COMMITTEE ON FINANCE
UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*

DATA RELATING TO S. 1991
EMPLOYMENT SECURITY AMENDMENTS OF 1965

INCLUDING

TEXT OF PRESIDENT'S MESSAGE, CHARTS AND TABLES

(NOTE.—This document is not a committee report. It has not been reviewed by either the committee or its staff. It is printed only for the purpose of information.)

JANUARY 18, 1966

(Compiled by the Staff for the Use of the Committee on Finance)

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INTRODUCTION

S. 1991, referred to in this committee print, is identical to H.R. 8282 introduced in the House of Representatives and referred to the Committee on Ways and Means. That committee held extensive hearings on H.R. 8282 in the summer of 1965.

The explanation of S. 1991 and its background, as well as the charts and other data, were prepared and submitted to the Committee on Finance by the Department of Labor.

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89TH CONGRESS } HOUSE OF REPRESENTATIVES { DOCUMENT
1st Session } { No. 176

FAIR LABOR STANDARDS

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

RELATIVE TO

LABOR

MAY 18, 1965.—Referred to the Committee on Education and Labor and ordered to be printed, with accompanying papers

To the Congress of the United States:

* * * * * * *

UNEMPLOYMENT INSURANCE SYSTEM

Improvements in our unemployment compensation system are essential if the program is to exert a stronger stabilizing effect on the economy and provide people with adequate income when out of work. The system has not kept pace with the times. No major improvements have been made since its original enactment 30 years ago.

There are still many workers who are not protected by unemployment compensation. Other workers, through no fault of their own, experience excessively long periods of uncompensated unemployment.

The plight of the long-term unemployed results primarily from economic factors such as automation, other technological changes, and relocation of industry. Their unemployment is a phenomenon of normal as well as recession periods. It can be dealt with effectively only through a nationally coordinated program.

Even in nonrecession periods of recent years, the number of long-term unemployed has remained high. Among unemployment insurance beneficiaries, those unemployed 26 or more weeks represented 15 percent of the total in 1956, 29 percent in 1961, and about 20 percent in 1962 and 1964.

The wider coverage, extended benefit periods, and increased benefit amounts provided in the bill will lessen the hardship and suffering that accompany unemployment and, at the same time, provide stimulus to the economy when it is most needed.

Now, when unemployment is lower than it has been for years, is the appropriate time to modernize the system so that it will better meet the needs of workers, the community, and the Nation.

Today, weekly benefits are often too low in amount and too short in duration in relation to lost wages to enable the workers to meet basic and nondeferrable expenses. Ceilings on compensation all too often fail to yield the original goal of 50 percent of past wages. This is particularly true for workers who have the highest income levels, and these workers are generally heads of family. The bill therefore assures adequate payments for a fixed duration for most regular workers.

The burden of excessively high unemployment costs that exist in several States must be relieved and the financial soundness of the system strengthened. This will be achieved by increasing the amount of wages subject to taxation—the first increase in the history of the program—as well as by increasing the amount of tax and recognizing the Federal responsibility through provision for contributions from general revenues, with matching grants for high cost States.

It is essential that this system be administered with both justice and firmness. We know some workers have been denied benefits when justice required payment. We also know some workers have been granted benefits when firmness required their denial. For this reason the proposed legislation calls for steps which will help assure that benefits are paid only to those who are entitled to them and that unreasonable disqualifications are eliminated.

89TH CONGRESS
1ST SESSION

S. 1991

IN THE SENATE OF THE UNITED STATES

MAY 18, 1965

Mr. MCCARTHY (for himself, Mr. CASE, Mr. BARTLETT, Mr. CLARK, Mr. DOUGLAS, Mr. HART, Mr. HARTKE, Mr. JAVITS, Mr. KENNEDY of New York, Mr. MCGEE, Mr. METCALF, Mr. MONDALE, Mr. MORSE, Mr. RANDOLPH, and Mr. WILLIAMS of New Jersey) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide for the establishment of a program of Federal unemployment adjustment benefits, to provide for matching grants for excess benefit costs, to extend coverage, to establish Federal requirements with respect to unemployment compensation, to increase the wage base for the Federal unemployment tax, to increase the rate of the Federal unemployment tax and to provide for a Federal contribution, to establish a Federal adjustment account in the Unemployment Trust Fund, to change the annual certification date under the Federal Unemployment Tax Act, to provide for a research program and for a Special Advisory Commission, and for other purposes.

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

That this Act may be cited as the "Employment Security Amendments of 1965."

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TITLE I—AMENDMENTS TO THE SOCIAL SECURITY ACT

SEC. 101. The Social Security Act is amended by adding after title XIX thereof the following new title:

"TITLE XX—FEDERAL UNEMPLOYMENT ADJUSTMENT BENEFITS PROGRAM

"SEC. 2001. Federal unemployment adjustment benefits shall be payable for any week of unemployment which begins after June 30, 1966, and after the date of enactment of this title to any individual who meets the requirements of sections 2002, 2003, and 2004 in the amount specified in section 2005.

"ELIGIBILITY FOR BENEFITS

"SEC. 2002. An individual shall be eligible for Federal unemployment adjustment benefits if he—

"(a) establishes a Federal benefit period;

"(b) has had not less than 26 weeks of unemployment after December 31, 1965, and after the beginning of his Federal benefit period;

"(c) (1) has been employed in covered employment for not less than 78 weeks in the Federal qualifying period and for not less than 26 weeks in the base period when the applicable State law bases eligibility on weeks of employment; or

"(2) has been employed in covered employment in 6 calendar quarters in the Federal qualifying period and in such qualifying period was paid at least five times his high-quarter wages, and was paid at least one and two-thirds times such high-quarter wages in the base period, when the applicable State law bases eligibility on high-quarter wages paid in the base period; or

"(3) has a work history substantially equivalent, under regulations issued by the Secretary, to that required under subsections (1) and (2), when the applicable State law bases eligibility on other criteria or when the applicable State law bases eligibility as provided by subsection (1) or (2) but data with respect to his work history required by such subsections are not available.

"PAYMENT OF BENEFITS

"SEC. 2003. Federal unemployment adjustment benefits shall be payable for a week of unemployment (as defined in section 2014) to an eligible individual—

"(a) who files a claim for such benefits;

"(b) who has no present or potential rights to unemployment compensation with respect to such week under any State or other Federal unemployment compensation law and is not receiving compensation under the unemployment compensation law of the Virgin Islands or Canada;

"(c) who meets the terms and conditions for the receipt of unemployment compensation of the applicable State law or title XV except as specified in section 2004.

"ADDITIONAL TERMS AND CONDITIONS

"SEC. 2004. (a) (1) An individual shall be denied benefits under this title by reason of a State disqualification (other than a disqualification for fraud, for unemployment due to a labor dispute or for conviction of a crime arising out of his work) only for the week in which the disqualifying act occurred and the succeeding 6 weeks.

"(2) Any individual who makes a false statement or representation of a material fact knowing it to be false or knowingly fails to disclose a material fact in order to obtain or increase for himself or another any payment under this title shall be disqualified, according to the gravity of the offense, for a period of 4 to 52 otherwise compensable weeks beginning with the date the determination is made and ending no later than 36 months from that date.

"(3) Benefits under this title shall be denied to any individual for any week in which he would be disqualified under the labor dispute disqualification provision of the applicable State law.

"(4) Benefits under this title shall be denied to any individual for a period not to exceed 52 weeks, according to the gravity of the offense, beginning with the date of his conviction of a crime arising in connection with his work.

"(b) Federal unemployment adjustment benefits shall not be denied to an otherwise eligible individual for any week because he is in training with the approval of the Secretary; and such individual in training shall not be deemed to be not otherwise eligible for any such week by reason of any availability or active search for work requirement of a State law or by reason of his having refused to accept work.

"(c) (1) If, without good cause, an individual refuses

to take training to which he is referred by the Secretary or leaves training to which he has been referred, or if he is terminated with cause, he shall be disqualified from receiving benefits under this title for a period of 6 weeks from the date of refusal, leaving or termination, as the case may be.

"(2) If without good cause an individual fails to attend training to which he has been referred by the Secretary, he shall be disqualified from receiving benefits for any period during which he fails to attend such training.

"(d) For any week in which an individual is entitled to a training allowance under the Manpower Development and Training Act of 1962, as amended, he shall receive the allowance under such Act in lieu of the Federal unemployment adjustment benefits, but receipt of such allowances shall not reduce his maximum aggregate Federal unemployment adjustment benefits.

"(e) (1) No individual shall receive benefits under this title for any week with respect to which he receives a trade readjustment allowance under title III, chapter 3 of the Trade Expansion Act of 1962, or related provisions.

"(2) For any week with respect to which an individual receives a trade readjustment allowance under title III, chapter 3 of the Trade Expansion Act of 1962, or related provisions, an amount equal to his weekly benefit

amount computed under section 2005(a) shall be deducted from his maximum aggregate amount.

"AMOUNT AND DURATION OF BENEFITS

"SEC. 2005. (a) Except as provided in subsection (c), the Federal unemployment adjustment benefit payable to an individual under this title for a week of total unemployment shall be his weekly benefit amount under the applicable State law or title XV. The Federal unemployment adjustment benefit payable to an individual for a week of less than total unemployment shall be computed in the manner prescribed by the applicable State law.

"(b) The maximum aggregate amount of Federal unemployment adjustment benefits payable in a single Federal benefit period shall be determined at the time an individual files his first claim for that period by multiplying the individual's weekly benefit amount by 26. In the case of an individual who received State or title XV compensation for more than 26 weeks of total unemployment (or the equivalent thereof in weeks of less than total unemployment) for a single benefit year, his maximum aggregate amount of Federal unemployment benefits shall be reduced by the amount of compensation received for weeks in excess of 26.

"(c) If the State law is not certified under the provisions of section 3309 of the Internal Revenue Code of 1954 on October 31, 1967, or any October 31 thereafter, the Fed-

eral unemployment adjustment benefit shall be determined, under regulations issued by the Secretary, in accordance with the requirements of that section, and the maximum aggregate amount of benefits payable to any individual affected thereby shall be appropriately adjusted.

"(d) The Secretary, under regulations prescribed by him, shall from time to time certify to the Secretary of the Treasury for payment from the Federal adjustment account to a State for credit to its account in the Unemployment Trust Fund an amount equal to the total reductions made under subsection (b) on account of compensation paid by such State pursuant to State law.

"WAIVER, RELEASE, TRANSFER OR ASSIGNMENT OF BENEFIT RIGHTS

"SEC. 2006. (a) Any agreement by an individual to waive, release, or commute his rights to benefits or any other rights under this Act shall be void. Any agreement by an individual performing service for an employer to pay all or any portion of any contributions required under this Act from such employer shall be void. No employer shall directly or indirectly make or require or accept any deduction from wages to finance the contributions required from him, require or accept any waiver of any right hereunder by any individual in his employ, discriminate in regard to the

hiring or tenure of work or any term or condition of work of any individual on account of his claiming benefits under this Act, or in any manner obstruct or impede the claiming of benefits.

"(b) The right of any individual to any future payment under this title shall not be transferable or assignable, at law or in equity, and none of the moneys paid or payable or rights existing under this title shall be subject to execution, levy, attachment, garnishment, or other legal process, or the operation of any bankruptcy or insolvency law.

"AGREEMENTS WITH STATES

"SEC. 2007. (a) The Secretary is authorized on behalf of the United States to enter into an agreement with a State, or with the agency administering the State law, under which such State agency will make, as agent of the United States, payments of Federal unemployment adjustment benefits in accordance with this title and will otherwise cooperate with the Secretary and with other State agencies in making payments of such benefits.

"(b) To assure the prompt adjustment of the long-term unemployed and to minimize reliance on the Federal unemployment adjustment benefits program, such agreement shall provide that the State agency shall review the claimant's job qualifications and employment prospects upon the filing of a first claim for benefits under this title, unless such review

has been made within the preceding 10-week period. The State agency shall make every effort to afford appropriate testing and counseling to workers who have been unemployed 16 weeks or more and who have not previously had testing and counseling. Further review and counseling of each claimant shall be conducted by the State agency at reasonable intervals thereafter. The State agency shall certify to the Secretary under such circumstances and in such manner as the Secretary may by regulation prescribe that appropriate review, testing and counseling has been given to claimants. No omission or failure to certify that review and counseling have been given shall be grounds for denial or suspension of benefits to an individual.

"Amendment, Suspension, or Termination of Agreement

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

"Review

"(d) (1) Any determination by a State agency with respect to entitlement to Federal unemployment adjustment benefits pursuant to an agreement under this title shall be subject to review in the same manner and to the same extent as determinations under State law, and only in such manner and to such extent.

"(2) Written notice of any determination by a State agency with respect to entitlement to Federal unemployment adjustment benefits shall be furnished promptly to each claimant and such notice shall include a statement as to whether the claimant is eligible for Federal unemployment adjustment benefits, his Federal benefit period, his weekly benefit amount, and the maximum aggregate amount of Federal benefits payable during such benefit period and notice of his rights of appeal. For a worker who is determined to be not eligible, the notice shall include the reason for and the qualifying period covered by such determination, and notice of his rights of appeal. If he is determined to be ineligible by reason of his failure to meet the requirements of section 2002(c), the notice shall include, as appropriate, a statement of his weeks of employment and the employers for whom he worked or his wages for insured work by each employer, or both, during such qualifying period.

"FEDERAL UNEMPLOYMENT ADJUSTMENT BENEFITS IN ABSENCE OF STATE AGREEMENT

"In General

"SEC. 2008. (a) If an individual files a claim for Federal unemployment adjustment benefits in a State with which there is no agreement under section 2007 which applies to the weeks of unemployment concerned, or in the Virgin

Islands or in Canada, the Secretary, in accordance with regulations prescribed by him, shall make payments to the individual from the Federal adjustment account in accordance with the provisions of this title.

"Utilization of Other Agencies

"(b) For the purpose of providing Federal unemployment adjustment benefits to individuals in a State described in subsection (a), the Secretary may utilize the personnel and facilities of such Federal and State agencies as may be appropriate, and for the purposes of providing Federal unemployment adjustment benefits to individuals in the Virgin Islands, the Secretary may utilize the personnel and facilities of the agency in the Virgin Islands cooperating with the United States Employment Service under the Act of June 6, 1933 (29 U.S.C. 49 et seq.), or in the case of Canada, the agency administering the Canadian Unemployment Insurance Act. Except in the case of Canada, the Secretary may delegate to the agencies described in this subsection any authority granted to him by this title whenever he determines such delegation to be necessary in carrying out the purpose of this title.

"Review

"(c) (1) Any individual referred to in subsection (a) whose claim for Federal unemployment adjustment benefits

has been denied shall be entitled to a fair hearing and review as provided in section 1503 (c).

"(2) Written notice of any determination by any agency with respect to entitlement to Federal unemployment adjustment benefits shall be furnished promptly to each claimant and such notice shall include a statement as to whether the claimant is eligible for Federal unemployment adjustment benefits, and the determination as to his Federal benefit period, his weekly benefit amount, and the maximum aggregate amount of Federal benefits payable to him during such benefit period and notice of his rights of appeal. For a worker who is determined to be not eligible, the notice shall include the reason for and the qualifying period covered by such determination, and notice of his rights of appeal. If he is determined to be ineligible by reason of his failure to meet the requirements of section 2002 (c), the notice shall include, as appropirate, a statement of his weeks of employment and the employers for whom he worked or his wages for insured work by each employer, or both, during such qualifying period.

"PENALTIES

"False Statements, and So Forth

"SEC. 2009. (a) Whoever makes a false statement or representation of a material fact knowing it to be false or knowingly fails to disclose a material fact to obtain or in-

crease for himself or for any other individual any payment under this title shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

"(b) Any employer, or officer or agent of any employer, who directly or indirectly makes or requires or accepts any deduction from wages to finance the contributions required by him, or requires or accepts any waiver of any right hereunder by any individual in his employ, or discriminates in regard to the hiring or tenure of work or any term or condition of work of any individual on account of his claiming benefits under this title, or in any manner obstructs or impedes the claiming of benefits shall be fined not more than $1,000 or imprisoned for not more than one year, or both.

"(c) Nothing in this section shall be construed to impair or diminish the authority of any State to enact or enforce any law with respect to false statements or misrepresentations or nondisclosure of material facts made to a representative of the State to obtain or increase payments to any individual under this or any State or Federal unemployment compensation law.

"RECOVERY OF OVERPAYMENTS

"SEC. 2010. (a) (1) If a State agency or the Secretary, as the case may be, or a court of competent jurisdiction finds that any person—

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

"(B) as a result of such action has received any payment under this title to which he was not entitled, such person shall be liable to repay such amount to the State agency or the Secretary, as the case may be, in lieu of requiring the repayment of any amount under this paragraph, the State agency or the Secretary, as the case may be, may recover such amount by deductions from any benefits payable to such person under this title. Any person affected by any such finding by a State agency or the Secretary, as the case may be, must be given an opportunity for a fair hearing, subject to such further review as may be appropriate under section 2008(c).

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

"(b) (1) If a State agency or the Secretary finds that any person has received payment under this title for a period

in which he was entitled to receive compensation under any State law or title XV, or has received payment under State law or title XV for a period in which he was entitled to Federal unemployment adjustment benefits, the State agency shall make appropriate adjustments in the Federal adjustment account and the State fund or account: *Provided*, That, in any case where the amount of Federal unemployment adjustment benefits paid an individual exceeds the amount such individual would have received under State law or title XV, the Secretary may, in the absence of gross negligence or intent to defraud the United States, waive the repayment by the individual of the amount of such excess benefit payment.

"(2) The State agency shall, in cases arising under subsection (b) (1) above, make appropriate adjustments in the individual's entitlement to benefits under State law or title XV and this title.

"INFORMATION

"SEC. 2011. The State agency shall furnish to the Secretary such information as he may find necessary or appropriate in carrying out the provisions of this title.

"PAYMENTS TO STATES

"SEC. 2012. (a) There shall be paid to each State which has an agreement under this title, either in advance or

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

"Certification

"(b) The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State which has an agreement under this title sums payable to such State under subsection (a). The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, from the Federal adjustment account.

"Money To Be Used Only for Purposes for Which Paid

"(c) All money paid a State under this title shall be used solely for the purposes for which it is paid; and any amount so paid which is not used for such purposes shall be returned, at the time specified in the agreement under this title, to the Treasury and credited to current applicable

appropriations, funds, or accounts from which payments to States under this title may be made.

"Surety Bonds

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

"Liability of Certifying Officers

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

"Liability of Disbursing Officers

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

"Costs of Administration

"(g) For the purpose of payments made to a State under title III of the Social Security Act (but not for the purpose of the limitation specified in section 901 (c) of such act) administration by the State agency of such State pursuant to an agreement under this title shall be deemed to be a part of the administration of the State law.

"REGULATIONS

"SEC. 2013. The Secretary is hereby authorized to make such rules and regulations as may be necessary to carry out the provisions of this title. The Secretary shall insofar as practicable consult with representatives of the State unemployment compensation agencies before prescribing any rules or regulations which may affect the performance by such agencies of functions pursuant to agreements under this title.

"DEFINITIONS

"SEC. 2014. For purposes of this title—

"(1) 'Federal unemployment adjustment benefit' means the cash benefit payable under this title.

"(2) 'Benefit year' means the benefit year as defined in the applicable State law, except that if an individual is prevented from establishing a benefit year by a disqualification under State law the term 'benefit year' shall mean the benefit year that would have been established if a disqualification had not been imposed.

"(3) 'Base period' means the base period as determined under applicable State law for the benefit year.

"(4) 'Federal benefit period' means the three-year period beginning with the first day of and individual's benefit year except that no Federal benefit period shall be established for an individual until he has filed a first claim, nor shall a Federal benefit period be established beginning with a benefit year which started before the end of a previously established Federal benefit period.

"(5) 'Covered employment' means employment covered under any State law and Federal service as defined in title XV.

"(6) 'First claim' means the first claim for determination of an individual's right to Federal unemployment adjustment benefits with respect to a Federal benefit period if it is determined that he has been employed in covered employment to the extent specified in section 2002(c), whether or not any Federal unemployment adjustment benefit is paid.

"(7) 'High-quarter wages' means the wages paid in the calendar quarter of an individual's base period in which his total wages were highest.

"(8) 'Weekly benefit amount' means the amount of compensation, including dependents' allowances, payable

for a week of total unemployment under the applicable State law or title XV with respect to an individual's benefit year with which his Federal benefit period began but if more than one weekly rate was payable in such benefit year, then the last weekly rate payable for a week of total unemployment under such law.

"(9) 'Secretary' means the Secretary of Labor of the United States.

"(10) 'State' includes the District of Columbia and the Commonwealth of Puerto Rico.

"(11) 'State agency' means the agency of the State that administers its State unemployment compensation law.

"(12) 'Applicable State law' means the unemployment compensation law of the State, approved by the Secretary under section 3304 of the Federal Unemployment Tax Act, under which at the time of an individual's first claim—

(i) he has a current benefit year; or

(ii) if he has no current benefit year, he had his most recent benefit year within the Federal benefit period.

"(13) 'Title XV' means title XV of the Social Security Act.

"(14) 'Week of employment' means a week of employment as defined in the applicable State law.

"(15) 'Week of unemployment' means a week—

"(i) for which an individual received compensation under State law or title XV; or

"(ii) in which an otherwise eligible individual performed no work and received no wages (or if an individual received some wages, a week shall be as defined in the applicable State law), except that for an otherwise eligible individual who did not receive unemployment compensation under State law or title XV by reason of a State disqualification (other than a disqualification for fraud, for unemployment due to a labor dispute or for conviction of a crime arising out of his work) a week of unemployment shall not include a week of disqualification beginning earlier than the seventh week following the week in which the disqualifying act occurred. With respect to a disqualification for fraud, for unemployment due to a labor dispute or for conviction of a crime arising out of his work, no week of disqualification shall be a week of unemployment.

"(16) 'Federal qualifying period' means for an individual his base period and the immediately preceding 104 weeks or 8 quarters, as appropriate under the applicable State law."

SEC. 102. The Social Security Act is amended by adding after title XX thereof (added by section 101 of this Act) the following new title:

"TITLE XXI—MATCHING GRANTS FOR EXCESS COSTS

"QUALIFICATIONS AND CONDITIONS

"SEC. 2101. Matching grants shall be made to a State with respect to any calendar year after 1965 as provided in this section if—

"(a) the State law has been certified on October 31st of such calendar year by the Secretary under section 3304 (c) of the Internal Revenue Code; and

"(b) after 1966, the State law has been certified on October 31st of such calendar year by the Secretary under section 3309 (a) of the Internal Revenue Code; and

"(c) the head of the State agency (or the Governor of the State) applies therefor prior to June 1 of the year following the calendar year for which the grant is requested, and the Secretary determines that the cost of unemployment compensation paid under the State law during the calendar year for which the grant is requested, excluding any amount that is reimbursable by the Federal government, exceeded 2 per centum of total wages in covered employment for such calendar year as re-

ported to the State agency before May 1 of the following year.

"AMOUNT OF GRANTS

"SEC. 2102. The matching grant to a State with respect to a calendar year shall equal two-thirds of the amount by which the unemployment compensation paid in the State in the calendar year, excluding any amount that is reimbursable by the Federal government, exceeded 2 per centum of total wages in covered employment in such calendar year. The amount of such grant shall be rounded to the nearest dollar.

"CERTIFICATION

"SEC. 2103. (a) The Secretary shall certify to the Secretary of the Treasury, no later than the June 30th following the calendar year with respect to which the matching grant is to be made, the amount determined under section 2102. The Secretary of the Treasury shall, prior to audit or settlement by the General Accounting Office, transfer from the Federal adjustment account to the account of the State in the Unemployment Trust Fund the amount certified under this subsection by the Secretary.

"Money To Be Used Only for Purposes Paid

"(b) Amounts transferred to the account of a State pursuant to subsection (a) shall be used only for the payment

of compensation to individuals with respect to their unemployment, exclusive of expenses of administration."

