compensation programs must be assured, each State should have an incentive to operate its program on a sound

and efficient basis. We believe that the requirements in H. R. 5173 for repaying the loan granted a State with a dangerously low reserve provide that incentive and are not too stringent. Your committee is urged to resist demands that the Federal Government provide grants or gifts to States who have not collected sufficient taxes to pay benefits in accordance with the provisions of their laws. Such gifts can only encourage excessive expenditures and inefficient administration, and are accompanied by more Federal control which is contrary to the principles of this legislation. Recently there have been increasing demands for lessening the concentration of power in the Federal Government and giving the States more responsibility and control over programs such as employment security. We firmly believe that this philosophy is particularly applicable to the employment security program which can be developed on a much sounder basis if authority and responsibility is placed in the individual States.

Redistribution of excess collections

While we believe that each State can, and should, finance the administration of its own employment security program, we have approved the provision whereby the Federal Government, after collecting this tax and creating a loan fund, will distribute to each State the balance of such funds collected. Certainly, this is to be preferred over the present situation. We further endorse the principle that the funds returned may be used—if the State legislatures so decide—for administrative purposes. We are confident that each State can best and most wisely determine how these funds should be used. This provision, whereby the States may use their own initiative and discretion in the administration of the unemployment compensation laws they have written, is a further step away from Federal domination of this program.

We would suggest, however, that your committee give consideration to limiting the redistribution of excess collections to those States who have not already received appropriations amounting to 100 percent or more of the taxes they have collected. It seems only fair that the States to which appropriations have already been made in excess of their tax collections should not share in this redistributive balance. Allowing them to share would create many inequities. The following analysis of California, Illinois, and Nevada experiences gives just one example of such inequity. Assuming that redistribution had been in effect for the fiscal year 1950, the following results would have been obtained:

	Collections from 0.3 percent tax	Administration grants	Refunds from redistributive balance
California	$18,023,000	$18,786,000	$3,468,000
Illinois	17,569,000	8,883,000	3,159,000
Nevada	236,000	529,000	50,000

From the above it seems that we, in Illinois, should have cause to question the fairness and equity of further redistributing surplus tax collections from our State to those States who already have shared in that surplus.

100 percent offset credit

An alternative to redistributing excess tax collections to each State on the basis of payroll ratios after the loan fund has been created, is allowing employers a 100 percent offset credit against the Federal tax. Each State would then have the responsibility and authority to collect its own funds for benefits and administrative expenses. There is ample evidence before your committee to indicate that this would not work a hardship on any State. We believe that under such a provision, with a set of minimum Federal standards, the State employment security programs would be further developed on a sound and efficient basis. We support the provisions in H. R. 5173 as an improvement over the present system, but are hopeful that this legislation will be considered as a step in the direction of returning to the individual States complete responsibility and authority for developing a sound employment security program.

Respectfully submitted.

RICHARD D. STURTEVANT,
Chairman, Social Security Committee, Illinois State Chamber of Commerce.

BALTIMORE, MD., *March 4, 1954.*

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

Baltimore Association of Commerce strongly urges early and favorable action by your committee on Reed bill, H. R. 5173, which would rectify inequities in unemployment insurance financing.

JOSEPH W. CLAUTICE,
Secretary.

PHILADELPHIA, PA., *March 8, 1954.*

EUGENE D. MILLIKIN,
Senate Finance Committee,
Senate Office Building, Washington, D. C.:

We understand hearings on the Reed bill H. R. 5173 will be held March 9 and 10. This is a vital piece of legislation important to all States and industries. Our association representing over 9,000 industrial concerns in Pennsylvania wish to lend our support for favorable consideration of this bill.

JOHN H. SEETON,
Secretary, Pennsylvania Manufacturers' Association.

WILMINGTON, DEL., *March 9, 1954.*

Hon. EUGENE D. MILLIKIN,
Senate Office Building, Washington, D. C.:

Re hearings on Reed bill (H. R. 5173), the Delaware Chamber of Commerce recommends your committee report this bill favorably. The Reed bill would return to the States that portion of the Federal unemployment tax collected in excess of administrative requirements after providing a reasonable reserve for loans to the States. The present arrangement of the Federal Government retaining taxes in excess of amounts required for proper administration of Federal and State unemployment insurance program is wrong in principle and should be corrected through passage of the Reed bill.

DELAWARE STATE CHAMBER OF COMMERCE,
ROBERT C. TESH,
Chairman, Social Security Committee.

PROVIDENCE, R. I., *March 9, 1954.*

Hon. EUGENE MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

Associated industries of Rhode Island definitely in favor of passage of Reed bill now before your committee. Urge you do everything possible to secure passage.