SEC. 103. Title IX of the Social Security Act is amended by—

(a) inserting a comma and the numeral "VII" after the numeral "III" in section 901 (c) (1) (B) (i);

(b) adding the words "or section 3309" after the words "under section 3304" in section 903 (b) (1) (B); and

(c) adding the following new sections at the end of the title:

"FEDERAL ADJUSTMENT ACCOUNT

"Establishment of Account

"SEC. 906. (a) There is hereby established in the Unemployment Trust Fund a Federal adjustment account. For the purposes provided for in section 904 (e), such account shall be maintained as a separate book account. Any moneys to the credit of the Federal adjustment account are hereby made available for the payment of Federal unemployment adjustment benefits provided by title XX, the payments to States provided by section 2005 (d), and the matching grants authorized by title XXI. There are hereby authorized to be appropriated, without fiscal year limitations, such amounts as are necessary (as repayable advances) for the payment of Federal unemployment adjustment benefits provided by title

XX, the payments to States provided by section 2005(d) and the matching grants authorized by title XXI. The amounts so appropriated shall be transferred from time to time to the Federal adjustment account on the basis of estimates by the Secretary of the Treasury, after consultation with the Secretary of Labor, of the amounts required to make such payments. Amounts transferred as repayable advances shall be repaid, without interest, by transfers from the Federal adjustment account to the general fund of the Treasury, at such times as the amount in the Federal adjustment account is determined by the Secretary of the Treasury, in consultation with the Secretary of Labor, to be adequate for such purpose.

"Transfer From Employment Security Administration Account

"(b) (1) Beginning on January 1, 1968, the Secretary of the Treasury shall transfer as of the close of each month from the employment security administration account to the Federal adjustment account an amount determined by him to equal three-elevenths (except that when the Federal unemployment rate has been reduced in accordance with section 3301(b) of the Internal Revenue Code of 1954 the portion shall be one-fifth) of the amount by which—

"(A) transfers to the employment security admin-

istration account pursuant to subsection (b) (2) of section 901 during such month, exceed

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

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

"(2) Beginning on January 1, 1967, the Secretary shall transfer from the employment security administration account to the Federal adjustment account an amount determined by a formula comparable to that provided in paragraph (1) applied to the increase in credits to the employment security administration account resulting from the enactment of section 3301 (a) (2) of the Internal Revenue Code of 1954.

"Authorization of Appropriation

"(c) Beginning on January 1, 1967, there is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, an amount equal to the amount determined under subsection (b) above. Such appropriations shall remain available until expended and they shall be transferred each month from this appropriation into the Federal adjustment account in the Unemployment Trust Fund in

an amount equal to one-half of the amount of payments made from the Federal adjustment account under titles XX and XXI during that month and preceding months with respect to which transfers under this subsection have not previously been made.

"(d) (1) The Secretary of the Treasury shall determine on September 30 of any fiscal year the balance in the Federal adjustment account; which balance shall include not only the cash balance but also any amount appropriated under subsection (c) above and not transferred to the account.

"(2) Whenever the Secretary of the Treasury determines that the balance in the Federal adjustment account equals or exceeds the higher of (a) $850 million or (b) 0.35 percent of the total wages subject to contributions under all State unemployment compensation laws for the immediately preceding calendar year, the excise tax imposed by section 3301(a) of the Internal Revenue Code of 1954 shall be reduced for that tax year as provided in section 3301(b) of the Internal Revenue Code of 1954.

"DUTIES OF THE SECRETARY OF LABOR

"SEC. 910. The Secretary of Labor shall perform the duties imposed upon him by this Act and shall also have the duty of studying and making recommendations as to

the most effective methods of providing economic security through unemployment compensation and as to legislation and matters of administrative policy concerning unemployment compensation and accident compensation, and related subjects."

"UNEMPLOYMENT COMPENSATION RESEARCH PROGRAM

"SEC. 911. (a) The Secretary of Labor shall—

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

"(2) establish a program of research to develop, as soon as possible, plans respecting coverage of all excluded groups, with first attention to agricultural workers, particularly migratory workers, and domestic workers in private households, and develop a program of information, encouragement, and inducement to pro-

mote coverage of employees of States and their political subdivisions.

"Authorization of Appropriations

"(b) To assist in the establishment and provide for the continuation of the comprehensive research program relating to the unemployment compensation system, there are hereby authorized to be appropriated for the fiscal year ending June 30, 1966, the sum of $5,000,000, and for each fiscal year thereafter such sums as may be necessary to carry out the purposes of this title. From the sums herein authorized to be appropriated the Secretary may provide for the conduct of such research through grants or contracts.

"TRAINING GRANTS FOR UNEMPLOYMENT COMPENSATION PERSONNEL

"SEC. 912. (a) In order to assist in increasing the effectiveness and efficiency of administration of the unemployment compensation program by increasing the number of adequately trained personnel, there are hereby authorized to be appropriated for the fiscal year ending June 30, 1966, the sum of $1,000,000, and for each fiscal year thereafter such sums as may be necessary for training such personnel.

"(b) (1) From the sums appropriated in subsection (a) the Secretary shall provide (A) directly or through grants

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

"(2) The Secretary may, to the extent he finds such action to be necessary, prescribe requirements to assure that any individual will repay the amounts of his fellowship or traineeship received under this subsection to the extent such individual fails to serve, for the period prescribed by the Secretary, with a State agency or with the Federal Government, in connection with administration of any State employment security program. The Secretary may relieve any individual of his obligation to so repay, in whole or in part, whenever and to the extent that requirement of such repayment would, in his judgment, be inequitable or would be

contrary to the purposes of any of the programs established by this Act."

TITLE II—AMENDMENTS TO THE FEDERAL UNEMPLOYMENT TAX ACT IN THE INTERNAL REVENUE CODE OF 1954

EMPLOYERS OF ONE OR MORE WORKERS

SEC. 201. Section 3306 of the Internal Revenue Code of 1954 is amended by striking out subsection (a).

INCREASED TAX ON EMPLOYERS

SEC. 202. Effective July 1, 1966, section 3301 of the Internal Revenue Code of 1954 is amended to read as follows:

"SEC. 3301. (a) (1) There is hereby imposed on every employer for the calendar year 1967 and for each calendar year thereafter an excise tax, with respect to having individuals in his employ, equal to 3.25 percent of the total wages (as defined in section 3306 (b)) paid by him during the calendar year with respect to employment (as defined in section 3306 (c)) after December 31, 1938.

"(2) There is hereby imposed on every employer for the calendar year 1966 an excise tax with respect to having individuals in his employ equal to 3.1 percent of the total wages (as defined in section 3306 (b)) paid by him during the first six months of such calendar year with respect to

employment (as defined in section 3306(c)) and 3.25 percent of the portion of such wages paid during the second six months of such calendar year.

"(b) For any year in which the Secretary of the Treasury determines that the balance in the Federal adjustment account equals or exceeds the limits provided by subsection (d) (1) of section 906 of the Social Security Act, the tax imposed by this section shall be 3.20 percent of the total wages (as defined in section 3306(b)) paid by him during such year."

NONPROFIT ORGANIZATIONS

SEC. 203. (a) Paragraph (8) of section 3306(c) of the Internal Revenue Code of 1954 is amended to read as follows:

"(8) (A) service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry or by a member of a religious order in the exercise of duties required by such order; or

"(B) service performed in a sheltered workshop owned or operated by an organization described in section 501(c)(3) which is exempt from income tax under section 501(a), other than service performed by instructors, foremen, or other regular staff of the workshop. As used in this subparagraph the term 'sheltered workshop' means a facility conducted for the purpose (i) of

carrying out a program of rehabilitation for individuals whose earning capacity is impaired by age or physical or mental deficiency or injury, or (ii) of providing remunerative work for individuals who because of their impaired physical or mental capacity cannot be readily absorbed in the competitive labor market; or

"(C) service performed on a part-time basis for a religious organization, if the remuneration for such service is at a rate of pay less than $15 per week; or

"(D) service performed for an organization described in section 501 (c) (3) which is exempt from income tax under section 501 (a) as part of an unemployment work-relief or work-training program assisted or financed in whole or in part by any Federal agency or an agency of a State or political subdivision thereof.

Definition of Contributions for Nonprofit Organizations

(b) Section 3306 (g) of the Internal Revenue Code of 1954 is amended by deleting the period at the end thereof, substituting a comma, and adding: "and in the case of an organization described in section 501 (c) (3) which is exempt from income tax under section 501 (a) and services for which are covered by a State unemployment compensation law, 'contributions' means any payment required by a State law to be made by such organization into an unemployment fund, to the extent that such payments are made

by it without being deducted or deductible from the remuneration of individuals in its employ."

Financing for Nonprofit Organizations

(c) Section 3303(a) of the Internal Revenue Code of 1954 is amended by adding at the end thereof: "Without regard to the limitations of this section, the State law may provide for special methods for determining the contributions payable by organizations described in section 501(c)(3) which are exempt from income tax under section 501(a) or for special methods for financing, if it also provides for the payment of unemployment compensation on the basis of service performed for such organizations in the same amount, on the same terms, and subject to the same conditions as unemployment compensation on the basis of service performed for other employers under the State unemployment compensation law."

EMPLOYEE

SEC. 204. Section 3306(i) of the Internal Revenue Code of 1954 is amended to read as follows: "For purposes of this chapter the term 'employee' means employee as defined in subsection 3121(d)."

AGRICULTURAL LABOR

SEC. 205. Section 3306 of the Internal Revenue Code of 1954 is amended by—

(a) deleting subsection (k),

(b) amending paragraph (1) of subsection (c) to read as follows:

"(1) agricultural labor (as defined in subsection 3121 (g)) unless performed for an employer who during any one of the calendar quarters of a taxable year used 300 or more man-days of hired farm labor as defined in subsection (o) of this section."

(c) adding at the end of the section new subsections (o) and (p) as follows:

"(o) for purposes of this chapter, 'man-day' means any day in which an employee performs agricultural labor (as defined in subsection 3121 (g)) and 'hired farm labor' includes the services of any employee performing agricultural labor for an employer, except services performed by his spouse, parents, or children under 21 years of age, and services as defined in section 3121 (b) (16)."

"(p) The provisions of section 3121 (o) shall be applicable to this section."

MARITIME EMPLOYERS

SEC. 206. (a) Subsection (a) (1) of section 3302 of the Internal Revenue Code of 1954 is amended by striking "The" and inserting the following clause at the beginning of the first sentence: "(1) Except as provided in subsection (f) of section 3305, the".

(b) Subsection (f) of section 3305 of the Internal Revenue Code of 1954 is amended by changing the period at the end thereof to a colon and adding thereafter the following: "*Provided*, That such person shall not be entitled to the credit permitted by section 3302 against the tax imposed by section 3301 with respect to the amount of contributions paid by him into the unemployment fund maintained under the unemployment compensation law of a State if on October 31 of any taxable year after 1966, the Secretary of Labor certifies to the Secretary his finding, after reasonable notice and opportunity for hearing to the State agency, that the unemployment compensation law of such State is inconsistent with any one or more of the conditions set forth in this subsection or that the State has failed substantially to comply with any such condition or conditions with respect to the taxable year."

DEFINITION OF WAGES

SEC. 207. Section 3306(b) of the Internal Revenue Code of 1954 is amended by inserting after the amount "$3,000" wherever it appears the following: "for calendar years through 1966, $5,600 for calendar years 1967 through 1970, and $6,600 for calendar years thereafter".

EXPERIENCE RATING FOR POOLED FUNDS

SEC. 208. (a) Subsection (a) (1) of section 3303 of the Internal Revenue Code of 1954 is amended to read as follows:

"(1) a reduced rate of contributions is permitted to a pooled fund;"

(b) Subsection (a) of section 3303 of the Internal Revenue Code of 1954 is amended to delete "(1)," and the comma after "(2)" from the phrase preceding the first comma of the last paragraph thereof.

(c) Subsection (c) of section 3303 of the Internal Revenue Code of 1954 is amended by deleting paragraph (3) and amending paragraph (8) to read as follows:

"(8) REDUCED RATE.—The term 'reduced rate' means a rate of contributions lower than 2.7 percent."

BENEFIT REQUIREMENTS

SEC. 209. The Internal Revenue Code of 1954 is hereby amended by renumbering present section 3309 as section 3310 and inserting a new section 3309 as follows:

"SEC. 3309. (a) CERTIFICATION.—On October 31, 1967, and October 31 of each calendar year thereafter, the Secretary of Labor shall certify to the Secretary each State

whose law he finds is in accord with the requirements of subsection (c) and has been in accord with such requirements for substantially all of the 12-month period ending on such October 31 (except that for 1967, it shall be the 4-month period ending on October 31) and that there has been substantial compliance with such State law requirements during such period. The Secretary of Labor shall not withhold his certification to the Secretary unless, after reasonable notice and opportunity for hearing to the State agency, he finds that the State law is not in accord with the requirements of subsection (c) or has not been in accord with such requirements for substantially all of the 12-month period ending on such October 31 (except that for 1967, it shall be the 4-month period ending on October 31) or that there has been a failure to comply substantially with such State law requirements during such period. For any State which is not certified under this subsection on any October 31, the Secretary of Labor shall within 10 days thereafter notify the Secretary of the reduction in the credit allowable to taxpayers subject to the unemployment compensation law of such State pursuant to section 3302 (c) (4).

"(b) NOTICE TO GOVERNOR OF NONCERTIFICATION.—

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

"(c) REQUIREMENTS.—

"(1) WITH RESPECT TO BENEFIT YEARS BEGINNING ON OR AFTER JULY 1, 1967.—

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

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

"(C) the State law shall provide for an individual with 20 weeks of employment (or the equivalent) in the base period, benefits in a benefit year equal to at least 26 times his weekly benefit amount.

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

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"(2) The State maximum weekly benefit amount shall be no less than 66⅔ percent of the Statewide average weekly wage most recently computed before the beginning of any benefit year, except that, for benefit years beginning between July 1, 1967, and June 30, 1969, such amount shall be no less than 50 percent of such Statewide average weekly wage, and for benefit years beginning between July 1, 1969, and June 30, 1971, such amount shall be no less than 60 percent of such Statewide average weekly wage.

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

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

"(d) DEFINITIONS.—

"(1) 'benefit year' means a period as defined in State law except that it shall not exceed one year be-

ginning subsequent to the end of an individual's base period.

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

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

"(4) 'individual's average weekly wage' means an amount computed equal to (A) one-thirteenth of an individual's high-quarter wages, in a State which bases eligibility on high-quarter wages paid in the base period or (B) in any other State, the amount obtained by dividing the total amount of wages (irrespective of the limitation on the amount of wages subject to contributions under the State law) paid to such individual during his base period by the number of weeks in which he performed services in employment covered under such law during such period.

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

LIMITATION ON CREDIT AGAINST TAX

SEC. 210. (a) Section 3302 of the Internal Revenue Code of 1954 is amended by adding at the end of subsection (c) thereof a new paragraph (4) as follows:

"(4) If the unemployment compensation law of a State has not been certified for a twelve-month period ending on October 31 pursuant to section 3309(a), then the total credits (after applying subsections (a) and (b) and paragraphs (1), (2), and (3) of this subsection) otherwise allowable under this section for the taxable year in which such October 31 occurs in the case of a taxpayer subject to the unemployment compensa-

tion law of such State shall be reduced by the amount by which 2.7 percent exceeds the four-year benefit cost rate applicable to such State for such taxable year in accordance with the notification of the Secretary of Labor pursuant to section 3309(a)."

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

(c) The heading for paragraph (5) of subsection (d) of section 3302 is revised to read "4-YEAR BENEFIT COST RATE", and the paragraph is amended to read:

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

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

"(B) The total of the remuneration subject to contributions under the State unemployment compensation law with respect to the first calendar year preceding such taxable year. 'Remuneration' for

the purpose of this subparagraph shall include the amount of wages for services covered under the State law irrespective of the limitation of the amount of wages subject to contributions under such State law paid to an individual by an employer during any calendar year beginning with 1966 up to $5,600, and beginning with 1971, up to $6,600; for States for which it is necessary, the Secretary of Labor shall estimate the remuneration with respect to the calendar year preceding the taxable year."

ADDITIONAL TERMS AND CONDITIONS

SEC. 211. Section 3304 (a) of the Internal Revenue Code of 1954 is amended by adding after paragraph (6) the following new paragraphs:

"(7) compensation may not be denied in such State to any otherwise eligible individual for a period in excess of the week in which the disqualifying act occurred and the succeeding six weeks by reason of a State disqualification except that—

"(i) compensation may be denied in accordance with the fraud disqualification of the applicable State law but no such disqualification for fraud may exceed a period of 36 months beginning with the discovery of the fraud;

"(ii) compensation may be denied for unemployment due to a labor dispute in accordance with the applicable State law; and

"(iii) compensation may be denied for a period not to exceed 52 weeks beginning with the date of conviction of a crime arising in connection with his work;

"(8) an individual is required to have had some work, whether or not in covered employment, since the beginning of a benefit year as defined in section 3309 (d) (1) in order to qualify for unemployment compensation in his next benefit year;

"(9) compensation shall not be denied to any otherwise eligible individual for any week of unemployment during his benefit year by reason of cancellation or reduction of his wage credits or benefit rights;

"(10) compensation shall not be denied in such State to an otherwise eligible individual for any week because he is in training with the approval of the State agency and such individual shall not be deemed to be not otherwise eligible for any such week by reason of the availability or active search for work requirements of the State law or by reason of his having refused to accept work;

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

CHANGE IN CERTIFICATION DATE

SEC. 212. (a) Section 3302(a)(1) of the Internal Revenue Code of 1954 is amended by—

(1) deleting the phrase "for the taxable year" following the word "certified";

(2) deleting the period at the end thereof and adding the following: "for the 12-month period ending on October 31 of such year."

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

(1) deleting the phrase "for the taxable year" following the word "certified";

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

(3) deleting the phrase "throughout the taxable year" following the words "required to pay if" and substituting therefor "in such 12-month period".

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

"(1) On October 31 of each calendar year, the

Secretary of Labor shall certify to the Secretary the law of each State (certified by the Secretary of Labor as provided in section 3304 for the 12-month period on such October 31) with respect to which he finds that reduced rates of contributions were allowable with respect to such 12-month period only in accordance with the provisions of subsection (a)."

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

(1) deleting the phrase "taxable year" where it first appears and substituting therefor "12-month period ending on October 31";

(2) deleting the phrase "on December 31 of such taxable year" following the words "the Secretary of Labor shall" and substituting therefor "on such October 31";

(3) deleting the words "taxable year" following the phrase "contributions were allowable with respect to such" and substituting therefor "12-month period".

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

(1) deleting the phrase "taxable year" where it first appears and substituting therefor "12-month period ending on October 31";

(2) deleting the phrase "taxable year" where it next appears and substituting therefor "12-month period".

(f) Section 3304(c) of such Code is amended by—

(1) deleting the initial phrase "On December 31 of each taxable year" and substituting therefor "On October 31 of each calendar year";

(2) deleting the phrase "such taxable year" in the first sentence and substituting therefor "the 12-month period ending on such October 31".

(g) Section 3304(d) of such Code is amended by deleting the initial phrase "If, at any time during the taxable year," and substituting therefor "If at any time".

TITLE III—MISCELLANEOUS

APPOINTMENT OF SPECIAL ADVISORY COMMISSION

SEC. 301. (a) The Secretary shall, three years after the date of enactment of this Act, appoint a Special Advisory Commission on Unemployment Compensation for the purpose of reviewing the Federal-State program of unemployment compensation and making recommendations for improvement of the system, with particular reference to the changes made by this Act, including the financing of the Federal unemployment adjustment benefits program established by this Act, the graduated increase in the maximum weekly benefit amount provided by section 209 of this Act, the wage and employment qualifying requirements for unemployment compensation under State laws, and making recommendations with respect to the relationship between

unemployment compensation and other social insurance programs, and any other matters bearing on the Federal-State unemployment compensation program.

(b) The Commission shall be appointed by the Secretary without regard to the civil service laws and shall consist of 12 persons who shall be representatives of employers and employees in equal number, representatives of State and Federal agencies concerned with the administration of the unemployment compensation program, other persons with special knowledge, experience, or qualifications with respect to such a program, and members of the public.

(c) The Commission is authorized to engage such technical assistance as may be required to carry out its functions, and the Secretary shall, in addition, make available to the Commission such secretarial, clerical, and other assistance, and such pertinent data prepared by the Department of Labor as it may require to carry out such functions.

(d) The Commission shall make a report of its findings and recommendations (including recommendations for changes in the provisions of the Social Security Act and the Federal Unemployment Tax Act) to the Secretary, such report to be submitted not later than two years after it commences its review, after which date such Commission shall cease to exist.

(e) Members of the Commission who are not regular full-time employees of the United States shall, while serving on business of the Commission, be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time; and while so serving away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 4 of the Administrative Expenses Act of 1946 (5 U.S.C. 736-2) for persons in Government service employed intermittently.

EFFECTIVE DATES

SEC. 302. The amendments made by sections 201, 203 (a), 204, and 205 of this Act shall apply with respect to remuneration paid after December 31, 1966, for services performed after that date. The amendments made by section 203 (b) and (c) and by section 208 shall be effective January 1, 1965. The amendments made by section 211 shall be effective July 1, 1967. The amendments made by section 212 shall be effective January 1, 1966.

SUMMARY OF S. 1991

The Employment Security Amendments of 1965 would broaden the coverage, strengthen the financing and improve the benefits of the present Federal-State unemployment insurance system. The bill would also establish a permanent national program of Federal unemployment adjustment benefits for the long-term unemployed with substantial labor force attachment.

A. COVERAGE AND FINANCING

1. Coverage of the Federal Unemployment Tax Act would be extended: To employers of 1 worker (1.8 million workers now excluded); to nonprofit religious, charitable, and educational organizations (1.7 million workers) except handicapped workers in sheltered workshops, ministers, members of religious orders, workers in work-training or work-relief projects assisted or financed by Government, certain students, workers receiving less than $50 a quarter, and part-time religious workers receiving less than $15 a week; to agricultural processing workers (200,000 workers); to farmworkers on farms with 300 man-days of hired farm labor in a quarter (700,000 workers); and to workers excluded by present reliance on the master-servant test (250,000 workers).

2. Experience-rating standards would be modified so that pooled-fund laws (all present State laws) could vary employer tax rates in any way established by State legislature and allow special arrangements to finance benefits to employees of nonprofit organizations.

3. Wages taxable under the FUTA would be increased from $3,000 to the new FICA level—$5,600 through 1970, $6,600 thereafter.

4. For any year for which a State's unemployment benefit costs exceed 2 percent of total State wages in covered work, Federal Government would match such excess costs on a two-thirds Federal—one third State basis.

5. The matching grants and the FUAB would be financed through an additional Federal unemployment tax of 0.15 percent plus an equal amount from Federal revenue.

B. REGULAR BENEFITS (STATE)

1. As a condition of entitling employers to full tax credit, State law must provide individual weekly benefits of at least half the individual's wage, unless that would exceed the State maximum. The State maximum for 1967 must be at least half the statewide average weekly wage in covered employment; up to at least two-thirds of that average by 1971. No worker may be required to have more than 20 weeks of employment (or the equivalent) in his base period. Workers with that much employment must have potential duration of at least 26 weeks.

2. If a State's benefit formula does not meet these requirements, Federal tax credit to employers would be limited to the State's 4-year average benefit cost rate or 2.7 percent, whichever is lower. Administrative grants would not be affected.

3. To entitle employers to any tax credit:

(*a*) The State law must prohibit denial of benefits because the individual is taking training approved by the agency.

(*b*) The State law must not deny or reduce benefits because the individual is filing in or resides in, another State or Canada.

(*c*) Except for labor disputes, fraud, and conviction of a crime arising in connection with work, no disqualification can exceed postponement of benefits for 6 weeks following the week in which the disqualifying act occurred.

(*d*) The State law must deny benefits to workers who have not had some work since the beginning of the previous benefit year.

4. Maritime employers can receive no tax credit for contributions to a State which does not meet the requirement, now in section 3305(f) of Federal Unemployment Tax Act, for equal treatment of seamen.

C. FEDERAL UNEMPLOYMENT ADJUSTMENT BENEFITS (FUAB)

1. A new Federal benefit program would be established for those unemployed more than 26 weeks who have had at least 26 weeks of employment in the State base period and 78 weeks of employment in that period and the 2 preceding years. Alternative formulas apply for States that do not use weeks of employment in their qualifying requirements.

2. Benefits would be paid at the State weekly rate, for a total of 26 times such weekly rate over a 3-year period.

3. Benefits would generally be paid under terms and conditions of State law but disqualifications would be limited to a 6-week postponement for causes other than labor dispute, fraud, refusal to accept or continue training, and conviction of a crime connected with claimant's work; Federal disqualifications are provided for last three causes.

D. OTHER CHANGES

1. Legislative mandate is given for a research program on unemployment compensation and for a program of training for present and prospective unemployment compensation staff.

2. Establishes a 12-member Special Advisory Commission, to be appointed by Secretary, to study unemployment compensation, particularly changes made by the act, and to recommend improvements.

3. The certification date for tax credit changed from December 31 to October 31.

STATEMENT IN EXPLANATION OF S. 1991

This bill would modernize the Federal-State unemployment compensation system by updating benefit provisions, extending coverage, strengthening financing, and encouraging improved administration. Unemployment compensation is an essential ingredient of a positive manpower program as it operates in a free economy. It backstops the other elements of a manpower program by providing prompt cash replacement of wages lost by unemployed workers, thereby assuring to the worker and his family money to buy the necessities of life, and automatically supporting the overall purchasing power of the community. Even while the worker is employed, unemployment compensation helps to relieve him of the fear of future unemployment, thus giving him greater security.

Unemployment compensation is a valuable first line of defense against the adverse effects of unemployment. Benefit payments go to a worker as a matter of right, at the time he loses his wages, instead of as a matter of need after he has exhausted his savings, liquidated his other assets—possibly even his life insurance and his home.

Although unemployment insurance is not a cure for unemployment, nor the only measure to deal with the problem, it is a valuable device, because of its automatic response to economic conditions. The billions of dollars paid out in unemployment benefits are immediately transformed into rent, groceries, clothes, and other essentials of living. This added purchasing power is a tremendous asset to the business community, and tends to decrease any downward spiral. It thus operates to curtail the spread of unemployment.

When unemployment compensation was enacted, it was said that more than four-fifths of the urban families on relief were destitute because of unemployment. Today, it is said that only 6 percent of our poor families are headed by an unemployed member of the labor force, and only one third of all families with an unemployed head are classed as poor. One major reason is the unemployment compensation program.

The unemployment compensation program is now 30 years old and we have learned two extremely important lessons from its operation: On the one hand, it can serve as an effective mainstay in protecting workers against the risk of unemployment and have a stabilizing effect on the economy of the country. On the other hand, we have had the opportunity to see that it has inadequacies, and is not always as effective as it should be.

The bill is intended to make improvements designed to enable the system to fulfill its role more effectively. Many jobs are not covered. Nearly half of the claimants receive a benefit below the 50-percent wage replacement—which has always been the recognized goal—because of unrealistically low maximums.

In spite of increases in the period for which benefits may be paid, significant numbers of workers with regular past employment are

still looking for work when they exhaust their benefits. In a number of States, the fund's financial structure is weak. And lack of public knowledge of the program's operations and objectives, plus administrative weaknesses, have led to attacks on the program.

TITLE I OF S. 1991

AMENDMENTS TO THE SOCIAL SECURITY ACT

The first title contains amendments to the Social Security Act, adding a new program of Federal benefits for the long-term unemployed, providing Federal matching grants for excess benefit costs, and specifically mandating Federal research in unemployment compensation as well as training for those operating the program in the States.

FEDERAL UNEMPLOYMENT ADJUSTMENT BENEFITS (FUAB)

In prosperous 1963, nearly 2 million workers were unemployed 27 or more weeks. During an average week of 1964, 14 percent of the unemployed, excluding the new entrants under 20, had been continuously jobless more than 6 months, while in 1957, also a prosperous year the comparable figure was only 9 percent. Many of these long-term unemployed had long histories of regular employment. They were the victims of automation, structural economic change, obsolescence of occupation, hiring age limits and other obstacles to reemployment in today's economy. It is important in both human and economic terms to get these workers back into productive employment as quickly as possible, with the least personal hardship, and the least waste of their skills. This process will, in many cases, involve a number of personal and occupational adjustments by the worker. The necessary adjustments will be facilitated by income maintenance as an earned right, under a system which respects and preserves the dignity of the individual as a member of the labor force, and which recognizes that the worker's skill is a valuable national resource. Yet, with a few exceptions, workers who experience 6 months of unemployment are beyond the limits of unemployment insurance protection afforded by State laws.

Such unemployment poses a problem which requires a response by the Federal Government. To deal with it, a system of federally financed extended benefits would be provided, as a new title XX of the Social Security Act. These benefits would be provided for long-term unemployed workers with a record of strong prior attachment to the labor force. They would be available at all times, not just in recessions, since the experience of 1963 and 1964 demonstrates that even in prosperous times, substantial numbers of workers are unemployed for long periods.

Substance of the FUAB program

Benefits.—To be eligible for the Federal benefits, the worker must have demonstrated a longer and firmer past attachment to covered employment than is, or should be, required as a condition of eligibility for regular State benefits.

Since the FUAB program is intended to supplement, rather than replace, regular State benefits, its provisions are generally designed

to take account of State provisions. Except in certain disqualification situations (chiefly transitional until the standards of sec. 211 become effective), an unemployed worker would have to first draw any of his State benefits to which he might be entitled before he could claim FUAB. His Federal benefit period would be the State benefit year and the 2 immediately succeeding years, and his Federal qualifying period would be the State base period and the 2 immediately preceding years.

If the applicable State law bases State eligibility on weeks of employment, the FUAB claimant must have had at least 26 weeks of employment in the State base period, and at least 78 weeks in the Federal qualifying period. Many State unemployment insurance laws, however, do not use weeks of employment in their benefit formulas and would not have the necessary data. Therefore, alternative tests of qualifying employment are provided, which require approximately the same degree of past labor force attachment. The employment must have been covered by a State unemployment compensation law, but it need not all have been in one State.

The worker must have had 26 weeks of unemployment including weeks for which he received State benefits since the beginning of his Federal benefit period; he must file a claim for the Federal benefits. He is not entitled to FUAB for any week for which he could draw State unemployment compensation by filing a claim for it.

The weekly benefit under FUAB would be the same as his weekly amount under State law, unless the State benefit did not meet the requirements of section 209 of this bill. In that case, his Federal benefit would be computed in accordance with those requirements. It would be anomalous to establish a Federal benefit system which paid to workers in any State a weekly benefit amount less than is described as necessary by another section of the bill.

Federal benefits would be payable for 26 weeks of total unemployment (or the equivalent amount in partial) during the Federal benefit period. A new Federal benefit period cannot be started until the prior one has ended. Thus, a worker cannot draw substantial Federal unemployment adjustment benefits year after year. He cannot establish rights to a second series of Federal benefits unless he had substantial employment since he first claimed Federal benefits.

If a worker who establishes a claim to Federal benefits has received more than 26 weeks of benefits for a single benefit year under a State law, his potential weeks of Federal benefits will be reduced accordingly, and the State reimbursed for each such week.

In order to receive Federal benefits for a week the worker must general meet the terms and conditions for receiving unemployment compensation of the applicable State law. There are several exceptions.

Disqualifications.—In the area of disqualification, there are several special Federal provisions. In general, except as indicated, State causes of disqualification are followed, but the disqualification imposed on a Federal claimant is limited to postponement of benefits for 7 weeks. This Federal disqualification is in the nature of a transition provision, since the requirements for State programs (sec. 211 of the bill) prescribe such a limit for disqualifications after July 1, 1967.

In cases involving labor disputes, the State definitions and limitations apply. For fraud in connection with the Federal benefits, a claimant would be disqualified for a period of from 4 to 52 otherwise compensable weeks according to the gravity of the offense, within the 36-month period beginning with the determination that he committed fraud. The disqualification would begin with the week in which it is determined that he committed fraud.

There is also a special Federal disqualification of up to 1 year for an individual convicted of a crime arising in connection with his work, with the length of the disqualification period related to the gravity of the crime involved. The disqualification is provided because it is reasonable to assume that the worker's own act will make it more difficult for him to become reemployed—but not all crimes have the same effect on employment prospects. A 6-week Federal disqualification will be imposed if, without good cause, an individual refuses to take training to which he is referred or leaves such training. A similar disqualification will apply if he accepts training and is dropped from the course for cause. Such a provision is justified in a program of additional benefits for the long-term unemployed, whose need for training as a step toward reemployment has become clear.

Some workers taking training will meet the eligibility conditions both for FUAB and for training allowances under the Manpower Development and Training Act. The bill provides that in such situations, the training allowance is payable rather than FUAB. The weeks of training allowances would not, however, be deductible from potential Federal unemployment adjustment benefit rights. Thus, if the worker should have weeks of unemployment after his training, and within his Federal benefit period, he could draw his Federal benefits for those weeks.

Administration.—As is the case with other Federal unemployment payments, the Federal unemployment adjustment benefit program would be administered by the State employment security agencies under agreements with the Secretary. These agreements would be generally similar to those under which the States make payments under title XV of the Social Security Act. There would be added, however, a requirement that the State agency certify that it had made a thorough review of the claimant's employment prospects and job qualifications, and that he had been given appropriate counseling with respect to the adjustments he should be making.

Financing.—The bill provides for the financing of the Federal benefits by an increase of 0.15 percent in the Federal unemployment tax and by Federal contributions from general revenue equal to the increase in the tax. These funds would also finance the matching grants provided by section 102.

Need for extended benefits

As indicated, long-term unemployment has become more serious in recent years, even in nonrecession periods. Among unemployment insurance beneficiaries, those unemployed 26 or more weeks represented 15 percent of the total in 1956, 29 percent in 1961, 21 percent in 1962 and 1963 and, on the basis of preliminary figures, about 20 percent in 1964. Similar trends occurred among all unemployed.

Employment opportunities have declined markedly in many industries which formerly provided steady work at good wages and a secure

future for millions of American workers. In steel, textile, automobile and aircraft manufacturing, and coal mining, for example, technical advances and productivity gains have made it possible to obtain greater production with a smaller work force from year to year. Abandonment of older plants has caused the separation of workers with long employment attachment despite the protection of seniority rules. Rapid technological changes including those resulting from automation may well displace over a million workers per year in the decade of the sixties at the present production rates.

When long-term unemployment hits workers who have been accustomed to working regularly, the workers face a difficult period of personal adjustment to a changed situation.

The termination of unemployment insurance after 26 weeks eliminates a vital source of support to the worker undergoing such adjustment and may serve to hamper or defeat his efforts. Unemployment is both an economic and an emotional shock to the worker. The receipt of an insurance income, based on his status as a member of the labor force, eases his economic stress.

The increased incidence of unemployment lasting longer than 26 weeks calls for a reevaluation of old concepts of unemployment insurance duration. While benefits under an insurance program should be available for a prescribed period, rather than indefinitely, the limitations on the period should be established in the light of the situation in which the program operates. Benefits should be payable for a long enough period that a substantial majority of the beneficiaries of the program will have made their vocational adjustments and be working again before they have drawn all of their benefits.

Studies of displaced workers have indicated that, while substantial numbers are still unemployed at the end of 6 months, most of those who will find new jobs will have done so within a year after their displacement. Whatever differences of opinion there may be about the appropriate duration of an insurance program, we suggest that the duration proposed by this bill is not unreasonable. Some workers may receive 26 weeks of Federal benefits in the same year in which they get 26 weeks of State benefits. It is noteworthy, however, that Federal benefits will not become available again for such workers until their 3-year Federal benefit period expires and then only if they again meet the substantial qualifying requirements proposed by this bill. Precedent for 52 weeks is set by many of the collectively bargained supplementary unemployment benefit plans.

The fact that there are training programs and that there may be training allowances does not make the Federal unemployment adjustment benefits unnecessary. Even though training is a valuable tool in helping long-term unemployed workers toward reemployment, it is not the answer for all. Some do not need training; merely time to find a job. Others are not suited to the types of training available at the time. Training facilities are not—and may well not be—available for everyone who wants training. In other situations, there may be no jobs for which to train some of the unemployed workers.

Training allowances, therefore, do not fill the need for income maintenance for workers unemployed longer than 26 weeks. From the viewpoint of both the worker and of the community, that need should be met by an insurance program for regular workers who are

still attached to the labor force. Such a program should, of course, emphasize the steps the workers should be taking toward reemployment.

Reason for a Federal system

The more prolonged the individual worker's unemployment, the more his unemployment becomes a responsibility of the country as a whole. Long-term unemployment even more than shorter periods stems from the impact of national decisions affecting the economy, and the effect of technological and other structural changes stimulated by national policy. These national factors are felt by States to widely differing degrees. Thus, it is appropriate for the Federal Government to take action to meet the problem and for the costs of extended benefits to be broadly distributed on a nationwide basis, as is proposed here. Half the cost would be met by a uniform payroll tax on all employers in the country and half by general revenue. This sharing of costs between employers as a group, and Federal taxpayers as a group, reflects the desirability of maintaining some degree of relationship between employment and the costs of unemployment, yet recognizes at the same time the broad responsibility of the whole Nation.

MATCHING GRANTS FOR EXCESS BENEFIT COSTS

Under new title XXI to be added to the Social Security Act, the Federal Government would pay two-thirds of a State's annual benefit costs in excess of 2 percent of its total covered wages—provided, of course, that the State law met the requirements of the FUTA, including the benefit requirements to be added by section 209 of this bill. These Federal grants would reduce the amount of revenue which high-cost States would otherwise have to raise. Since they would have the effect of reducing interstate variations in unemployment insurance tax rates, they are in keeping with the original role of the Federal Government to remove competitive disadvantages between States. In addition, such grants would tend to reduce any impetus in a high-cost State to reduce benefits.

It is difficult to measure precisely the effect of unemployment tax rates on the location or expansion of industry; such effect may in fact be greatly overemphasized. But it is a widespread belief that unemployment tax rates play an important part in attracting and holding industry and this is persuasive to State legislatures. Thus, it effectively limits the degree to which a State will impose tax rates substantially above those in other States.

The purpose of these matching grants, like that of the original Federal unemployment insurance tax provisions, is to reduce the effect of interstate tax differentials as an obstacle to an adequate unemployment insurance law. Experience reveals that there are significant interstate variations in unemployment insurance costs which are inherent in the nature of the various State economies. For example, the national average cost rate, as a percent of total wages, for the 10-year period 1955–64 was 1.27 percent. In individual States, it ranged from 0.56 percent in Virginia and 0.57 percent in the District of Columbia to 2.82 percent in Alaska and 1.81 percent in Pennsylvania. Even during the recession year of 1958, with a national ratio of 2.0 percent, the ratio was below 1 percent in 10 States, and over 3 percent in 3.

At present, a State with higher-than-average unemployment can have higher-than-average unemployment tax rates, or it can keep its costs down by limiting benefit payments. Either approach may aggravate the State's relatively unfavorable situation. The higher tax rate may discourage the expansion of industry in the State, and thus intensify the unemployment problem. Inadequate unemployment benefits curtail purchasing power when it is most needed.

The grants provided by this bill would enable high-cost States to provide adequate benefits without imposing a tax burden substantially higher than that imposed on competing businesses in other States. Since the State need carry only one-third of the cost above 2 percent, a State with a cost rate of 3 percent would need a State rate of only 2.33 percent.

The Federal matching grants are limited to two-thirds of the State costs which exceed 2 percent of total covered wages. Because the remaining one-third must be paid by the State, the State will have a financial interest in assuring that benefits are not excessive. The level above which benefit costs are financed from the common fund is set in terms of total covered wages so that it will not be artificially influenced by changes in the limits on taxable wages.

It is appropriate for the Federal Government to make matching grants to high-benefit-cost States. As early as February 1935, Dr. Edwin Witte, the Executive Director of the President's Committee on Economic Security, stated that the Committee and its staff and advisory groups considered reinsurance as a function "which the Federal Government may very properly perform in a cooperative Federal-State system of unemployment compensation." It was omitted from the original proposal because of the difficulty in developing desirable arrangements, in view of the many uncertainties as to the form State programs would follow, and as to the costs of the program. While the matching grants are not "reinsurance," they deal with the same problem.

FINANCING OF THE FEDERAL UNEMPLOYMENT ADJUSTMENT BENEFITS AND MATCHING GRANTS FOR EXCESS BENEFIT COSTS

The FUAB program and the matching grants for excess benefit costs would be financed by the combination of an additional 0.15 percent tax on employers subject to the FUTA and an equal amount to be appropriated from general revenue. The tax provisions are contained in title II of the bill. Title I includes the provisions for the Federal contribution, and the necessary amendments to title IX of the Social Security Act to establish a Federal adjustment account within the Federal Unemployment Trust Fund. The proceeds of the additional employer tax as well as the proposed Federal contribution would be transferred to this account. Payments of FUAB and the matching grants for excess benefit costs would be made from this account. Federal contributions would be transferred to the account as needed to pay half the expenditures from the account.

The total 0.3 percent of taxable wages made available to the Federal adjustment account represents the estimated average costs of the programs to be financed from the account. If current levels of prosperity should continue for a period of years, the account could build up to unnecessarily high levels. The bill therefore provides for

reducing the rate of general revenue contributions and employer taxes when the balance in the account, including Federal contributions not transferred to the account, equals or exceeds $850 million or 0.35 percent of wages taxable under State laws. The $850 million—which is about 0.35 percent of taxable wages—represents the estimate of the amount the fund would need to meet its obligations in a year of heavy unemployment. Because dollar figures become outdated by growth of the labor force and increases in taxable wages, the ratio is included as an alternative. Payment of FUA benefits begins in July 1966. The tax accrues on wages after that date, but taxpayments are not due until January 1967. In order to get the program started, as well as to cover future contingencies in which costs might outrun collections at a particular time, the bill provides for repayable advances from general funds to the adjustment account. Such advances are to be repaid without interest, as were the advances for the 1961 temporary extended benefits program, whenever the balance in the adjustment account is adequate for the purpose.

RESEARCH AND TRAINING

By an amendment to title IX of the Social Security Act, the Secretary of Labor would be given explicit directions to conduct research in the field of unemployment compensation and related areas, and to provide for training State unemployment insurance staff. Appropriations for these purposes are specifically authorized.

Research.—While a reporting program developed under title III provides significant data about unemployment compensation, there are a number of areas in which exploration of the successes and defects of the program is hampered by a lack of data on experience. In the absence of a specific congressional mandate to conduct research, such as was given for TEUC, it has been impossible to establish and maintain an effective research program. Under this bill, a continuing and comprehensive research program would be required; the research could be conducted by the Labor Department directly, or through grants or contracts. Although the Secretary is given wide latitude in the kinds of studies as well as the method to be used, certain areas of special interest are noted—including such topics as the role of unemployment compensation under varying patterns of unemployment, the relationship between unemployment compensation and other social insurance programs, the effect of various eligibility and disqualification provisions, the personal characteristics, family and employment background of claimants, and exploration of the need for, and ways to achieve, coverage for groups not within the system. To provide for the widest possible use of the research results, the bill specifies that such results are to be made generally available.

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

Training of staff.—Even now, it is clear that one type of remedial action is improved staff training and that is being proposed. For example, one of the most common criticisms of the program is that benefits are paid to individuals who do not want to work, and who are not, in fact, in the labor force during the period for which benefits

are claimed. Payment to such individuals is contrary to the express provisions of every State unemployment insurance law.

All the unemployment compensation laws specify that benefits are payable only for a week with respect to which the individual is able to work and available for work. That is, "ready, willing, and able" to work. An individual demonstrates his availability by doing what a reasonable individual, in his circumstances, would do to find a suitable job. Determinations of whether an individual is available for work in the week for which he is claiming benefits are complex, involving a large element of judgment.

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

TITLE II OF S. 1991

AMENDMENTS TO THE FEDERAL UNEMPLOYMENT TAX ACT IN THE INTERNAL REVENUE CODE OF 1954

The changes in coverage, employer taxes, and the conditions which State laws must meet if employers are to receive tax credit, in whole or in part, are made by amendments to the Federal Unemployment Tax Act.

COVERAGE

The unemployment insurance program should protect, insofar as feasible, all those who work for others and thus face the risk of unemployment. While about 48.4 million jobs are now protected (including Federal employees, exservicemen and railroad workers), about 15 million jobs are still not covered. Consequently, some individuals are completely outside the system, while others can use only part of their past work experience as a basis for benefits. These exclusions exist because States have, for the most part, followed the pattern established by the Federal act. While States are free to go beyond Federal coverage, and a number of them do cover some services not subject to the Federal law, reliance on individual State action is, at best, a slow process. For almost 7 million noncovered jobs, however, State action must be relied on, because they are in State and local governments.

Of the remaining 8 million excluded jobs, almost 5 million would be brought within the system as of January 1, 1967. Another 2 million jobs now covered only by State laws would also become subject to the Federal unemployment tax.

Employers of one or more

About 1.8 million jobs would be brought into the system by extension of the FUTA to all employers who have anyone performing services in "employment" as defined. This is the same coverage provided by the Federal Insurance Contributions Act (OASDI) since 1935. Coverage would be achieved by deleting the definition of

"employer" from section 3306 of the Federal Unemployment Tax Act and by making appropriate deletions from section 3301 and other sections of such act.

At present, the Federal Unemployment Tax Act applies only to employers who have at least four workers in at least 20 weeks in a calendar year. There are 27 State unemployment insurance laws with similar restrictions. Michigan just amended its law, effective in 1966, to move from this category to the one in 20 weeks' category. The other 24 States already cover about 1.4 million jobs excluded from Federal coverage by the size-of-firm limitation.

Experience under OASDI and under the State unemployment insurance laws which cover employers of one worker at any time has demonstrated that such coverage is feasible to administer.

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

There have been indications that the size-of-firm provisions tend to discourage employers from adding another worker where such action would result in liability for unemployment insurance taxes on the wages of all workers.

If the workers in small firms are to be protected equitably, the Federal Government, which was responsible for their exclusion in the first place, must act. The number of States which cover some employers of one worker has increased by only four in the 20 years since December 1945. Moreover, extension by individual State action gives the employer with three workers a tax advantage over his competitor with four workers. The small employer's workers receive full unemployment compensation protection, including protection under Federal programs providing extended benefits—yet he does not pay the Federal unemployment tax for the program's operation, or for the extended benefits.

Nonprofit organizations

The bill would extend the protection of the unemployment insurance system to about 1.7 million employees of nonprofit religious, charitable, educational and humane organizations. The proposal would not cover ministers or members of religious orders in the exercise of their ministry, the handicapped in sheltered workshops, those performing part-time services for religious organizations for less than $15 a week, those working in work-relief or work-training programs assisted or financed by a Government agency, certain students and interns, and others performing services for nonprofit organizations if the remuneration is less than $50 in a calendar quarter.

The workers who would be given protection are engaged in a wide variety of activities, most of which are comparable to jobs in covered businesses. They are elevator operators, scrubwomen, building maintenance workers, typists, clerks, switchboad operators, laborers, waitresses, dishwashers, cooks, as well as teachers, nurses, and social workers. Almost half of them are employed by hospitals; about 40 percent of these hospital workers are food, maintenance, and cus-

todial workers. Another one-third are employed by educational institutions and only a small percentage by religious and charitable institutions supported by donations.

While some of the professional groups in the nonprofit field may have the protection of tenure, the same could be said for professional groups of presently covered workers. Furthermore, tenure does not always mean stable employment. Other employees of nonprofit organizations, particularly in the nonprofessional occupations, have a high rate of turnover and relatively short tenure on their present jobs, factors which generally indicate that there is unemployment. The amount of potentially compensable unemployment experience by any noncovered group is difficult to determine. Such evidence as is available indicates that nonprofit employees have a very real risk of unemployment, generally low wages, and therefore, need insurance against the risk.