FRANK S. SHY,
President, Associated Industries of Rhode Island.

COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.
New York, N. Y., March 8, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: The Commerce and Industry Association of New York, Inc., favors the enactment of H. R. 5173, relative to the financing of administrative costs of unemployment insurance.

Presently the Bureau of Employment Security has the responsibility of granting to each State through the collection of the three-tenths of 1 percent collected by the Federal Government from employers of 8 or more the amounts it deems necessary and proper for the administration of the State unemployment insurance administrative expenses. For years the collections by the Federal Government have far exceeded the amounts allocated to the States for administrative purposes, with the result that the State administrators have been forced to come to Wash-

ington with hat in hand for necessary funds to carry out the State programs as determined by the individual State legislatures. The balance of the unallocated sums remains with the Federal Government and this has amounted to more than a billion dollars.

In making these advances to the States the Bureau of Employment Security is instructed by Congress to take into consideration:

(*a*) The population of the State;

(*b*) The number of covered employees in the State;

(*c*) Such other factors as the Bureau of Employment Security deems relevant.

In the granting of the sums for administrative expenses the Bureau of Employment Security obtains the requested estimates from each State, revises these requests, submits them to the Bureau of the Budget which makes further revisions, and then submits them to Congress for its changes. The resultant appropriation is seldom realistic in the light of the needs of the State administrator.

When the New York law was changed extensively in 1951 by the legislature, after prolonged studies and hearings on what was needed to promote better operation of the unemployment insurance law and new administrative techniques and procedures introduced, it was necessary for the State agency to come to the Bureau of Employment Security to justify each administrative operation in order to obtain funds to put the law into effect. Thus the Federal Government by pursestring control is able to determine the manner in which the law is to be administered and thus have effective control over internal policies and programing.

Some administrators of the State programs have protested year after year that Federal grants have been inadequate and unrealistic. The basis for the States' complaint has been lack of fiscal planning, restraint, and inflexibility in the use of funds for varying conditions, and Federal failure to recognize the need for investigatory services. It is thus inevitable that an arrangement whereby the State legislatures determine the content of the unemployment-insurance laws, the governors administer these laws while the administrative funds are the full responsibility of the Federal Government which determines the amounts and the manner in which the moneys are to be spent, is found to create friction.

Federal administrators have long admitted this defect. Public criticism leveled at responsible State authorities continues year after year as a result of the inability of the States to (*a*) police payments fully; (*b*) provide extra staffs during periods of sudden and large layoffs so that claimants may be paid their benefits promptly and properly; and (*c*) set up appropriate disbursement controls. While the taxes levied for administrative purposes have been drained off for other activities of the Federal Government, failure of Federal authorities to provide funds enough for proper claims' examination and tax-delinquency control has forced what appears to be laxness and gross misfeasance on the part of State officials.

Within the broad framework the States have considerable latitude in setting up the type of law and the pattern of administration they may desire. This is, in actuality, the classic example of buck passing in the Federal Government. Duration of benefits, amount of weekly benefits, liability, and disqualifications, etc., are almost entirely within the States' jurisdiction. The States, however, have no comparable latitude in administering the laws which they have been privileged to frame. Rather, they are called upon to administer their unemployment-compensation laws with such funds as are deemed necessary by the several agencies which may and do disagree among themselves.

The bill before you for consideration has the support of the Interstate Conference of Employment Security Agencies. Although we favor 100 percent offset, we respectfully urge passage without amendment of the Reed bill, H. R. 5173, regarding unemployment insurance administrative financing as an acceptable substitute. The bill goes a long way toward giving the State agencies a more effective say in the disposition of funds for administrative purposes and removing the Federal Bureau from interfering in State programs. We should remember that these sums, when received by the States, are generally subject to State budgetary and legislative control, so there is little chance that the State agency is being given a blank check. The bill places responsibility for the program, its administration, and the budgetary control and financing in the States where it belongs.

In this bill there is a genuine effort to keep the role of the Federal Government to a minimum. Furthermore, the bill sets up a revolving fund from which the States can draw amounts of money to aid their individual trust funds in time of need.

The role of the Federal Government in unemployment insurance should be kept to a minimum. The bill does exactly that and does not permit the Federal Government to interfere with the State programing and financing.

I should greatly appreciate it if you would make this statement part of the record of the hearings on this bill which are to commence on March 9.

Sincerely yours,

THOMAS JEFFERSON MILEY,
Executive Vice President.

ST. LOUIS, MO.,
March 11, 1954.