In recognition of the special tax status traditionally allowed to nonprofit organizations, and the possibility that they may have less than the average amount of unemployment, the bill provides that a nonprofit organization covered by an approved State law could receive full credit against its Federal tax whether it paid a State tax or not, so long as its workers are covered under the State law. The State could permit nonprofit organizations to reimburse the fund for benefits paid to their workers, could establish a uniform low rate for such organizations without relating it to their past experience, could rate these employers by a different schedule than that applicable to other employers, could finance these benefits by an appropriation from general State revenue, or could adopt any other method or combination of methods chosen by the State legislature to finance benefits to nonprofit workers, without endangering either the tax credit of nonprofit employers or the additional credit of all employers in the State.

The exceptions from nonprofit coverage are for types of services which are not characterized by customary employer-employee relationships. The difference in the case of ministers and members of religious orders is clear. It is also clear with respect to the "client" of a sheltered workshop, who is unable to compete for regular employment.

The exclusion of part-time services for a religious organization, with nominal weekly remuneration, is intended to exclude activities, such as singing in the church choir, performed as an expression of the individual's devotion to religious duties, rather than being the activity from which the individual derives his livelihood.

Services as part of Government assisted or financed work-relief or work-training programs, such as those under titles I–B and II of the Economic Opportunity Act, also represent a special kind of employment relationship, where the work is not related to normal economic considerations. The bill would not delete the present exclusion of services performed by a student for the school he is attending or of services for a nonprofit organization where the remuneration is less than $50 a quarter. These exclusions also appear in OASI.

Agricultural workers on large farms

The bill would apply the Federal unemployment tax to employers using 300 or more man-days of hired farm labor during any quarter.

This would cover only about 2 percent of all farms, but 42 percent of the hired workers, and 67 percent of the man-days of hired farm labor used in a peak quarter. That is, it would cover about 78,000 farms and about 700,000 workers in an average month.

Agricultural labor has been excluded from the FUTA since its enactment. It was originally excluded also by all State laws except that of urban District of Columbia. Today, Hawaii covers employment on very large farms (with 20 or more workers in 20 weeks) and Puerto Rico covers agricultural employment in the sugar industry. Since farmworkers do experience unemployment, they should be given the protection of the system. It seems appropriate, however, to approach their coverage on a gradual basis, as was done for nonfarm employment, and begin with large employers.

The proposed test of 300 man-days in a quarter is roughly equivalent to four or five full-time workers throughout the quarter. Under this test, the problems of reporting and recordkeeping for unemployment compensation purposes would be limited to a very small group of farms, yet a substantial proportion of workers and employment would be covered. Such a test has advantages over the tests that have been used in covering nonfarm employers under the unemployment insurance laws. It is easier to administer than a test based on number of workers in 20 weeks. It also avoids the difficulties of a test based on payroll in a quarter. It would be very difficult to develop a payroll figure that would, when applied nationwide, restrict coverage to large farms and apply with reasonable comparability in all areas of the country.

Other coverage changes

About 450,000 other workers would be given unemployment insurance protection by adopting, for FUTA purposes, the OASDI definitions of "agricultural labor" and "employee."

Agricultural labor.—About 200,000 workers perform services in activities which are now defined as "agricultural labor" for Federal unemployment tax purposes, but are not "agricultural labor" under OASDI. In this category are activities such as processing of maple sap into maple syrup or maple sugar, off-the-farm raising or harvesting mushrooms and hatching poultry, operating and maintaining ditches, etc., for supplying and storing water for farming, if done for profit, and handling, planting, drying, packing, processing, freezing, grading, storing, or delivering to storage or to market any agricultural or horticultural commodity in its unmanufactured stage, when done in the employ of someone other than the farm operator who produced more than half the product.

Such activities are essentially industrial in nature and do not come within the general concept of farmwork. Workers excluded from unemployment insurance as agricultural, although they are nonagricultural under OASDI, include stationary engineers, box assemblers and lidders, receiving and billing clerks, grader and conveyor tenders, as well as those who hatch poultry in city lofts. Approximately 20,000 additional jobs in similar categories, now covered by State unemployment insurance laws, will also be covered by the FUTA.

"Employee."—The present FUTA definition of "employee" is restricted to officers of corporations and persons who would be employees under common law. The FICA definition includes also

persons who are in fact dependent upon another for their employment, in a variety of specified activities, chiefly as agent-drivers and outside salesmen. Adopting the FICA definition, as is proposed, would extend the FUTA to about 250,000 jobs now outside the unemployment compensation system, and to another 150,000 which are covered by State laws which do not limit "employees" to the common-law relationship.

Maritime employers

The bill would amend the FUTA to provide that tax credit under section 3302 would not be allowed to a maritime employer with respect to contributions paid under a State law that does not meet the conditions for maritime coverage prescribed since 1946 in section 3305(f) of the act.

Because of Federal jurisdiction over maritime matters, Congress in 1946 amended the FUTA to give States permission to levy unemployment taxes on maritime employment under specified conditions. The conditions were designed to prescribe the State of coverage, and to preclude discriminatory treatment of either maritime employers or maritime workers. The State of coverage of services on a vessel is the one in which the office controlling the operations of that vessel is located. Contributions of employers must be determined by the same rules as contributions of other employers, and the services of workers must be treated, for purposes of wage credits, like the services of shoreside workers. Since several State laws then contained provisions discriminating against maritime workers, the FUTA amendment expressly provided that States had until January 1, 1948, to bring their laws into line with the Federal statute.

The amendment did not, however, provide for enforcement of these conditions. Consequently, one of the State laws which did not provide seamen with equal protection in 1946 is still failing to provide equal protection in 1965. This failure affects a substantial proportion of the seamen engaged in Great Lakes shipping.

Since nearly 20 years of urging by the Federal Government and by the affected seamen has not produced correctional action on the part of the State, it is apparent that a Federal sanction is needed to enforce the Federal law.

In view of the Federal Government's constitutional jurisdiction over maritime employment, a State has no authority to collect the unemployment tax from maritime employers under conditions which violate the requirements of section 3305 (f). It is, therefore, proposed to eliminate Federal tax credit for such unauthorized State collections.

DEFINITION OF WAGES

To strengthen the financing of the unemployment compensation system, both Federal and State, the bill provides for increasing the amount of a worker's wages which are taxable from the outdated $3,000 to $5,600 for 1967 through 1970, and $6,600 thereafter. The particular amounts and years were chosen on the basis of the House action on OASDI—with a 1-year lag in the effective date to allow time for States to revise their definitions of taxable wages accordingly. In unemployment insurance, as in OASDI, the intent is to provide a broad financial base which is reasonably related to wage levels. Thus,

there is no logical argument for selecting different figures for the two programs.

Since the bill was introduced, however, revisions have been made in the OASDI provisions so that the taxable wage base will be $6,600 starting in 1966. The unemployment insurance wage base should be the same as OASDI, and that would be achieved by going to a $6,600 unemployment insurance wage base in 1971 as proposed in the bill.

A substantial increase in the wage base is needed for both Federal and State taxes. The resulting increase in Federal revenue is needed to meet the program's increased administrative costs; it will also help to build the balances in the loan fund and the employment security administrative account. It is desirable to replenish the loan fund so that the resource would be available to States if needed. Building the balance in the administrative account will permit the program to save the interest payable on advances from the revolving fund.

Insofar as States follow the increased Federal wage base, it will increase potential State revenues to meet higher benefit costs. States with low reserves can take immediate advantage of the increased funds, while those with adequate current reserves and income can adjust their tax schedules to keep actual revenue at the present level. The deletion of Federal standards for experience rating, discussed subsequently, will facilitate State adjustments to the new base.

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

In the quarter century since then, average weekly wages have almost quadrupled, so that only 53 percent of wages in covered employment are now subject to the FUTA. The wage base for OASDI, on the other hand, has been increased repeatedly.

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

State problems

Since benefits are related, even though imperfectly, to weekly wage levels, the benefit outgo of State funds has increased proportionately more than their contribution income. Consequently, there has been a marked decline in the reserves of many States. In 22 States, present reserves are below the amount needed to meet an 18-month recession.

States have recognized the need to take action in this area. Currently, 18 of them use a base higher than $3,000 (all but one, however, use a base lower than $5,600). Interest in raising the base has been expressed in other States, but action has been hampered primarily because of the fear of interstate competition. The laws of 29 States provide for levying contributions on a wage base above its current level if and when the Federal Government does so. Raising the amount of wages taxable would permit States to improve the operation of their experience-rating systems. When benefit costs increase more

rapidly than the amount of taxable wages, as they do with the $3,000 base, the overall cost of benefits comes closer to, and may even exceed, the standard tax rate of 2.7 percent. Since it is difficult for a State to raise its maximum rate substantially above those in other competing States, minimum rates must be increased as the statewide cost rate approaches the maximum statutory rate. Raising the taxable wage base has the effect of reducing the overall cost as a percent of taxable wages. This will permit a wider range of rate variations, and a greater number of rate intervals. Thus, rates can relate more accurately to employer experience.

It will also decrease inequities between employers in effective tax rates—that is, in unemployment taxes as a proportion of total payroll. Employers with high levels of wages pay lower effective tax rates than do lower wage employers. A high wage employer with such unfavorable experience that he nominally pays a penalty rate of 3 percent may, in fact, pay a lower proportion of his total payroll than another employer whose favorable experience entitles him to a reduced rate of 2 percent, but whose taxable wages represent a higher proportion of his total payroll. As wages continue to increase unevenly among employers, but taxable wages remain frozen at a level well below average wages, such inequities will increase.

Federal problems.

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

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

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

It is also more equitable because it reduces the variations between low- and high-wage employers in the net Federal tax rate as a percent of total payroll. The effective rate paid by low-wage employers is higher than that paid by high-wage employers. Consequently, on the average, employers in low-wage States pay relatively higher effective rates than employers in States with higher wage levels. For example, with a net Federal tax of 0.4 percent of the first $3,000, an Arkansas employer paying the State's average weekly wage of $72 to a worker for a full year pays a Federal tax which represents 0.32 percent of that worker's total annual wage. A New York employer

paying that State's average of $114 a week pays a Federal tax representing only 0.20 percent. An increase in the Federal tax rate on the $3,000 base would accentuate the difference. With the eventual wage base of $6,600, however, both employers would pay an effective rate of 0.4 percent.

Effect of the bill

An increase to $5,600 in 1967 would result in an estimated increase of 53 percent in the aggregate amount of wages taxable under the FUTA. Federal revenue produced by the 0.4 percent tax on the new wage base is estimated at $968 million.

The impact on State taxable wages would be somewhat less, because 18 States provide a base higher than $3,000. It is not possible to develop realistic estimates of the amount of State tax collections using the new wage base, since many States would undoubtedly legislate concurrent changes in their tax schedules. Those which do not currently need much increase in revenue would revise their schedules to provide lower rates. Those in need of substantially increased revenue would revise their present schedules to spread the cost more equitably among employers.

INCREASE IN THE TAX RATE

The increase in the wage base will provide the revenue needed for the existing programs, but will not finance the new programs of FUAB and matching benefit grants. To finance these programs, title II would raise the net Federal unemployment tax from 0.4 to 0.55 percent, effective with respect to wages paid after June 30, 1966. It is anticipated that this increase of 0.15 percent in tax rates will finance half the cost of these two new programs. The other half will be financed from an appropriation out of general revenue.

As noted in connection with the Federal contribution (see p. 63), provision is made to reduce the added tax by one-third, from 0.15 to 0.10 percent, if and when the account balance is high enough to cover costs in a year of heavy unemployment.

Since Federal unemployment taxes for a given taxable (calendar) year are payable January 31 of the following calendar year, the initial proceeds of the 0.15-percent tax will be collected in 1967. The amount would be small in comparison with collections for future years, because it would be payable only with respect to taxable wages, on a $3,000 annual base, paid during the last half of the year, and nearly 70 percent of taxable wages are paid during the first half of the year. Collections for that first 6 months are estimated at about $120 million, compared to $565 million for 1967, when the tax would be payable for the entire year on a $5,600 wage base, and with expanded coverage.

EXPERIENCE RATING

The FUTA would be amended to provide that when reduced rates, to be defined as rates lower than 2.7 percent, are permitted to pooled funds, employers would be entitled to additional tax credit with no restrictions on how the rate reductions were established. The requirements for reduced rates to reserve accounts or guaranteed employment accounts would not be changed. All States now have pooled fund laws.

At present, reduced rates to pooled funds are acceptable for additional credit only if allowed on the basis of "experience with respect to unemployment or other factors bearing a direct relation to unemployment risk during not less than the 3 consecutive years immediately preceding the computation date"—except that new employers can be rated on the period of their experience, but no less than 1 year. The standard deals with the technical minutiae of the way in which experience is measured and employer rates computed. It does not, however, relate directly to the solvency of the fund nor assure the financial soundness of the program. Deletion of these technical provisions will remove a potential source of conflict and contribute to strengthening the Federal-State partnership, without weakening the financing of benefits. The deletion would not require any change in current State provisions. It is not an attempt to eliminate experience rating. It would give the States much more latitude in developing methods of reducing rates, since they would have complete freedom in determining tax rates for individual employers. As noted above, this freedom may be particularly valuable in permitting States to adapt their formulas to the new wage base, in order to avoid a sudden rise in tax collections not required to preserve the fund's solvency.

States could provide reduced rates immediately for newly covered employers. They could provide reduced rates for employers who increase their employment, or who list their vacancies with the employment service. States could establish a rate below 2.7 percent for all employers, or could use a lower rate as the standard rate under a system which varied rates in accordance with experience.

BENEFIT REQUIREMENTS

The bill would add to the FUTA several requirements as to State benefits which must be met for benefit years beginning after June 30, 1967, if employers in the State are to receive full tax credit. The benefit requirements, which are discussed below, relate to the three primary factors determining the adequacy of protection—the measure of past labor force attachment required to qualify for benefits, the amount of the weekly benefit, and the duration of benefits payable.

The benefit requirements in general represent the consensus of what an adequate program should provide. If the State benefits meet the requirements, the employer can get a tax credit of 2.7 percent against his Federal tax, no matter what rate he actually pays the State, not what the average State benefit costs are.

If, however, the State benefits are below the established level of adequacy, the tax credit is limited to the actual average cost to the State of the benefits being provided.

For example, in a State which met the benefit requirements, all employers would get the full 2.7-percent credit against their Federal tax, even though the particular employer paid the State at the rate of 1 percent, and State benefit costs averaged 2 percent. If that State had not met the requirements, its employers would have received a credit of only 2 percent against the Federal tax. Thus, their net Federal tax would have been 0.7 percent more than if the State had met the benefit requirements. If the average cost were 2.7 percent, employers would get 2.7-percent Federal credit regardless of whether

or not the benefits met the standards. (In such States, the incentive to meet the benefit requirements would be the matching grants for excess benefit costs.)

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

Interestingly, the House Ways and Means Committee recognized this problem more than 25 years ago. In 1939, when the committee was making substantial changes in the entire social security program, the amendments as reported out by the Ways and Means Committee (and as passed by the House) included benefit standards which a State had to meet in order to reduce rates below an average of 2.7 percent. This provision had not been a part of the administration's recommendations. It was added by the committee, at the suggestion of Representative John McCormack, of Massachusetts, then a member of the committee.

The committee's report on the bill (H.R. 6635), which is dated June 2, 1939, says, in part:

> The recommendations of the committee relative to unemployment compensation deal with certain changes which in no way alter the fundamental Federal-State pattern now set forth in the Federal law.
>
> In considering the provisions and the experience of the State laws the committee's objective was to make such changes as will best help to relieve industry of any unnecessary burdens and to provide the unemployed with more adequate benefits. Moreover, the committee earnestly sought to keep any suggested changes within the framework of the present Federal-State system. This the committee has done by developing a plan, after very careful study, whereby the present taxes for unemployment compensation may be reduced in those States which can afford to maintain a certain benefit standard. No drastic change in the basic pattern of the State laws is required and each State may decide for itself whether it will take advantage of the plan.

* * * * * * *

The Senate Finance Committee deleted both the amendments requiring an average rate of 2.7 percent of payrolls and the one allowing States to reduce contributions if they met certain minimum reserve and benefit standards, on the grounds that:

> Your committee feels that there has not been enough time to develop sufficient experience in the field of unemployment compensation upon which to base an intelligent decision with respect to a reduction in the contribution rates or the insertion of minimum benefit standards at this particular time.
>
> In view of this fact your committee feels that the wisest policy is to continue the present provisions with respect to unemployment insurance until such time as a thorough study of the benefit experience of the various States will yield practical results.

Now, a quarter century more of experience has demonstrated that the Ways and Means Committee was right—benefit standards are necessary.

The particular benefit requirements being proposed differ from those recommended by the Ways and Means Committee in 1939. The early provisions dealt with duration, waiting period, individual weekly benefits, minimum and maximum weekly benefits, and payment of partial benefits.

The requirements in the present bill deal with qualifying requirements, individual and maximum weekly benefits, and duration.

Qualifying requirement

The qualifying requirement in a State benefit formula prescribes the past labor force attachment needed to become an insured worker.

The bill provides that if past attachment is measured in weeks of employment, no more than 20 weeks in a 1-year base period can be required. A week must be counted toward the requirement if the individual earned in such week at least 25 percent of the statewide average wage.

If the State measures past attachment in terms of wages rather than weeks, it may not require more total base period earnings than 1½ times the earnings in the highest quarter, or 40 times the weekly benefit amount, with a minimum requirement of total wages equaling no more than 5 times the State average weekly wage.

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

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

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

Weekly benefit amount

The bill provides that those who meet the State qualifying requirement must be entitled to a weekly benefit amount, exclusive of any amount payable with respect to dependents, of at least 50 percent of the individual's weekly wage, up to the State maximum. The individual's weekly wage can be computed from his quarterly earnings, or from averaging his earnings for the weeks he worked. There must, however, be a relationship between benefits and weekly wages. Those States which now pay—or may wish to pay—benefits higher than 50 percent of weekly wages can do so. Additional amounts can also be provided to individuals with dependents. The State maximum must be set at a level representing, initially, 50 percent of the statewide

average weekly wage, and must be raised, by stages, so that beginning July 1, 1971, it will represent 66⅔ percent of the statewide average wage. At all stages, however, the individual benefit need not represent more than 50 percent of the individual's wage.

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

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

State laws generally, throughout the program's 30-year history, have contained benefit formulas providing 50 percent or more of average wages below the maximum. In 1939, the maximum in 49 of the 51 jurisdictions was high enough to permit the average worker to receive a benefit equal to half his wages. There were 22 States with maximums above 66⅔ percent of average wages and 12 more with maximums of 60 to 66 percent of the average. Consequently, more than 75 percent of all claimants received benefits based on their own wage rates. States have, however, failed to maintain maximums related to average wages, although the numbers at various percentages have fluctuated. Even with the increases enacted this year by State legislatures, there are only 18 States where the maximum is at least half of average wages; in one State, a newly enacted maximum is 66⅔ percent of average wages. There is no reason to anticipate substantial overall improvement in the absence of Federal incentives.

Duration

The bill provides that eligible claimants who meet the requirement of 20 weeks of base period employment (or its equivalent) must have a potential duration of at least 26 times the weekly rate. If the State qualifying requirements are below 20 weeks, the duration provided workers who qualify with such lesser employment can be shorter.

Benefits should be payable for long enough that a high proportion of claimants will be protected for the full duration of unemployment during a year. Twenty-six weeks—6 months—has for some time been regarded as the generally desirable period of protection for the regular unemployment insurance program. In all but two States and Puerto Rico, some claimants may receive 26 weeks. Although over the years the average spell of compensated unemployment has remained close to 6 weeks, substantial numbers of beneficiaries have exhausted their benefit rights. Even in 1964, 1.443 million beneficiaries—nearly one-fourth of all beneficiaries—drew all the benefits to which they were entitled. Those who exhausted their benefit rights were, in general, entitled to protection for shorter periods of time than those who did not run out of protection. About 32 percent of all beneficiaries, but 51 percent of those who exhausted, were entitled to benefits for less than 26 weeks.

ADDITIONAL TERMS AND CONDITIONS

Several new standards would be added to those in the FUTA which a State law must meet as a condition for any tax credit.

Disqualifications

Disqualifications, with the three exceptions noted below, could not exceed a postponement of compensation for 6 weeks following the week in which the disqualifying act occurred. There would, however, be no new Federal restrictions on the circumstances under which disqualifications could be imposed. Exceptions to the 6-week postponement are provided for labor disputes, for fraud in connection with claims, and for conviction of a crime arising in connection with the individual's work. There is no Federal limit on the labor dispute disqualification. For fraud, no disqualification can be applied after 36 months following the discovery of the fraud. For conviction of a crime arising in connection with the individual's work, the disqualification may not exceed 52 weeks from the date of conviction.

Unemployment compensation is designed to protect against wage loss during unemployment due to economic causes. The disqualifications, except for that imposed because of fraud in connection with a claim, are intended, not to punish claimants for "wrong" actions, but delineate the unemployment which is not due to economic causes, and against which, therefore, the system does not insure. The longer disqualification permitted in connection with conviction of a work-connected crime is intended, not to punish the individual, but to take account that as a result of his own act, he has increased his difficulties of finding work.

Even unemployment which begins with a disqualifying act becomes attributable to economic conditions at some point in the worker's search for work.

While the precise point cannot be established in individual cases, it is reasonable to assume that it comes at about the time when the worker could expect, on the average, to have found a new job. Experience has shown that in good times and bad, the average single spell of unemployment lasts about 6 weeks.

For that reason, the standard limits most disqualifications to the 6-week period immediately following the week of the act, and prohibits cancellation or reduction of the worker's rights. It would thus prohibit both disqualifications for the duration of the spell of unemployment, and those which reduce rights for periods of unemployment completely unrelated to the disqualifying act. Having served the period of uncompensated unemployment caused by a disqualifying act, the individual should then be entitled to the full period of protection from economic unemployment.

Present disqualification periods can work injustices. Ordinarily, for example, an individual who leaves one job to accept another one at a substantial raise is regarded as demonstrating a praiseworthy ambition to get ahead, not as having taken an action for which he should be punished. Yet if he loses the new job before working a prescribed period, he might find himself completely without protection, because his prior wage credits had been canceled as a penalty for having left the first employer for a reason not attributable to that

employer. In one State, a worker laid off from a job on which he had been working for 12 months could find his benefit rights wiped out because, 2 weeks before he took that job, and at a time when he was not claiming benefits, he refused an offer of work.

A disqualification for the duration of unemployment means a denial of benefits until the individual has found another job, worked on it for a prescribed period and lost it for a nondisqualifying cause. The effect of such a provision depends on the economic conditions and labor demand at the time and place where the worker is, and on the personal characteristics of the worker. It may, in some circumstances, leave the worker without benefits during 6 or 9 months of desperate search for work.

Present disqualification periods also create anomalies. In one State, a worker who leaves a job for good personal cause forfeits all benefit rights based on that job, and can draw no benefits based on other work for the duration of this period of unemployment. Had he been discharged for misconduct connected with his job, his benefits would have been postponed for a period of 3 to 6 weeks, and his benefits for the year reduced by three to six times his weekly benefit amount. If he had refused a suitable job without good cause, his benefits would have been postponed for 6 to 10 weeks, but his total entitlement during the benefit year would not have been affected.

In another State, discharge for job-connected misconduct is considered more reprehensible than leaving voluntarily or refusing a job. A worker discharged for misconduct would have his benefits postponed for 7 to 24 weeks, with a corresponding reduction of his benefit rights. Leaving for good personal cause is not disqualifying, and a voluntary quit without good cause carries a 4 to 9 weeks postponement and comparable reduction in benefit rights; for refusal of a suitable job without good cause, benefits are postponed and reduced by from 1 to 10 weeks.

Requalifying requirement

The bill would also require that, as a condition of Federal tax credit, State laws provide that an individual be required to have had some work, whether or not in covered employment, since the beginning of a benefit year in order to qualify for unemployment compensation in the next benefit year.

Establishment of 2 successive benefit years following a single separation for work is a much criticized and controversial aspect of the benefit formula. It is possible under provisions which, for administrative reasons, provide a lag between the end of the period used to determine a worker's past attachment to the labor force—the base period—and the period during which rights based on such employment may be used—the benefit year. If the lag is long, and/or qualifying requirements are low, wages or employment in that lag period may be enough to meet the qualifying requirement. In that case, in the absence of a special provision requiring earnings subsequent to the beginning of his first benefit year, a worker could then file a claim and establish a second benefit year immediately after his first year ended.

The number of States in which it is possible to establish 2 benefit years with no intervening employment has declined steadily in recent years, because of shortened lag periods and increased qualifying requirements, as well as specific requirements of wages since the

beginning of the benefit year. Nevertheless, the relatively few instances in which such cases occur have resulted in much criticism of the program. This provision would elminiate the possibility. It does not specify, however, the employment necessary to requalify.

Workers who file for a second benefit year without having worked since the beginning of their first benefit year may have withdrawn from the labor force—or they may be the victims of technological change, plant removal, or other factors creating long-duration unemployment in spite of the individual's strenuous efforts to find reemployment.

The FUAB provisions of this bill provide much better protection for those experiencing long unemployment than the possibility of benefits in a second benefit year.

Training of beneficiaries

Under another new requirement, State laws would have to provide that compensation shall not be denied to an otherwise eligible individual because he is attending training with the approval of the State agency. Moreover, an individual taking such training cannot be found to be not otherwise eligible on the grounds that he is unavailable for work, is not making an active search for work, or refused work.

The change in occupational skills required by modern industry has made it clear that for many of the unemployed, occupational training is the shortest route to reemployment. If an unemployed worker may receive his unemployment compensation only when he is not taking training, financial pressure may discourage him from accepting training until after he has exhausted his unemployment compensation rights—and thus prolong his spell of unemployment.

When the training is arranged under the MDTA program, allowances under that program provide the financial incentive for training. Some workers, however, may not receive such training allowances; other workers may desire training courses not under MDTA, which would improve their chances of reemployment, but they cannot afford to go without income.

While unemployment insurance payments are not intended to be training allowances, neither should the unemployment insurance program be so designed as to put financial pressure on a worker to discourage him from accepting training. (The FUAB provisions, in recognition of the increased problems of the long-term unemployed, go further and provide a disqualification for refusal of training.)

Moreover, it is not enough to say that benefits will not be denied solely because the claimant is taking training, if he is expected to continue to look for work, and to accept any offers of suitable work.

The worker may very well not be able to give proper attention to the training if he must spend part of his time looking for work, and if he must keep himself ready to drop the course anytime that a job is offered him.

States have been urged either to interpret their laws to permit unemployed workers to take training, without fear that they may not be allowed to finish the course, or to seek amendments to that effect, and some progress has been made. But there are still only 15 States which explicitly provide that a trainee will not be disqualified for refusing to leave training to accept work.

Interstate claims

The third additional condition is a provision requiring that State laws not deny benefits to, or reduce the benefits of, an otherwise eligible individual because he files his claim for benefits in another State or in Canada, or because at the time he claims benefits, he resides in another State or Canada.

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

Such legislation has never been urged before, because until recently the States have met the problems by voluntary interstate agreement. The interstate benefit payment plan was adopted in 1938 by individual State agreements. The plan has been amended, modified, and supplemented through the years by additional voluntary action.

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

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

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

The spread of such legislation "may ultimately lead to the destruction of the Federal-State system of unemployment insurance," said a 1963 resolution of the interstate benefit payments committee of the interstate conference. Such legislation, by impeding movement of workers in search of work, will tend to prolong unemployment and is thus in conflict with the basic purposes of the program.

Federal legislation prohibiting a State from denying or reducing benefits to interstate claimants or out-of-State residents should be enacted before more States add such provisions. To be complete, the legislation should be applicable on the same basis to Canada.

In 1942, the United States and Canada entered into an executive agreement authorizing the inclusion of Canada in the interstate benefit payment plan as if it were a State. All but four States (Alabama,

Iowa, Maine, and New Hampshire) and Puerto Rico have subscribed to the reciprocal agreement with Canada, under which claims may be filed in Canada against the subscribing State, and in the State, against Canada. The omission of these five jurisdictions is not attributable to Canada. That country would like to extend the agreement to all jurisdictions. It seems appropriate, therefore, that the prohibition of discrimination against interstate claimants should be applicable also to claims filed in Canada.

CERTIFICATION DATE

The bill changes the timing and period of the tax credit certifications of State laws which the Secretary of Labor makes annually to the Secretary of the Treasury. Instead of certifying on December 31 for the calendar year, he would certify on October 31 for the 12-month period ending on such October 31. The certification would apply to tax credits for the calendar year in which such October 31 occurred.

With the possibility of variations in State tax credit under the benefit standard provisions, the administrative problems require a lag between the determination as to what the credit will be, and the end of the taxable year involved.

TITLE III

MISCELLANEOUS

Title III provides for a Special Advisory Commission to study unemployment compensation and sets forth the effective dates of those parts of the bill which do not include effective dates.

SPECIAL ADVISORY COMMISSION

The Special Advisory Commission is to study the Federal-State unemployment compensation program, and to make recommendations for its improvement. While it may concern itself with any and all aspects of the program, it is specifically directed to study the changes made by this act, including the financing of the Federal unemployment adjustment benefit program, the graduated increase in the maximum weekly benefit, the wage and employment qualifications of State laws, and to make recommendations with respect to the relationship between unemployment compensation and other social insurance programs.

Because of the emphasis on evaluating the changes made by this act, the Commission is to come into being 3 years after the bill's enactment. It is to be appointed by the Secretary, and is to consist of 12 members, representing employers and employees in equal numbers, the Federal and State agencies administering the program, outside experts, and the public. It is authorized to engage a technical staff. In addition, the Secretary is to provide secretarial and clerical assistance, and to make Department data available. The Commission's recommendations are to be contained in a report to the Secretary to be submitted not later than 2 years after the Commission's appointment. Upon making its report, the Commission is to go out of existence.

The Special Advisory Commission will provide the Secretary with an informed outside opinion as to whether the unemployment insurance program, with its new features, is achieving its goals, and whether those goals are properly adapted to the needs of the economy.

BACKGROUND INFORMATION

REASONS FOR PRINCIPAL CHANGES

The proposals for improving and modernizing the unemployment insurance program, promised in the President's state of the Union message, are contained in H.R. 8282, introduced by Chairman Mills of the House Ways and Means Committee, and S. 1991, introduced by Senator McCarthy, of Minnesota, and cosponsored by 15 other Senators.

The bill contains changes in the financing, administration, and coverage provisions and addition of Federal standards for benefit amounts, duration, eligibility and disqualification, to strengthen and improve the Federal-State unemployment insurance program for short-term unemployment. This Federal-State system for the first 6 months of unemployment would be further strengthened by backstopping it with a Federal program for the long-term unemployed who have had substantial past employment.

In its 30 years of existence, the unemployment insurance system has made major contributions to the economy, as well as to the millions of unemployed workers who have received payments. It could have made much greater contributions if it had been kept up to date. The proposed amendments will not change the program's basic Federal-State character. Within that Federal-State framework, the States have made significant improvements in their laws, with only minor changes in the Federal law. Federal action is needed now to assure that an adequate, soundly financed program is in operation in every State. The proposed amendments are intended to provide the necessary Federal assistance to remedy the chief program weaknesses.

One such major weakness is the failure of the program to protect the significant number of workers with long regular attachment to the labor force who are experiencing unemployment lasting more than 26 weeks. Unemployment of that length is attributable to such factors as automation and other technological developments, shifts in defense production, and geographical movements of industry—factors not restricted by State boundaries. The wage loss resulting from such factors can be adequately and equitably compensated only by a national program.

A Federal program of extended benefits is, therefore, proposed, to be in operation at all times, beginning July 1, 1966. The program would pay Federal benefits, equal in amount to the individual's weekly State benefits, to workers who have exhausted their State benefits, and have been unemployed at least 26 weeks, if they had worked at least half of the 3 years preceding their unemployment. Total Federal benefits payable to a worker in a 3-year period would equal 26 times his weekly benefit amount. The benefits would be paid by the State agencies acting as agents of the Federal Government, and would be payable generally in accordance with State terms and

conditions. Limits would be put on the disqualifications. The adjustment concept of these benefits is emphasized by provisions relating to training, and by requiring a special certification from the State agency that a thorough review has been made of the claimant's qualifications and prospects, and that appropriate counseling has been given to him. The program will be financed partly by a new Federal payroll tax of 0.15 percent on covered employers and partly by an equivalent contribution from general revenue.

Establishing the benefits for unemployment of more than 6 months as a separate Federal program permits separate financing arrangements which recognize the greater national role in such unemployment. The general revenue contribution toward the cost of these benefits is a recognition of the interest and responsibility of society as a whole in the problems of long-term unemployment.

In addition, the program for extended benefits includes higher eligibility requirements, and a greater emphasis on readjustment than would be appropriate for regular benefits under the basic program.

The Federal law provides the framework of the basic program through the device of a Federal tax with tax offset for payments under a State law approved as meeting certain minimum conditions. The conditions for approval of a State law do not include any pertaining to benefit formulas, except the broad requirement that the benefits must be cash, and payable on account of unemployment. State benefit formulas and other conditions for receipt of benefits vary widely. All State unemployment insurance laws, however, base weekly benefits on the individual's past earnings, up to a statutory maximum payment; they all require a certain amount of past employment to qualify for benefits. Benefits are paid only for weeks with respect to which the individual meets prescribed tests of current labor force attachment; benefits may be postponed or reduced because of certain actions (or failures to act) on the part of the claimant.

In the prosperous year of 1964, about 7.7 million different individuals filed unemployment insurance claims under the basic program, and 5.5 million of them received at least 1 check. Total benefits paid in the year came to slightly over $2.5 billion.

Since these $2.5 billions were spent immediately for food and rent and other essentials, they protected and helped not only the unemployed beneficiaries and their families, but also the overall purchasing power of the economy.

The benefits did not do as much for either the worker or the economy as they would have if they had reached the recognized goals of providing most regular members of the labor force with assurance that, in case of unemployment, they could receive a benefit which replaces half of their usual weekly wages for a long enough period to cover the unemployment they experience in a year.

The proposed amendments are designed to encourage and assist States in providing benefits which meet these recognized goals. Just as in 1935, some States were discouraged from enacting unemployment insurance laws on an individual basis because of competition from States without such laws, so some States are now held back from providing adequate benefits because of the same fear. The provisions for benefit standards would restore the Federal unemployment tax to its originally intended role of minimizing interstate tax disadvantages resulting from unemployment insurance action.

The proposed Federal benefit standards cover the three major elements of the benefit formula—qualifying requirements, benefit amount, and duration. The standards are set in terms of the goals stated above.

Regular members of the labor force are, in effect, defined as those workers with 20 weeks of work (or its equivalent as defined) by the requirement that no one with this much past employment can be excluded from benefits. A particular State may have groups of workers, for whom it is desired to provide benefit protection, who work somewhat less than 20 weeks. The standard does not preclude the State from making such workers eligible.

Weekly benefits must be at least half of average weekly wages, up to a maximum set high enough that most workers can have their benefits set by their own wages, rather than by the statutory maximum. In order to achieve this result, the maximum must be set substantially above 50 percent of the average wage in the State. When benefit payments began in 1939, the maximums were high in relation to average wages—over 50 percent in all but 2 States, over 60 percent in 34 States, 66⅔ and better in 22 States and 75 percent or better in 12 States. As a consequence, fewer than one-fourth of all beneficiaries received the maximum weekly benefit.

In 1964, the maximums, although much higher in dollars, were much lower in relation to average wages—50 percent or more in only 13 States in 1964 (3 more added in 1965), with 60 percent in only 1 State, the highest percent. Nationally, 46 percent of new insured claimants were eligible for the maximum in their State, and in 13 States, 60 percent or more of them were at the maximum. The standard to be established is an eventual maximum of 66⅔ percent of statewide average wages. Because current maximums are so low, the requirement is provided in three steps—to 50 percent in 1967, 60 percent in 1969, and 66⅔ percent in 1971.

Those workers who have 20 weeks of base period work, or equivalent, would have to be provided with 26 weeks of benefits in a year. Such duration would assure that most workers have some income throughout their periods between jobs.

States are free to participate in the Federal-State program, receiving administrative grants and some tax credit for employers, whether or not they meet these benefit standards. If the State meets the standards, employers will continue to receive the 2.7-percent tax offset, regardless of their State tax rate, or the average cost of benefits in their State. If the State does not meet the standards, the tax credit of employers is limited to the 4-year average cost of the actual protection being provided. Thus, a State cannot obtain a reduction in taxes paid by its employers at the expense of its unemployed workers.

The addition of benefit standards will not change the Federal-State nature of the program. States will continue to have wide latitude in developing benefit formulas. Most present formulas for computing weekly benefits would be acceptable simply by extending them to a higher maximum; only a very few States now require more than 20 weeks of work to qualify for benefits; and the average potential benefit of all 1964 beneficiaries was 24 weeks. States can experiment with new approaches, but the experimentation must still result in benefits adequate to meet the program's objectives.

The financing of the program is strengthened by provision for partial Federal financing of high-benefit costs and by the increase in the amount of wages subject to the tax.

A State with benefits meeting the standards which experiences benefit costs for a year in excess of 2 percent of all wages in covered employment will be entitled to a Federal grant equal to two-thirds of such excess cost. This grant is a recognition of the fact that the uneven incidence of unemployment between States is in part a result of national policies and national forces. It also operates to minimize interstate tax competition as a factor in shaping unemployment insurance provisions.

The wage base, set at the first $3,000 of a worker's annual wages in 1939, would be increased to $5,600 for calendar years 1967 through 1970, and $6,600 thereafter (same as the House-passed change in the OASDI wage base, except for delay in effective date to 1967 to permit State action). This wage base increase is long overdue. With the $3,000 wage base, only about 53 percent of all covered wages are taxable, and the proportion is steadily decreasing. At the same time, the increasing wages produce higher benefits. The resulting squeeze at the State level leads to declining State reserves, to increasing employer tax rates—and increasing inequity in the tax incidence between employers—and to pressures against adequate benefits. It leads also to variations between employers in the net Federal tax as a percentage of total payroll, and to inadequate funds for program administration.

In 1939, the unemployment insurance wage base was reduced from total wages to the first $3,000 of annual wages for the sole purpose of comparability with OASDI—a comparability that was lost long ago. There is now urgent need to increase the unemployment insurance wage base to a level reasonably related to current wage rates. Since the OASDI base is selected on that basis, it would seem to be appropriate to bring the two into agreement again.

States are expected to accept the Federal wage base, but to adjust their tax schedules so that the increase in taxes paid by individual employers would not be as great as the change in base might indicate.

This adjustment in schedules would be facilitated by repeal of the Federal provisions governing the way in which State rates under pooled fund laws may be reduced below 2.7 percent. Full credit for reduced rates under an approved law would be given, no matter how the State determines employer tax rates. This would give States complete freedom in the revision of tax rates to fit the new wage base.

In 1963, 76 of every 100 jobs were covered under unemployment insurance. The noncovered fourth contained approximately 15 million jobs. About 5 million of them would be added by the proposed extensions of the FUTA to employers regardless of size, to most employees of nonprofit religious, charitable, and educational organizations, to agricultural workers on farms using 300 man-days of hired farm labor in a quarter, to workers in agricultural processing, and to certain agent-drivers and commission salesmen. Of the remaining 10 million excluded workers, 6.4 million are employees of States and their political subdivisions and instrumentalities.

The program is weakened also by State limitations on payments to claimants who are in another State, and by increasingly harsh disqualifications—such as a recently enacted one which requires complete wiping out of all benefit protection for anyone who has refused an

offer of work at any time in the 12 to 15 months before he first claimed benefits. These restrictions on protection would be curbed by new requirements which must be met for participation in the Federal-State program.

States would be prohibited from denying or reducing benefits because the claim was filed in, or the claimant resides in another State or Canada. To date, participation in the interstate benefit arrangements has been voluntary. In the last several years, however, limitations on payments to interstate claimants have begun to creep into the program. With the increasing volume of interstate migration, such restrictions can seriously undermine the Federal-State approach. While the proposed requirement does not deal with all the possible forms of discrimination against interstate claimants, it does prohibit the most pointed ones.

Another new requirement would prohibit States from denying benefits to an otherwise eligible individual because he was taking training which the agency approved for him. About half the States do not pay unemployment insurance to an individual taking full-time training. When MDTA allowances are not available, denial of unemployment insurance puts financial pressure on a worker to continue a search for work, which may be futile, until his benefits are exhausted, rather than enter training which would increase his employability.

The proposal would also put limits on the consequences which could be imposed as a result of a disqualifying act. Benefits could not be reduced, or benefit rights cancelled, as a penalty for a disqualifying act such as a refusal of work. The period of disqualfication, except in cases of fraud, labor dispute, and conviction of a crime arising in connection with work, would be limited to a postponement of benefits for the 6 weeks following the week in which the act was committed, since on the average, a worker could expect to find a job within 6 weeks. The purpose of the disqualification is to avoid payment of benefits for unemployment due to the claimant's voluntary act, without removing his protection for unemployment due to the economic situation.

On the other hand, several provisions of the bill are aimed at assuring that benefits are paid only to those who should be entitled to them in terms of the program's objectives. The qualifying earnings requirement included in the benefit standards is intended not only to prevent the establishment of too high a requirement but also to encourage raising requirements which are too low, without preventing State recognition of special situations. In addition to encouraging a reasonable degree of past attachment, another provision of the bill would require denial of benefits in a second benefit year to those who have not worked since the beginning of a first benefit year.

In this category also is the bill's amendment to the Social Security Act providing for training of State unemployment compensation staff and potential staff, in order to increase the effectiveness and efficiency of the program's administration. One object of such training is to better equip the staff to make the difficult decisions involved in applying the availability for work requirement and other tests of current eligibility. Such improvement should reduce the number of cases in which benefits are paid to workers who have withdrawn from the labor force, for whatever reason. Individual determination of labor force status is more in line with the basic concepts of the program

than is blanket ineligibility of broad categories, such as recently married women, pregnant women, or claimants receiving pensions. Many women work after marriage, even during pregnancy, and many workers continue in the labor force until long after 65. In certain situations, these workers may have particular difficulties in finding work, but the test of benefit entitlement should be their willingness and desire to work. Increasing the number of trained staff will also help the State agencies do a better job in determining employer liability, collecting taxes, and will result in a generally tightened administration.

Some of the criticisms of the program arise from misunderstanding and lack of public understanding, while others deal with problem areas on which facts are limited. The bill provides for a comprehensive research program the results of which are to be made available publicly, and for a 2-year study of the program by a Special Advisory Commission, to be appointed 3 years from now.

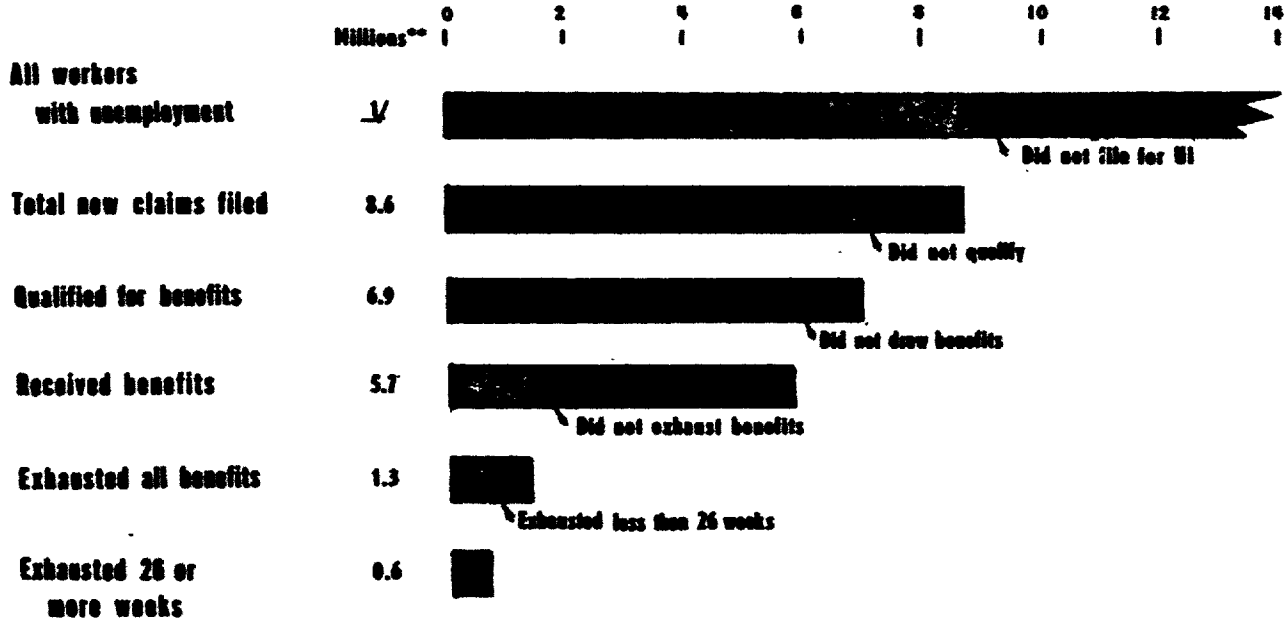
Both of these activities should lead to better public understanding of the program, and to recommendations based on facts for dealing with problem areas still remaining.

With these changes, the Federal-State unemployment insurance system will be stronger and more adapted to the present economy. Currently, only about 40 percent of the unemployed are drawing unemployment benefits, and they are receiving more nearly one-third than one-half of their past wages. The 60 percent who are not receiving payments include substantial numbers who are unprotected because their benefits have run out, because their prior jobs were not covered or because their protection was reduced or eliminated by a disqualifying act now long past—all situations dealt with by the amendments. Enactment of the Mills-McCarthy bill would raise the proportion of lost wages being replaced, and increase the proportion of the unemployed receiving benefits.

SELECTED CHARTS AND TABLES

The following charts and tables were prepared by the Department of Labor on S.1991.

UNEMPLOYMENT AND UI CLAIMS -- 1964*



1/ Not yet available for 1964; in 1963, was over 3 million higher than number filing new claims
* Total number for the year
** Excludes small number of claims under railroad UI program

July 8, 1965

CHART 1

TABLE 2.—*Number and percentage of beneficiaries who exhausted benefits and duration of benefits for exhaustees, 1958–65*

Year	All exhaustees			Exhaustees receiving benefits for—			
				26 weeks or more		Less than 15 weeks	
	Number (thousands)	Percent of all beneficiaries	Average actual duration (weeks)	Number (thousands)	Percent of all exhaustees	Number (thousands)	Percent of all exhaustees
1958	2,509	33	21.7	1,195	47	397	15
1959	1,765	28	21.7	766	46	288	16
1960	1,589	26	21.4	683	44	278	18
1961	2,490	31	21.8	1,103	48	388	17
1962	1,721	28	21.6	761	47	305	19
1963	1,654	25	21.6	736	48	288	19
1964	1,443	24	21.9	660	49	249	18
1965 (fiscal year)	1,271	22	21.6	577	48	223	19

TABLE 3.—*States providing duration of unemployment insurance protection in excess of 26 weeks—1964*

State	Maximum duration (weeks)	Percent of claimants eligible for—	
		27 or more weeks	Maximum duration
District of Columbia	34	75	55
Louisiana	28	55	49
Massachusetts	30	64	51
New Mexico	30	85	76
Oklahoma	30	57	10
Pennsylvania [1]	30	98	90
Utah	36	48	37
Washington	30	76	55
Wisconsin	34	68	49

[1] Pennsylvania adopted a variable duration provision with a maximum of 30 weeks, effective July 1, 1964, in place of its uniform 30-week duration.