SENATOR EUGENE D. MILLIKIN,
Senate Office Building, Washington, D. C.:

We urge your support of H. R. 5173 relating to excess unemployment compensation tax collections.

THE SEVEN-UP CO.,
JOHN T. TABOR.

STINSON, MAG, THOMSON, MCEVERS & FIZZELL,
Kansas City, Mo., March 9, 1954.

Re Reed Unemployment Compensation Bill (H. R. 5173)

Hon. EUGENE D. MILLIKIN,
Chairman, United States Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: We urge you and your committee to lend bipartisan support to the Reed unemployment compensation bill which, we understand, will be considered at committee hearings beginning today, Tuesday, March 9, 1954.

The Reed bill will relieve the plight of States like Missouri which have for some years past suffered from a steadily decreasing return on their unemployment compensation tax dollar.

We do not think the Reed bill will permanently solve Missouri's difficulties, but we do think it will aid in enabling Missouri to provide its citizens with the kind of program best suited to the needs of employers and employees alike by returning to the States a portion of the tax money needed to sustain such a program.

Very truly yours,

STINSON, MAG, THOMSON, MCEVERS & FIZZELL,
By JOHN J. FALLON.

THE COMMONWEALTH OF MASSACHUSETTS,
DIVISION OF EMPLOYMENT SECURITY,
Boston, March 8, 1954.

Re H. R. 5173.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
The Senate, Washington, D. C.

DEAR SENATOR MILLIKIN: Governor Christian A. Herter has just apprised me that hearings are to be held before your committee on Tuesday, March 9, on H. R. 5173.

Our Governor wishes to be recorded as strongly in favor of this legislation.

It is recognized that objection has been raised to the use of the moneys transferred to various States by these States for administrative purposes. We recognize that such use of the money is perhaps one of the most important reasons for our advocating this legislation.

We have full faith in the ability of the various States of the Union to conduct their respective affairs so as to reflect favorably upon the people of the individual States. It should be recognized that State administrators always obtain their authority to do things from the legislature and the executives of the respective States.

With particular reference to Rhode Island's objection, our neighbor to the south entertained a very peculiar philosophy with respect to unemployment insurance and for years the fundamental concepts of unemployment insurance were distorted into a real give-away program.

The peculiarities of Rhode Island's labor market are very much the same as here in Massachusetts so that the reason for Rhode Island's plight is much more attributable to the profligaries of the past than it is to its economy. Rhode

Island has already undertaken to straighten out its situation, and we have faith that this endeavor will continue. We see no reason why any other State of the Union should be assessed to encourage the profligaries of any State.

Very respectfully submitted,

DEWEY G. ARCHAMBAULT, *Director.*

THE CLEVELAND CHAMBER OF COMMERCE,
Cleveland, Ohio, March 10, 1954.

Re H. R. 5173, Reed ($200 million unemployment insurance loan fund)

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: Since 1947 the Cleveland Chamber of Commerce has favored the principle that the present 90 percent credit against the Federal three-tenths of 1 percent on employers of 8 or more persons for administration of the unemployment compensation laws of the States should be changed to a 100 percent credit for those States which pay the cost of administering their own laws.

In the event that the 100 percent credit is not considered feasible at this time, then we favor approval of H. R. 5173, Reed, to provide the States with the money needed for the efficient operation of their unemployment compensation laws and to grant relief to those States in need of loans.

We trust that you will give these views your usual careful consideration.

Sincerely yours,

CURTIS LEE SMITH, *President.*

NATIONAL CONSUMERS LEAGUE,
Cleveland 14, Ohio, March 10, 1954.

Hon. EUGENE D. MILLIKIN,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR MR. MILLIKIN: Since it was impossible for me to arrange to appear before your committee at the hearing today on H. R. 5173, I am submitting a statement on behalf of the National Consumers League which I would like to have included in the record of the hearings.

The National Consumers League has been extremely interested in unemployment insurance for many years. It was one of the early proponents of the legislation. Our organization was represented on the Committee on Economic Security, which recommended the provisions of the Social Security Act.

I served as secretary of the Ohio Commission on Unemployment Insurance in 1932 and 1933, a commission appointed by the Governor of Ohio. The commission prepared the draft of the first unemployment insurance bill to be introduced on Ohio. During a 2-year period, from 1951–53, I served as a public member of the Federal Advisory Council of the Bureau of Employment Security of the United States Department of Labor.

Sincerely yours,

ELIZABETH S. MAGEE,
General Secretary.