TABLE 4.—*State provisions for temporary extension of benefit duration, December 1965, and periods when extensions were operative, 1961–65*

State [1]	Conditions required to initiate extended program	Duration of extended benefits	Periods during which extended benefits were paid
California	Insured unemployment rate averages 6 percent or more for 3-month period.	6 to 13 weeks	February to November 1961. March to August 1962. April to September 1963. April to September 1964. March to September 1965.
Connecticut	Insured unemployment rate is 6 percent or more in 3 of last 10 weeks.	5 to 13 weeks	February to October 1961.
Hawaii	Total unemployment rate is 6 percent or more (on a county basis).	13 weeks	Program has never been in effect.
Idaho	Insured unemployment rate is 6 percent or more in prior month and proportion of claimants exhausting is 10 percent higher than average of preceding 7 years.	5 to 13 weeks	February to April 1961. January to April 1962. February to July 1963.
Illinois	Insured unemployment rate is 5 percent or more in each of 2 consecutive months.	do	February to July 1961. March to June 1962. March to June 1963.
North Carolina	Insured unemployment rate averages 9 percent or more in 3 of the last 4 weeks.	8 weeks	Program has never been in effect.
Pennsylvania [1]	Exhaustions during 13-week period exceed 1.75 percent of average monthly covered employment.	9 to 15 weeks	Do.
Puerto Rico [1]	Total unemployment reaches specified levels during 12-month period (on an industry, occupation or establishment basis).	42 weeks	September 1963 to present.[2]
Vermont	Insured unemployment rate exceeds 7 percent in each of 4 consecutive weeks.	13 weeks	January to June 1961. March to May 1962. February to May 1963. January to May 1964.

[1] Temporary extension provisions were included in all these State laws as of 1961, except for Pennsylvania (enacted 1964) and Puerto Rico (enacted 1963).

[2] In a few industries, occupations, or establishments. Extensions terminate as determined by Puerto Rico Secretary of Labor.

TABLE 5.—*Matching grants for excess costs—States potentially eligible for grants, 1958–64*

Calendar year	Number of States with cost rate [1] of—	
	Over 2 percent [2]	1.5 to 2 percent [3]
1958	19	14
1959	2	11
1960	2	17
1961	12	16
1962	2	8
1963	1	12
1964	1	7

[1] Cost rate: Benefits paid as a percentage of total wages in covered employment.
[2] All States with cost rates over 2 percent would have been eligible (assuming benefit requirements were met).
[3] With benefit standards, some of these States would also have been eligible if higher benefits raised costs above 2 percent.

TABLE 6.—*Matching grants for excess benefit costs—Potential impact of grants on State financing*

[Expressed as percentages of total wages]

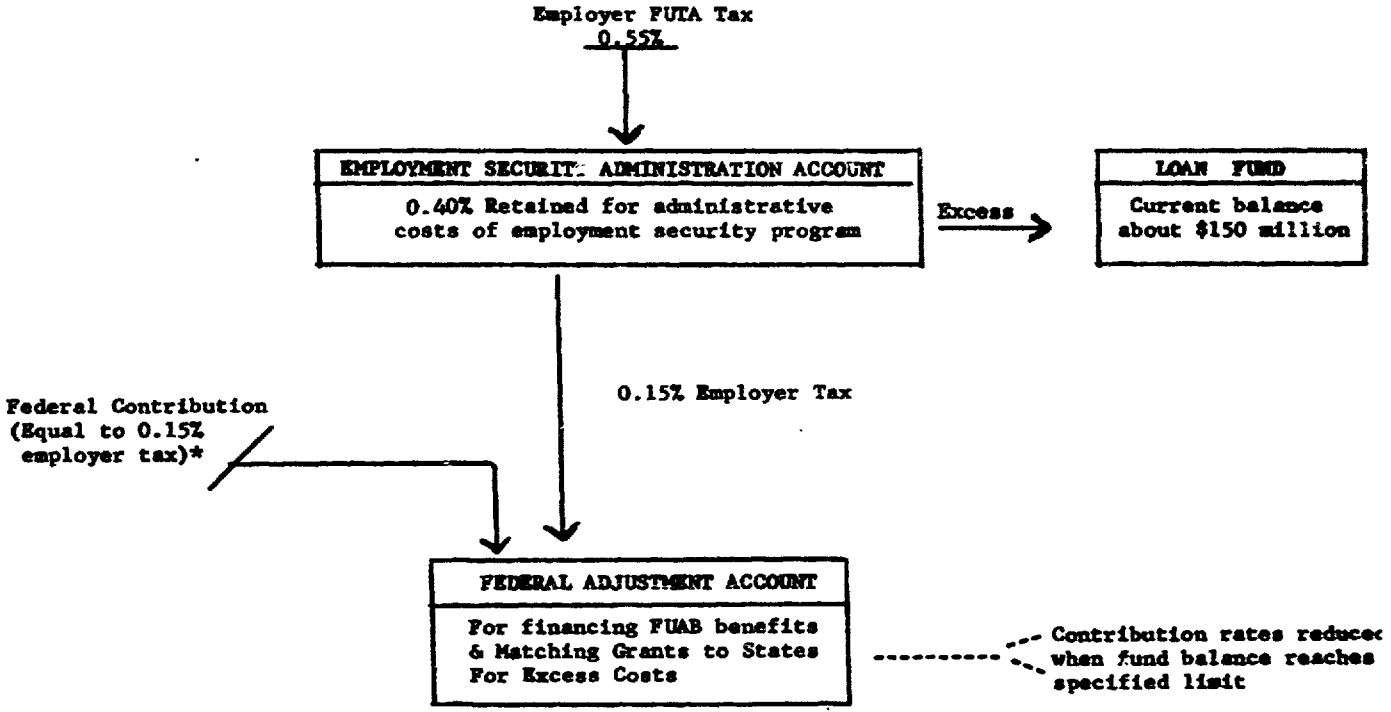
Actual benefit cost (percent)	Excess cost (A–2.0 percent)	Excess cost financed by—		Net cost financed by State funds (2.0 percent+D)
		Federal grant (⅔ of B)	State funds (⅓ of B)	
(A)	(B)	(C)	(D)	(E)
2.00	0	----	----	2.00
2.50	.50	0.33	0.17	2.17
3.00	1.00	.67	.33	2.33
3.50	1.50	1.00	.50	2.50
4.00	2.00	1.33	.67	2.67

Under the matching grants program proposed in S. 1991 eligible States with cost rates in excess of 2.0 percent of total wages in covered employment would receive Federal grants for each calendar year in which such costs were experienced. The Federal grant would be equal to ⅔ of such excess.

Col. C (above) shows the grant expressed as a percentage of total wages. For example, a State with a cost rate of 4.0 percent would be eligible for a grant equal to 1.33 percent of wages. (Alaska experienced a cost rate of 3.9 percent in 1958 and 4.5 percent in 1954.)

The State would be required to finance the remaining ⅓ of the excess (col. D) plus all costs up to the 2.0 percent level. Thus, the State with a 4.0 percent cost rate would finance benefit costs equal to 2.67 percent of wages (col. E) instead of the full 4 percent as at present.

This sharing of excess benefit costs between State and Federal funds will require lower reserve balances than now needed and would alleviate the tax burden on employers in high cost States.



* The Bill authorizes appropriations equal to the 0.15% employer tax. However, only those amounts needed to defray 50 percent of program costs are actually transferred to the Federal Adjustment Account.

CHART 7

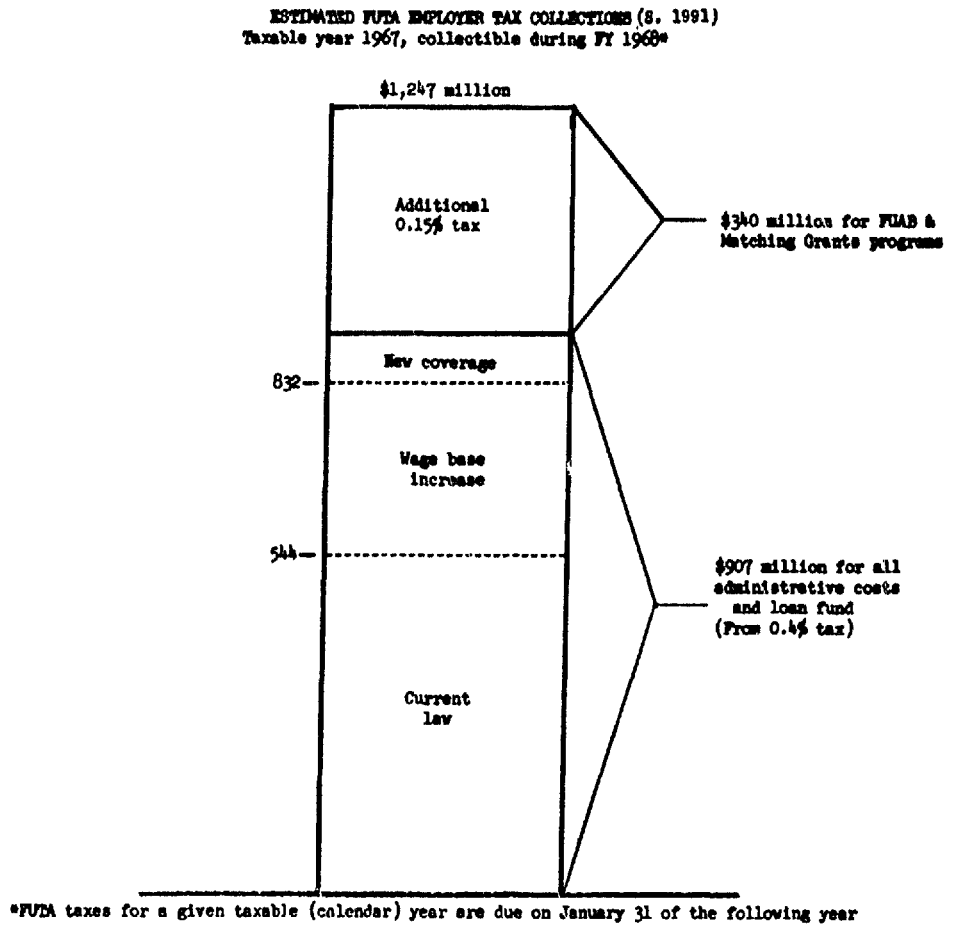


CHART 8

TABLE 9.—*Estimated Federal unemployment tax collections under S. 1991 and under current provisions, fiscal years 1966–72*

[Assumes average insured unemployment rate of 3.4 percent]

Taxable (calendar) year	Taxes collected during fiscal year—	Current law[1]—estimated collections (millions)	Proposed under S. 1991				
			Wage base	Net tax rate (percent)[2]	Estimated tax collections (millions)		
					Total	Currently covered employers	Newly covered employers[3]
1965	1966	$518	$3,000	0.40	$518	$518	----------
1966	1967	532	3,000	[4].55	592	592	----------
1967	1968	544	5,600	.55	1,247	1,144	$103
1968	1969	560	5,600	.55	1,282	1,177	105
1969	1970	572	5,600	.55	1,323	1,216	107
1970	1971	584	5,600	.55	1,364	1,254	110
1971	1972	596	6,600	.55	1,513	1,397	116

[1] Net Federal tax of 0.40 percent on a $3,000 wage base.
[2] Under the proposal, net Federal tax is reduced from 0.55 percent to 0.50 percent when balance in Federal adjustment account totals $850,000,000, or 0.35 percent of taxable payroll, whichever is greater.
[3] Represents taxes from proposed extension of coverage, effective Jan. 1, 1967 (small firms, nonprofit organizations, agricultural processing, large firms, OASI definition of employee).
[4] Effective July 1, 1966.

TABLE 10.—*Estimated Federal unemployment tax collections and Federal general revenue under S. 1991, fiscal years 1966–70*

[Assumes average insured unemployment rate of 3.4 percent. In millions]

Fiscal year	Amount available for financing of—			
	Employment security administrative costs (employer FUTA tax at 0.40 percent)	FUAB and matching grants programs		
		Total	Employer FUTA tax at 0.15 percent	Federal general revenue[1] at 0.15 percent
1966	$518	(2)	(2)	(2)
1967	532	$120	$60	$60
1968	907	680	340	340
1969	932	700	350	350
1970	962	720	360	360

[1] Represents estimated amounts of appropriations authorized for this purpose in the proposed legislation. Under the bill, however, only the amounts required to defray half the current benefit costs of the new Federal programs would be transferred monthly to the Federal adjustment account. The remainder would be held available for subsequent use.

[2] Additional FUTA tax of 0.15 percent effective on wages beginning July 1, 1966, is first payable Jan. 31, 1967.

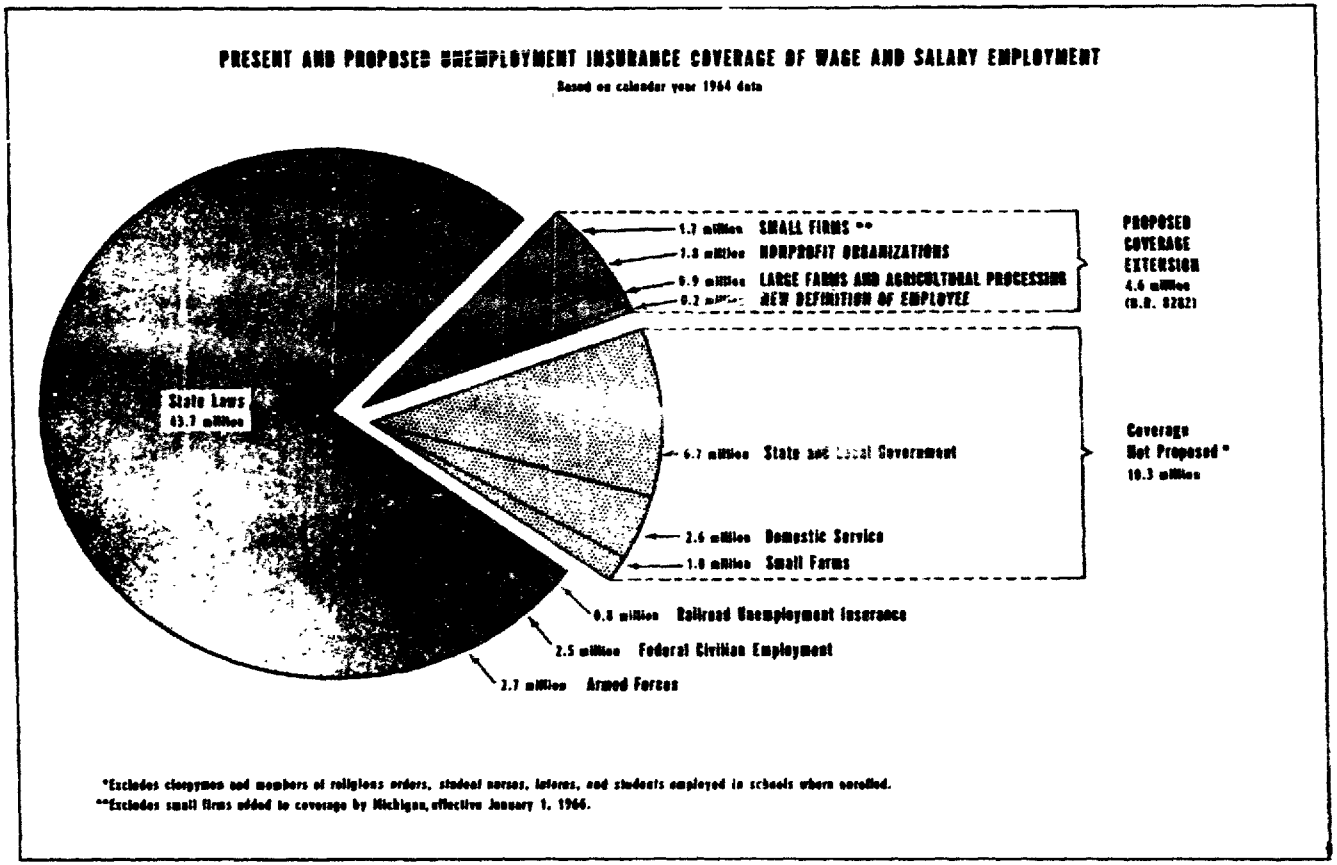
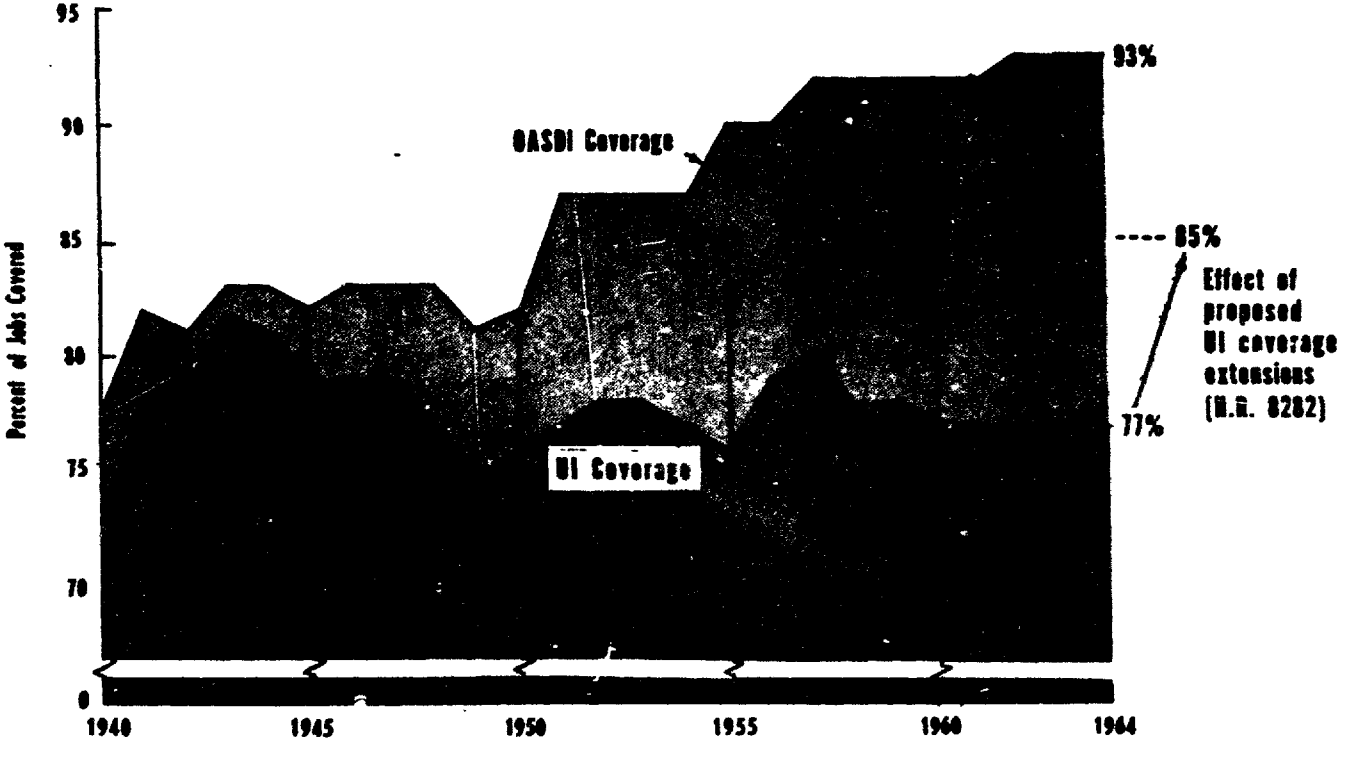

PRESENT AND PROPOSED UNEMPLOYMENT INSURANCE COVERAGE OF WAGE AND SALARY EMPLOYMENT
Based on calendar year 1964 data
State Laws
63.7 million
1.7 million SMALL FIRMS **
1.8 million NONPROFIT ORGANIZATIONS
0.9 million LARGE FARMS AND AGRICULTURAL PROCESSING
0.2 million NEW DEFINITION OF EMPLOYEE
PROPOSED COVERAGE EXTENSION
4.6 million
(H.R. 8282)
6.7 million State and Local Government
2.6 million Domestic Service
1.0 million Small Farms
Coverage Not Proposed *
10.3 million
0.8 million Railroad Unemployment Insurance
2.5 million Federal Civilian Employment
2.7 million Armed Forces
*Excludes clergymen and members of religious orders, student nurses, interns, and students employed in schools where enrolled.
**Excludes small firms added to coverage by Michigan, effective January 1, 1966.
UNITED STATES DEPARTMENT OF LABOR
Manpower Administration
Bureau of Employment Security
Unemployment Insurance Service

CHART 11

UI has lagged increasingly behind OASDI in the coverage of wage and salary employment*



*Excludes civilian and military employment in federal government

December 1965

CHART 12

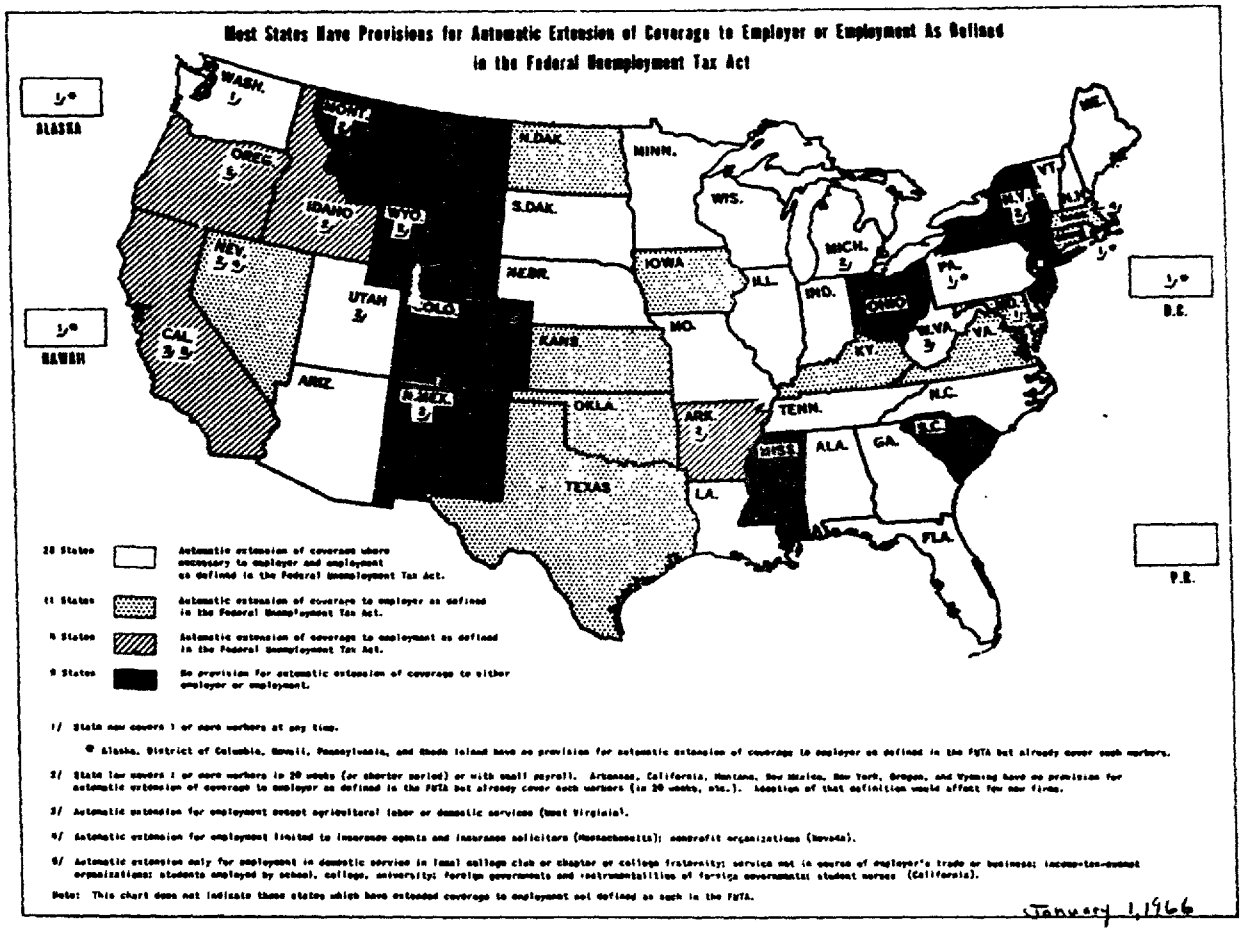

Most States Have Provisions for Automatic Extension of Coverage to Employer or Employment As Defined in the Federal Unemployment Tax Act
ALASKA
HAWAII
D.C.
P.R.
WASH.
OREG.
CAL.
IDAHO
NEV.
UTAH
ARIZ.
MONT.
WYO.
COLO.
N.MEX.
N.DAK.
S.DAK.
NEBR.
KANS.
OKLA.
TEXAS
MINN.
IOWA
MO.
ARK.
LA.
WIS.
ILL.
MICH.
IND.
OHIO
KY.
TENN.
MISS.
ALA.
GA.
FLA.
S.C.
N.C.
VA.
W.VA.
PA.
N.Y.
VT.
ME.
20 States
Automatic extension of coverage where necessary to employer and employment as defined in the Federal Unemployment Tax Act.
11 States
Automatic extension of coverage to employer as defined in the Federal Unemployment Tax Act.
4 States
Automatic extension of coverage to employment as defined in the Federal Unemployment Tax Act.
9 States
No provision for automatic extension of coverage to either employer or employment.
1/ State now covers 1 or more workers at any time.
* Alaska, District of Columbia, Hawaii, Pennsylvania, and Rhode Island have no provision for automatic extension of coverage to employer as defined in the FUTA but already cover such workers.
2/ State law covers 1 or more workers in 20 weeks (or shorter period) or with small payroll. Arkansas, California, Montana, New Mexico, New York, Oregon, and Wyoming have no provision for automatic extension of coverage to employer as defined in the FUTA but already cover such workers (in 20 weeks, etc.). Adoption of that definition would affect few new firms.
3/ Automatic extension for employment except agricultural labor or domestic services (West Virginia).
4/ Automatic extension for employment limited to insurance agents and insurance solicitors (Massachusetts); nonprofit organizations (Nevada).
5/ Automatic extension only for employment in domestic service in local college club or chapter or college fraternity; service not in course of employer's trade or business; income-in-excess organizations; students employed by school, college, university; foreign governments and instrumentalities of foreign governments; student nurses (California).
Note: This chart does not indicate those states which have extended coverage to employment not defined as such in the FUTA.
January 1, 1966