STATEMENT BY ELIZABETH S. MAGEE, GENERAL SECRETARY, NATIONAL CONSUMERS LEAGUE

The Economic Report of the President refers to unemployment insurance as "a valuable first line of defense against economic recession." It is important that at this time the adequacy of this defense be examined by Congress. Unemployment insurance has a twofold purpose. Its primary purpose is to provide income maintenance to families where the bread winner is out of work, as a matter of right and without recourse to a means test. Another purpose which becomes particularly important in a period of falling employment is to provide an extra bulwark to the economy through stabilizing the flow of purchasing power. This concept of unemployment insurance is implicit in the Economic Report of the President, and is underscored by the Joint Committee on the Economic Report. The Joint Committee says in its report:

"The present economic outlook thus presents precisely the situation under which the provision of an adequate unemployment insurance program is most imperative."

Among the questions which need to be asked are: Is the present level of unemployment compensation benefits adequate to fulfill these purposes? Are any States in danger of exhausting their reserve funds? How can the Federal-State system be best adjusted to assure the continuance of benefit payments in spite of extraordinary difficulties which may be encountered by any individual States?

The Economic Report points out the inadequacy of coverage through the omission in most States of employees of small businesses as well as other exempted groups, and emphasizes the need for increasing benefit rates and extending maximum duration of benefits. Benefit rates have failed to keep pace with changing wage levels and with the cost of living; maximum benefit payments now average about 33 percent of wages instead of the 50 percent or over which was provided in the first laws. Only four States have a uniform maximum duration of 26 weeks of payments for those who qualify. Over the years an increasing number of unnecessarily strict disqualifications have been added to State laws with the result that many bona fide unemployed workers are unable to get benefits. Mr. Henry McCarthy, welfare commissioner of New York City, has called attention this week to the alarming rise in relief rolls and is quoted as blaming amendments adopted by the New York Legislature to the State unemployment insurance law for the increase.

It is our opinion that H. R. 5173 does little to meet these problems. In its proposal for earmarking the proceeds of the Federal employment tax, it is too stringent in its provisions for making funds available for benefits to States in trouble. On the other hand, it is too generous, if not indeed wasteful, in the plan for automatic distribution to the States of funds for administration.

According to H. R. 5173 in its present form, a high penalty is placed on those States which need to draw on the fund for benefits. This might have serious results for the employers of those States, which would defeat the purpose back of the loans. There would also be the danger that, as an alternative to applying for a loan, under these circumstances legislatures might be tempted to cut benefits materially.

Unemployment is generally caused by factors outside the control of a single community or State. National and international developments and policies are the largest factor. This is the chief reason that we have a Federal-State system instead of a series of State systems. Therefore, we should take advantage of the fact that the risk can be spread in a Federal fund. It seems to us wiser to make reinsurance grants instead of loans. These would, of course, have to be safeguarded by such devices as requiring a State to suspend experience rating before its reserves reach dangerous levels. We recommend that H. R. 5173 be amended to make this possible.

The arrangement for granting additional funds to the States for administrative purposes on an automatic basis seems to us extraordinarily bad policy. We favor the continuation of the present arrangement whereby the Congress regularly appropriates amounts for administrative costs following recommendations made by the Department of Labor. When this has been done, after a careful study, it is preposterous to hand over to the States an extra mount bearing no relationship to the actual needs of any State agency. Since this is a Federal tax, we cannot see what justification there is for allowing State legislatures or administrators to make a determination as to its use. That control should continue to be in the hands of the Congress.

We wish to urge upon the committee action on the proposals made by the President for amendment of the unemployment compensation titles of the Social Security Act to increase coverage. We urge, also, that serious consideration be given to setting standards for benefits within the act itself, instead of depending on the much slower and more uncertain process of appealing to States to improve their laws. We have seen no disposition as yet on the part of the legislatures now in session to follow the advice of the President's economic report. If we are to be prepared to prevent a serious economic recession, we must have the tools ready at once.

KIMBERLY-CLARK CORP.,
Neenah, Wis., March 8, 1954.

Hon. EUGENE D. MILLIKIN,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR MILLIKIN: It is my understanding that the Senate Finance Committee will shortly be giving consideration to the Reed bill, H. R. 5173, which was passed by the House last July. This bill embodies the legislative program which was approved by the Interstate Conference of Employment Security Agencies.

It does not meet the views of those who would like to have greater Federal power and less State power, but certainly if we are to reduce the ever-growing interposition of the Federal Government instead of increasing it, this bill ought to pass.

I sincerely hope it will have your support.

Sincerely yours,

COLA G. PARKER,
Chairman of the Board.

(Whereupon, at 5:25 p. m., the committee recessed to reconvene at the call of the chairman.)

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