CHART 13

TABLE 14.—*Distribution of States by minimum size of firms covered under State unemployment insurance laws, selected dates, 1937–65*

Size of firm coverage (number of workers) [1]	Number of States with specified size-of-firm coverage on—					
	Dec. 31, 1937	Dec. 31, 1945	Dec. 31, 1950	Dec. 31, 1955	Dec. 31, 1960	Dec. 31, 1965
Total	51	51	51	51	51	52
8 or more	[2] 31	[2] 23	[2] 23	0	0	0
7 or more	1	0	0	0	0	0
6 or more	0	2	2	0	0	0
5 or more	1	0	0	0	0	0
4 or more	6	7	7	[3] [4] 29	[2] 27	[3] [4] 27
3 or more	2	2	2	3	4	4
2 or more	0	0	0	1	0	0
1 or more	10	[5] 17	[5] 17	[5] 18	[5] 20	[5] 21

[1] In most States, specified number of workers must be employed for a stated period during a calendar year (usually 20 weeks). In some States the size of an employer's payroll is an alternative, additional, or sole factor in establishing whether or not he is subject.

[2] Includes Kansas: also employers with 25 workers in 1 week; and Kentucky: also employers with 4 workers in 3 quarters of preceding year and $50 per quarter for each worker.

[3] Federal law amended in 1954 reducing minimum size of firm subject to coverage from 8 or more to 4 or more.

[4] Includes West Virginia: also employers with 10 workers in 3 weeks.

[5] Includes Minnesota: services for employers not subject to Federal unemployment tax and located outside the corporate limits of a city, village, or borough of 10,000 population are excluded; and New Mexico: employers with $450 quarterly payroll, or 2 in 13 weeks.

TABLE 15.—*Employment in nonprofit organizations covered under old-age, survivors, and disability insurance (OASDI),* [1] *by type of organization, March 1959*

Type of nonprofit organization	Employment	Percent distribution
Total employment	1,645,000	100
Hospitals	801,000	49
Colleges and universities	208,000	13
Religious organizations	188,000	11
Charities	97,000	6
Civic-social clubs	83,000	5
Elementary and secondary schools	79,000	5
Other health services	35,000	2
All other	153,000	9

[1] Social security coverage of nonprofit employment, which is available on an elective basis, includes some 90 to 95 percent of the employment eligible for coverage. The nonprofit organizations and employees eligible for coverage under social security are approximately the same as those who would be covered by unemployment insurance under the current proposal.

Source: Social Security Administration, Department of Health, Education, and Welfare.

TABLE 16.—*Number of farms, hired farmworkers, and man-days of farm labor, for all farms and farms using 300 man-days of hired farm labor, May 1963*

Item	United States	Southern (12 States)	North central (12 States)	Other regions (24 States)
Number of farms:				
All farms [1]	3,589,000	1,637,000	1,425,000	527,000
Farms using 300 or more man-days of hired farm labor [2]	78,000	41,000	6,000	31,000
Percent of all farms	2	3	(3)	6
Hired farmworkers in survey week, May 1963 [4]:				
On all farms	1,807,000	922,000	302,000	583,000
On farms using 300 or more man-days of hired farm labor [2]	758,000	378,000	15,000	370,000
Percent of all farmworkers	42	40	5	63
Man-days of farm labor used in a peak quarter of 1962 (in millions of days):				
On all farms	111	49	12	50
On farms using 300 or more man-days of hired farm labor [2]	75	31	3	41
Percent of all man-days used	67	64	24	81

[1] Represents all farms in United States, including those using no hired farm labor. The 1959 Census of agriculture indicated that about one-half the farms used some hired farm labor during that year.
[2] Farms which used 300 or more man-days of hired farm labor during the peak quarter of 1962.
[3] Less than 0.5 percent.
[4] Excludes hired farmworkers employed by nonfarm operators such as labor contractors, processors, and owners of specialized equipment.

Source: U.S. Department of Agriculture, special tabulations from June 1963 Enumerative Survey published in Hired Farm Workers, WHPC, Department of Labor.

NOTE.—Southern States include Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia.

North Central States include Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsn.

Other regions include all States in New England, New Jersey, New York, Pennsylvania, Maryland, Delaware, West Virginia, and Florida in the East, and all States in the Rocky Mountain and Pacific Coast regions (Alaska and Hawaii not covered by survey).

TABLE 17.—*Percentage of wages taxable under State UI laws, 1938–64*

[Amounts in billions]

Calendar year	Wages in covered employment		
	Total	Amount	Percent of total
1938	$26.2	$25.7	[1] 98
1939	29.1	28.4	[1] 98
1940	32.4	30.1	93
1941	42.1	38.7	92
1942	54.8	49.7	91
1943	66.1	59.0	89
1944	69.1	60.6	88
1945	66.6	58.5	88
1946	73.4	63.7	87
1947	86.6	73.0	84
1948	96.1	78.5	82
1949	93.9	76.3	81
1950	103.1	81.5	79
1951	118.7	90.3	76
1952	127.8	94.7	74
1953	139.2	99.6	72
1954	137.1	96.5	70
1955	148.6	101.6	68
1956	164.5	109.8	67
1957	173.6	112.8	65
1958	171.5	109.1	64
1959	186.9	115.3	62
1960	195.1	119.3	61
1961	199.0	119.4	60
1962	212.6	125.5	59
1963	223.0	129.6	58
1964	239.2	136.3	57

[1] Total wages in covered employment subject to State contributions in all States except Michigan and New York, where $3,000 base was in effect during all of 1938 and 1939; Delaware, $3,000 beginning October 1939; and South Carolina, $3,000 beginning July 1939.

TABLE 18.—*Taxable payrolls as percent of total payrolls and average annual earnings of workers covered by the New York State unemployment insurance law, selected industries, 1959–62*

Industry division, group and branch	Taxable payrolls as percent of total payrolls				Average annual earnings			
	1959	1960	1961	1962	1959	1960	1961	1962
All industries	58.3	57.0	55.8	54.5	$5,153	$5,325	$5,485	$5,680
Manufacturing	56.5	54.9	53.6	52.0	5,425	5,618	5,797	6,028
Apparel and other finished fabric products	70.4	69.7	68.7	67.2	4,067	4,174	4,292	4,449
Ordnance and accessories	45.4	44.7	43.2	39.8	7,097	7,227	7,466	8,108
Instruments: photographic and optical goods	48.2	46.8	45.6	43.6	6,504	6,727	6,975	7,247
Other manufacturing	56.1	54.7	53.5	52.5	5,391	5,575	5,746	5,929
Tobacco manufactures	40.1	37.9	38.6	38.3	7,384	7,973	7,722	8,003
Petroleum refining and related industries	35.3	34.9	33.9	33.3	8,817	9,156	9,701	9,756
Leather and leather products	75.8	75.1	74.5	74.0	3,636	3,711	3,788	3,870
Nonmanufacturing	59.5	58.3	57.1	56.1	4,990	5,150	5,303	5,479
Agriculture, forestry and fisheries	78.2	79.1	76.5	75.6	3,878	3,982	4,113	4,219
Transportation and public utilities	55.2	53.2	51.9	51.0	5,796	6,167	6,323	6,614
Pipeline transportation	38.3	39.1	40.1	35.7	8,112	7,900	8,207	8,536
Electric, gas and sanitary services	48.9	45.3	44.0	42.2	6,272	6,726	6,943	7,239
Wholesale and retail trade	59.6	58.7	57.8	56.7	4,622	4,768	4,864	5,008
Wholesale trade	47.4	46.6	45.8	44.5	6,522	6,728	6,850	7,101
Retail trade	70.5	69.5	68.7	67.5	3,663	3,785	3,856	3,964
General merchandise stores	70.1	69.1	69.0	67.9	3,319	3,413	3,455	3,589
Eating and drinking places	83.6	82.7	82.3	81.4	2,957	3,093	3,138	3,228
Services	62.6	61.8	60.7	59.6	4,464	4,612	4,759	4,903
Hotels and other lodging places	83.6	82.5	81.5	80.1	3,169	3,306	3,389	3,481
Miscellaneous business services	52.7	51.5	51.0	50.4	5,447	5,643	5,804	5,913
Motion pictures	53.9	53.3	51.7	50.2	5,071	5,289	5,572	5,841
Nonprofit membership organizations	55.3	54.4	52.7	51.5	4,876	5,046	5,277	5,408
Private households	89.0	85.3	86.4	84.8	2,855	3,060	3,054	3,154

Source: "Industrial Unemployment Insurance Cost Patterns in New York State, 1959–62," New York State Department of Labor, September 1963.

TABLE 19.—*Statutory provisions for automatic extension of State's taxable wage limit to the amount provided in Federal Unemployment Tax Act, 29 States,*[1] *December 1965*

	State's wage base for calendar 1966		State's wage base for calendar 1966
Alaska	$7,200	Nevada	$3,800
Arizona	3,600	New Hampshire	3,000
Arkansas	3,000	New York	3,000
District of Columbia	3,000	North Dakota	3,000
Florida	3,000	Oklahoma	3,000
Georgia	3,000	Pennsylvania	3,600
Illinois	3,000	Puerto Rico	3,000
Indiana	3,000	Rhode Island	3,600
Kentucky	3,000	South Dakota	3,000
Maine	3,000	Tennessee	3,300
Maryland	[1] 3,000	Utah	4,200
Minnesota	4,800	Vermont	3,600
Mississippi	3,000	West Virginia	3,600
Missouri	3,000	Wisconsin	3,600
Nebraska	3,000		

[1] The laws in the remaining 23 States do not provide for automatic extension of the wage base to that in the Federal law. In Maryland the automatic extension provision is applicable only up to $3,600.

TABLE 20.—*Average employer contribution rates, by State, calendar years 1963–65*

[Rates shown as percentages of taxable and total wages]

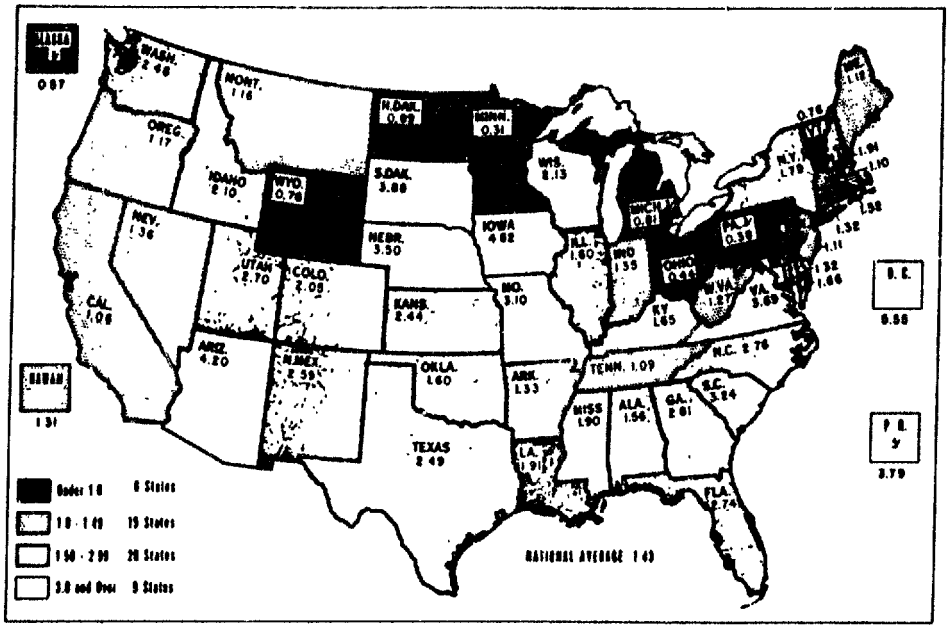
State	Tax base $3,000 except as shown		1965 estimated [1]		1964		1963	
	Tax base	Date	Taxable	Total	Taxable	Total	Taxable	Total
U.S. average			2.1	1.2	2.21	1.26	2.31	1.34
Alabama			1.3	.8	1.60	.98	1.99	1.26
Alaska	$7,200	January 1960	2.9	2.4	2.94	2.39	2.87	2.38
Arizona	3,600	January 1965	1.5	1.0	1.45	.83	1.50	.88
Arkansas			1.6	1.1	1.49	1.04	1.46	1.04
California	3,800	January 1962	3.0	1.9	3.02	1.83	3.05	1.90
Colorado			1.3	.7	1.59	.89	1.33	.76
Connecticut			2.1	1.1	2.10	1.09	2.09	1.12
Delaware	3,600	January 1955	1.8	1.0	2.19	1.22	2.36	1.35
District of Columbia			1.1	.6	.89	.48	.88	.49
Florida			1.2	.8	1.33	.81	1.40	.88
Georgia			1.3	.8	1.30	.82	1.37	.89
Hawaii	4,200	January 1965	2.0	1.5	2.25	1.51	1.70	1.21
Idaho	3,600	January 1963	2.2	1.5	2.17	1.48	2.15	1.51
Illinois			1.3	.7	1.93	.98	2.05	1.07
Indiana			1.1	.6	1.22	.65	1.26	.69
Iowa			.7	.4	.77	.44	.80	.46
Kansas			1.4	.8	1.43	.82	1.25	.74
Kentucky			1.7	1.0	1.92	1.14	2.04	1.25
Louisiana			2.0	1.2	1.94	1.13	1.97	1.17
Maine			1.9	1.3	1.99	1.29	2.12	1.41
Maryland			2.5	1.5	2.85	1.63	3.15	1.85
Massachusetts	3,600	January 1962	2.6	1.7	2.70	1.68	2.49	1.61
Michigan	3,600	April 1963	2.3	1.3	2.43	1.44	2.96	1.66
Minnesota			1.3	.7	1.35	.72	1.40	.78
Mississippi			1.6	1.1	2.25	1.59	2.34	1.66
Missouri			1.4	.8	1.42	.77	1.47	.82
Montana			1.5	.9	1.52	.95	1.53	.97
Nebraska			1.0	.6	1.26	.74	1.23	.78
Nevada	3,800	April 1965	2.0	1.4	2.70	1.71	2.70	1.77
New Hampshire			1.7	1.1	1.65	1.04	1.61	1.05
New Jersey			2.3	1.2	2.36	1.21	2.43	1.29
New Merico			1.3	.8	1.31	.78	1.32	.81
New York			3.0	1.6	2.69	1.39	3.24	1.73
North Carolina			1.4	1.0	1.52	1.02	1.61	1.12
North Dakota			2.4	1.5	2.42	1.51	2.48	1.55
Ohio			2.4	1.3	2.86	1.45	2.09	1.10
Oklahoma			1.5	.9	1.50	.87	1.86	1.11
Oregon	3,600	January 1965	1.9	1.3	2.31	1.54	2.70	1.86
Pennsylvania	3,600	January 1964	2.9	1.7	3.06	1.89	3.19	1.79
Puerto Rico			2.7	2.3	2.70	2.23	2.70	2.26
Rhode Island	3,600	January 1956	2.7	1.9	2.70	1.82	2.70	1.87
South Carolina			1.3	.9	1.38	.94	1.42	1.00
South Dakota			.9	.6	1.00	.62	1.13	.71
Tennessee	3,800	January 1963	1.8	1.2	1.77	1.17	1.75	1.18
Texas			.9	.5	.93	.54	.88	.53
Utah	4,200	January 1964	1.5	1.1	1.38	.96	1.96	1.13
Vermont	3,600	....do	2.3	1.6	1.88	1.33	1.74	1.13
Virginia			.7	.4	.91	.56	1.24	.79
Washington			2.7	1.5	2.70	1.44	2.70	1.48
West Virginia	3,600	January 1962	1.2	.8	1.15	.72	2.70	1.74
Wisconsin			1.7	.9	1.54	.82	1.55	.84
Wyoming			2.0	1.3	3.12	1.92	2.88	1.78

[1] Estimates of average rates based on taxable wages prepared by State employment security agencies; estimates based on total wages prepared by Bureau of Employment Security.

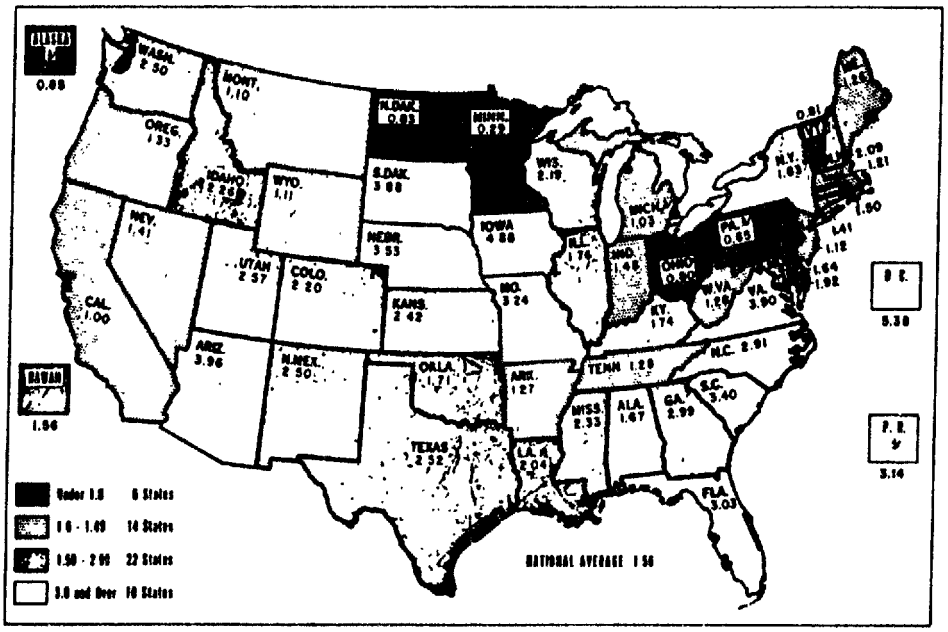
UNEMPLOYMENT INSURANCE SERVICE
Office of Actuarial and Financial Services

STATE RESERVE RATIO[1] AS A MULTIPLE OF HIGHEST 12 MONTH BENEFIT COST RATE[2]

As of June 30, 1964



As of June 30, 1965



1/ Reserves as percent of TOTAL wages.
2/ Highest cost rate (percent of TOTAL wages) during most recent 10 year period
3/ Includes advances from Federal Unemployment Account.
4/ Puerto Rico covered under Federal Unemployment Tax Act, January 1, 1961.

UNITED STATES DEPARTMENT OF LABOR
Manpower Administration
Bureau of Employment Security
Unemployment Insurance Service

CHART 21

TABLE 22.—*Summary of transactions under title XII as of Nov. 10, 1965*

State	Total advances		Repayments made through Nov. 10, 1965	Balance, as of Nov. 10, 1965
	Amount	Date		
Total	$233,755,000	.....	$70,954,994	$162,810,006
Alaska	8,765,000	1957	873,292	7,891,708
Michigan	113,000,000	1958	32,212,702	80,787,298
Pennsylvania	112,000,000	1959	37,869,000	74,131,000

TABLE 23.—*Summary of transactions*[1] *under 1958 TUC Act as of Nov. 10, 1965*

State	Amount made available—to be restored	Amount restored, as of Nov. 10, 1965	Amount still to be restored
Total	$445,626,395	$368,618,561	$77,007,834
Alabama	9,434,137	9,434,137	.....
Alaska	927,731	595,499	332,232
Arkansas	2,794,859	2,794,859	.....
California	54,681,298	54,681,298	.....
Delaware	1,577,465	1,577,465	.....
District of Columbia	1,479,219	1,479,219	.....
Indiana	21,327,282	21,327,282	.....
Maryland	12,426,666	12,426,666	.....
Massachusetts	24,896,630	24,896,630	.....
Michigan	76,202,487	43,112,608	33,089,879
Minnesota	8,335,523	8,335,523	.....
Nevada	905,548	905,548	.....
New Jersey	45,356,740	24,785,682	20,571,058
New York	89,140,241	89,140,241	.....
Pennsylvania	80,963,425	63,943,126	17,020,299
Rhode Island	5,735,828	5,018,000	717,828
West Virginia	9,441,316	4,164,778	5,276,538

[1] Not including additional expenditures incurred in the collection of Federal taxes in States where restoration is accomplished by reduction in credit against the Federal tax; such additional expenditures are deducted from current additional Federal taxes before crediting against remaining balance to be restored.

TABLE 24.—*FUTA tax rates for States with unrestored 1958 TUC and/or title XII outstanding advances, as of Dec. 1, 1965*

State	1965 wages, payable Jan. 31, 1966				1966 wages, payable Jan. 31, 1967			
	Total	Basic	TUC	Title XII	Total	Basic	TUC	Title XII
Alaska	0.85	0.40	0.30	0.15	0.55	0.40	.....	0.15
Michigan	.40	.40	(1)	(1)	.85	.40	.30	.15
New Jersey	.70	.40	.30	.....	.70	.40	.30	.....
Pennsylvania	.40	.40	(1)	(1)	.85	.40	.30	.15
Rhode Island	.40	.40	(1)	.....	.70	.40	.30	.....
West Virginia	.70	.40	.30	.....	.70	.40	.30	.....

[1] No increase in net FUTA tax since State elected to take advantage of installment feature of Public Law 88-173.

TABLE 25.—*FUTA tax rates for Alaska, Michigan, and Pennsylvania (assuming restoration of title XII and TUC funds is not made prior to Nov. 10 of taxable year)*

Taxable year	All States basic FUTA and TEUC	Alaska			Michigan			Pennsylvania		
		Title XII	TUC	Total	Title XII	TUC	Total	Title XII	TUC	Total
1963	0.65	0.15	0.15	0.95	0.15	0.15	0.95	(1)	(1)	0.65
1964	.40	.15	.30	.85	(1)	.30	.70	(1)	(1)	.40
1965	.40	.15	.30	.85	(1)	(1)	.40	(1)	(1)	.40
1966	.40	.15	[2].30	.85	.15	.30	.85	0.15	[2]0.30	.85
1967	.40	.15	-------	.55	.15	.30	.85	.15	-------	.55
1968	.40	.30	-------	.70	.30	[2].30	1.00	.30	-------	.70
1969	.40	.45	-------	.85	.45	-------	.85	[2].45	-------	.85
1970	.40	.60	-------	1.00	[2].60	-------	1.00	-------	-------	.40
1971	.40	.75	-------	1.15	-------	-------	.40	-------	-------	.40
1972	.40	.90	-------	1.30	-------	-------	.40	-------	-------	.40
1973	.40	1.05	-------	1.45	-------	-------	.40	-------	-------	.40
1974	.40	1.20	-------	1.65	-------	-------	.40	-------	-------	.40
1975	.40	[2]1.35	-------	1.75	-------	-------	.40	-------	-------	.40

[1] No additional FUTA taxes for taxable year since State elected to take advantage of installment feature of Public Law 88-173.

[2] Amount of taxes at this rate would be more than sufficient to restore remaining balance. All excess taxes would be credited to State account in the trust fund.

TABLE 26.—*State qualifying requirements, December 1965, compared with proposed Federal requirement*

A. STATE QUALIFYING REQUIREMENTS WHICH APPEAR TO MEET ALL CONDITIONS OF PROPOSED FEDERAL REQUIREMENT [1] 28 STATES

State	Current minimum wage or employment qualification [2]	
	Less than 20 weeks of employment or equivalent (18 States)	Equal to 20 weeks of employment or equivalent (9 States)
Alaska	$500; 1¼ × high-quarter wages	
Arizona	$300; 30 × weekly benefit amount	
Colorado	$420; 30 × weekly benefit amount	
Delaware	$210; 30 × weekly benefit amount	
District of Columbia		$276; 1½ × high-quarter wages.
Georgia	$288; 36 × weekly benefit amount	
Hawaii	$150; 14 weeks and 30 × weekly benefit amount.	
Iowa	$300	
Kansas	$300; 30 × weekly benefit amount	
Louisiana	$300; 30 × weekly benefit amount	
Maryland		$360; 1½ × high-quarter wages.
Michigan	$210.14; 14 weeks at $15.01	
Mississippi	$288; 36 × weekly benefit amount	
Missouri	$255; 17 weeks at $15	
Montana		$247; 1½ × high-quarter wages.
Nevada	$528; 33 × weekly benefit amount	
New Jersey	$255; 17 weeks at $15	
New Mexico	$300; 30 to 27+ × weekly benefit amount.	
New York		$300; 20 weeks at $15 average.
Ohio		$400; 20 weeks at $20.
Oklahoma		$300; 1½ × high-quarter wages.
Pennsylvania	$360; 36 × weekly benefit amount	
Puerto Rico	$150; 30 × weekly benefit amount	
Rhode Island		$400; 20 weeks at $20 or $1,200.
South Carolina		$300; 1½ × high-quarter wages.
Tennessee	$432; 36 × weekly benefit amount	
Texas	$375; at least $250 in 1 quarter and $125 in another quarter	
Vermont		$400; 20 weeks at $20.

See footnotes at end of table.

TABLE 26.—*State qualifying requirements, December 1965, compared with proposed Federal requirement*—Continued

B. STATE QUALIFYING REQUIREMENTS WHICH EXCEED THE PROPOSED FEDERAL REQUIREMENT,[1] 2 STATES

State	Current minimum wage or employment qualification [2]
Virginia [3]	$690; 46 × weekly benefit amount
Wyoming	26 weeks with 24 hours and $18 in each; 1½ × high-quarter wages.

C. STATE QUALIFYING REQUIREMENTS WHICH APPEAR TO NEED SOME AMENDMENT TO MEET ALL THE CONDITIONS OF PROPOSED FEDERAL REQUIREMENTS,[4] 22 STATES

1. States with qualifying requirement as a multiple of wba or hqw which basically meets proposed Federal requirement except that the minimum requirement is more than 5 times the Statewide average weekly wage, 6 States:

Alabama	$468; 1½ × high-quarter wages.
Arkansas	$450; 30 × weekly benefit amount.
Idaho	$572; 33+ — 38+ × wages benefit amount.
North Carolina	$550; 1¼ × high-quarter wages.
North Dakota	$600; 40 × weekly benefit amount.
South Dakota	$600; 1½ × high-quarter wages.

2. States with a flat dollar qualifying requirement which requires more than 5 times the Statewide average wage; except in California these States also require more than 40 × the minimum wba,[4] 9 States:

California	$720	Nebraska	$600
Connecticut	750	New Hampshire	600
Illinois	800	Washington	800
Maine (effective April 1966)	600	West Virginia	700
Massachusetts	700		

3. States with a weeks-of-employment requirement so stated that it could result in denial of benefits to individuals who meet the Federal requirements,[4] 3 States:

Florida	20 weeks at $20 average.
Oregon [6]	$700; 20 weeks at $20 average.
Wisconsin	18 weeks at $16 average.

4. States which require a distribution of earnings within the base period which could result in denial of benefits to individuals who meet the Federal requirements, 2 States:

Indiana	$500; with $300 in last 2 quarters.
Kentucky	$343.75; 1⅓ × hqw, with 8 × wba in last 2 quarters.

5. Other:

Minnesota [7]	$520; 17 weeks at $26 (effective July 1966).
Utah [8]	$700; 19 weeks at $20.

[1] The maximum that may be required is: 20 weeks of employment at weekly wages of no more than 25 percent of the statewide average weekly wage (computed at least once each year on aggregate wages during first 4 of last 5 completed calendar quarters); or, in States that use high-quarter wages, total base-period wages that are equal to 1½ times high-quarter wages (hqw) or 30 times weekly benefit amount (wba) and, at the minimum weekly benefit level, represent no more than 5 times the statewide average weekly wage.

[2] Minimum base-period wages and, when required, number of weeks of employment or wages totaling the specified multiple of claimant's high-quarter wages or weekly benefit amount.

[3] In addition to basic requirement of more than 40 times wba, requires minimum qualifying wages of more than 5 times the statewide average weekly wage.

[4] A flat dollar amount requires the same earnings of all workers; it permits some workers with high wage rates to qualify with much less than 20 weeks of work or the equivalent, while it may require a longer period from the low wage workers.

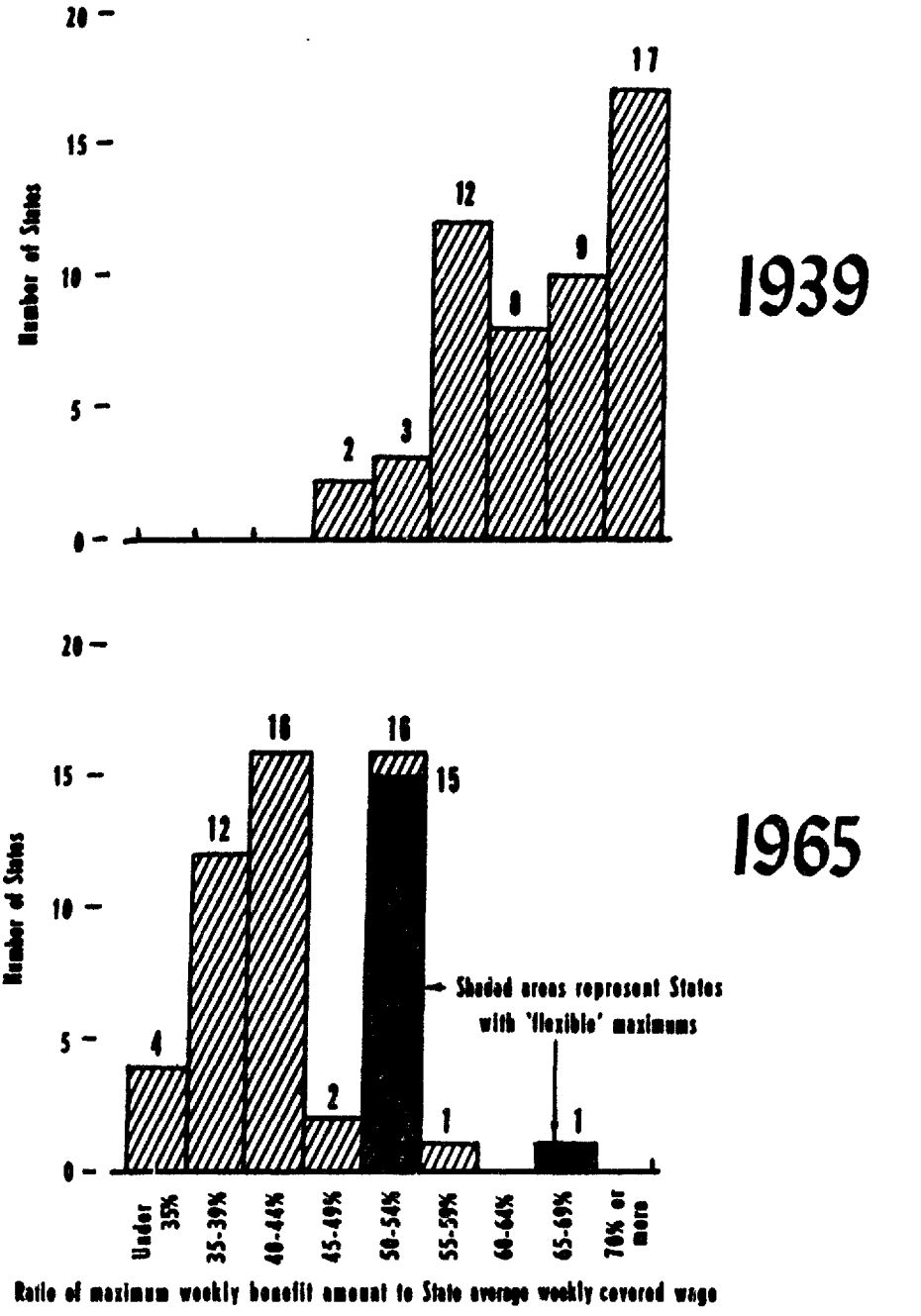
[5] Claimant may have 20 weeks of work with earnings equal to 25 percent of the statewide average weekly wage but have additional weeks at lower earnings which reduce his average wage for weeks worked below the requirement.

[6] In addition, Oregon requires minimum base period earnings of $700 which is more than 5 times the statewide average wage.

[7] It is anticipated that by the time the proposed Federal requirement becomes effective, July 1, 1967, average weekly wages in the State will have increased from $102.94 for 1964 to at least $104 for 1966, so that $26 will not represent more than 25% of the State average.

[8] The basic weeks-of-employment requirement would meet the proposed Federal requirement, but the $700 minimum requirement could result in denial of benefits to individuals who meet the Federal requirements.

Maximum Weekly Benefit Amounts Are Relatively Much Lower Than Earlier Levels



December 1965

CHART 27

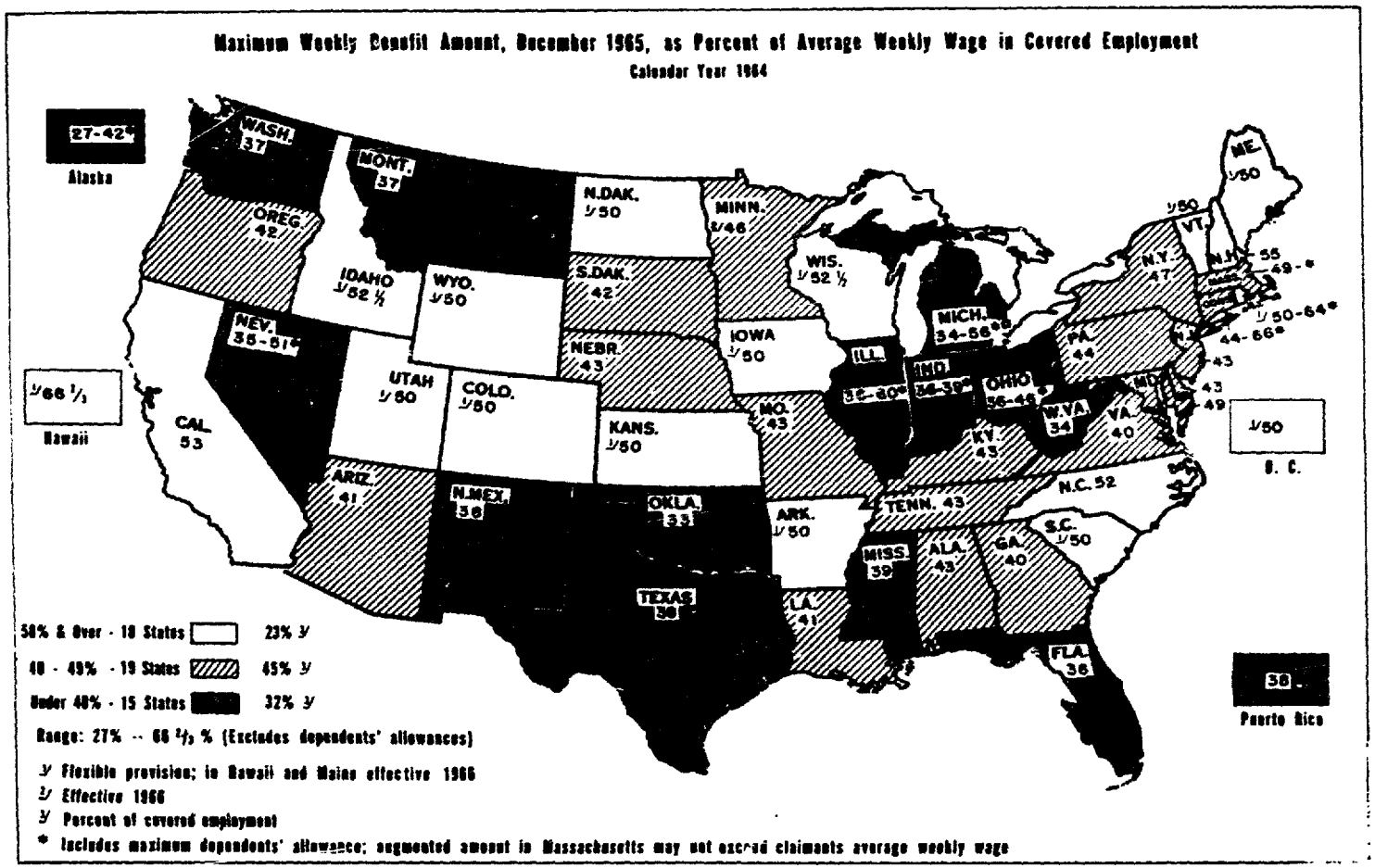

Maximum Weekly Benefit Amount, December 1965, as Percent of Average Weekly Wage in Covered Employment
Calendar Year 1964
27-42*
Alaska
WASH. 37
OREG. 42
MONT. 37
IDAHO 1/52 1/2
WYO. 1/50
NEV. 35-81*
UTAH 1/50
COLO. 1/50
N.DAK. 1/50
S.DAK. 42
NEBR. 43
KANS. 1/50
OKLA. 33
TEXAS 36
MINN. 1/46
IOWA 1/50
MO. 43
ARK. 1/50
LA. 41
WIS. 1/52 1/2
ILL.
MICH. 34-56*
IND. 34-35*
OHIO 36-46*
KY. 43
TENN. 43
MISS. 39
ALA. 43
GA. 40
FLA. 36
S.C. 1/50
N.C. 52
W.VA. 34
VA. 40
PA. 44
N.Y. 47
MD. 43
ME. 1/50
VT. 1/50
N.H. 55
44-66*
1/50-64*
49-*
1/50
D. C.
1/66 2/3
Hawaii
CAL. 53
ARIZ. 41
N.MEX. 38
38
Puerto Rico
50% & Over - 18 States 23% 1/
40 - 49% - 19 States 45% 1/
Under 40% - 15 States 32% 1/
Range: 27% -- 66 2/3 % (Excludes dependents' allowances)
1/ Flexible provision; in Hawaii and Maine effective 1966
2/ Effective 1966
3/ Percent of covered employment
* Includes maximum dependents' allowance; augmented amount in Massachusetts may not exceed claimants average weekly wage

CHART 28

TABLE 29.—*Percentage of new insured claimants eligible for State maximum basic weekly benefit amount, by State, selected years 1939–65*

[In percent]

State	1939 [1]	1950	1959	1965 [2]
Total	26	54	47	46
Alabama	7	45	52	47
Alaska	84	84	52	60
Arizona	32	78	65	60
Arkansas	6	25	34	30
California	26	60	36	44
Colorado	26	58	63	68
Connecticut	16	43	36	46
Delaware	14	41	47	49
District of Columbia	15	46	53	36
Florida	13	67	45	48
Georgia	5	35	33	40
Hawaii	11	32	25	34
Idaho	29	76	56	50
Illinois	48	71	81	71
Indiana	31	73	58	67
Iowa	15	65	71	53
Kansas	28	42	58	53
Kentucky	8	23	48	42
Louisiana	13	52	61	55
Maine	6	5	23	36
Maryland	15	39	50	43
Massachusetts	21	60	27	29
Michigan	53	79	[3]	70
Minnesota	23	14	42	49
Mississippi	4	26	34	44
Missouri	15	60	54	53
Montana	28	69	60	71
Nebraska	12	68	58	66
Nevada	56	60	62	71
New Hampshire	10	23	28	32
New Jersey	22	67	66	36
New Mexico	24	64	56	55
New York	33	56	34	38
North Carolina	2	7	13	14
North Dakota	17	78	74	62
Ohio	19	59	71	62
Oklahoma	27	63	64	52
Oregon	40	38	63	57
Pennsylvania	31	50	49	41
Puerto Rico	[4]	[4]	[4]	52
Rhode Island	17	54	32	44
South Carolina	3	56	38	23
South Dakota	14	61	68	68
Tennessee	6	34	26	34
Texas	18	56	58	46
Utah	25	83	59	52
Vermont	13	28	38	39
Virginia	9	41	46	44
Washington	36	52	39	4[illegible]
West Virginia	9	20	42	35
Wisconsin	17	[3]	48	42
Wyoming	53	78	51	59

[1] For 1939, represents percentage of weeks of total unemployment compensated at the maximum weekly benefit amount ($15, or $16 in Alaska, Michigan, Rhode Island, and Utah, and $18 in Colorado, Hawaii, Idaho, Louisiana, and Wyoming) and therefore understates by a small percentage the proportion of new insured claimants eligible for the maximum.

[2] Data are for year ending June 30, 1965.

[3] Comparable data not available.

[4] No provision for unemployment insurance under Federal-State program.

TABLE 30.—*Increases in maximum weekly benefit amount since Jan. 1, 1964*

State and type of increase	Maximum weekly benefit amount [1]		Maximum as percent of average weekly wage [1 2]	
	Jan. 1, 1964	December 1965	Jan. 1, 1964	December 1965
A. By legislation (23 States):				
Alabama	$32.00	$38	38.0	43.0
Arizona	35.00	43	35.0	41.0
California	55.00	65	48.0	54.0
Connecticut	$45.00–67.00	$50–75	42.0–63.0	44.0–66.0
Hawaii	55.00	[3 4] 63	62.0	67.0
Illinois	38.00–59.00	42–70	34.0–53.0	36.0–60.0
Indiana	36.00	40–43	34.0	36.0–39.0
Iowa	30.00–44.00	[3] 49	32.0–49.0	50.0
Louisiana	35.00	40	39.0	41.0
Maine	34.00	[3 4] 44	42.0	50.0
Maryland [5]	38.00–46.00	48	41.0–50.0	49.0
Massachusetts	[1] 45.00	[1] 50	[1] 46.0	[1] 49.0
Michigan	33.00–60.00	43–72	28.0–51.0	34.0–56.0
Minnesota	38.00	[4] 47	39.0	46.0
Missouri	40.00	45.00	41.0	43.0
Nebraska	38.00	40.00	43.0	43.0
Nevada	37.50–57.50	41.00–61.00	33.0–51.0	35.0–51.0
New Hampshire [5]	40.00	49.00	43.0	55.0
New York	50.00	55.00	45.0	47.0
North Carolina	35.00	42.00	47.0	52.0
Pennsylvania	40.00	45.00	41.0	44.0
Puerto Rico	16.00	28.00	33.0	38.0
Rhode Island	36.00–48.00	[3] 47.00–59.00	42.0–55.0	50.0–64.0
South Dakota	34.00	36.00	39.0	42.0
Tennessee	36.00	38.00	44.0	44.0
Virginia	34.00	36.00	41.0	40.0
B. By "flexible" maximum (11 States):				
Arkansas	35.00	38.00	50.0	50.0
Colorado	43.00	51.00	50.0	50.0
District of Columbia	51.00	55.00	50.0	50.0
Idaho	45.00	48.00	52.5	52.5
Kansas	46.00	49.00	50.0	50.0
North Dakota	43.00	46.00	50.0	50.0
South Carolina	37.00	40.00	50.0	50.0
Utah	46.00	48.00	50.0	50.0
Vermont	42.00	45.00	50.0	50.0
Wisconsin	53.00	57.00	52.5	52.5
Wyoming	45.00	47.00	50.0	50.0

[1] When 2 figures are given, the higher includes maximum allowance for dependents; in Massachusetts, maximum including dependents' allowances may not exceed claimant's weekly wage.
[2] Based on average weekly covered wage for year ending 6 months prior to indicated date.
[3] Based on "flexible" maximum percentage adopted in Hawaii (66⅔ percent), Iowa (50 percent) and Rhode Island (50 percent).
[4] Effective January 1966 in Hawaii, April 1966 in Maine, and July 1966 in Minnesota.
[5] 2 increases enacted since Jan. 1, 1964.

TABLE 31.—*Maximum weekly benefit amount, December 1965, and amounts representing 50 percent, 60 percent, and 66⅔ percent of average weekly wage in covered employment in 1964, by State*

State	Average weekly covered wage, 1964	Maximum weekly benefit amount, December 1965 [1]	Amount representing specified percentages of average weekly wage [2]		
			50 per cent	60 per cent	66⅔ per cent
Alabama	$88.65	$38	$44	$53	$59
Alaska	165.84	45–70	83	100	110
Arizona	104.40	43	52	63	70
Arkansas	74.57	[3] 38	37	45	50
California	121.52	65	61	73	81
Colorado	102.42	[3] 51	51	61	68
Connecticut	113.18	50–75	57	68	75
Delaware	117.17	50	59	70	78
District of Columbia	107.56	[3] 55	54	65	72
Florida	92.54	33	46	56	62
Georgia	86.89	35	43	52	58
Hawaii	94.57	[3] 62	47	57	63
Idaho	90.58	[3] 48	45	54	60
Illinois	116.84	42–70	58	70	78
Indiana	110.78	40–43	55	66	74
Iowa	97.43	[3] 49	49	58	65
Kansas	97.17	[3] 49	49	58	65
Kentucky	93.06	40	47	56	62
Louisiana	96.62	40	48	58	64
Maine	86.67	[3] 43	43	52	58
Maryland	97.70	48	49	59	65
Massachusetts	101.47	50–[4]	51	61	68
Michigan	127.76	43–72	64	77	85
Minnesota	102.94	47	51	62	69
Mississippi	76.21	30	38	46	51
Missouri	105.64	45	53	63	70
Montana	92.99	34	46	56	62
Nebraska	92.72	40	46	56	62
Nevada	118.57	41–61	59	71	79
New Hampshire	89.31	49	45	54	59
New Jersey	115.87	50	58	70	77
New Mexico	95.17	36	48	57	63
New York	117.29	55	59	70	78
North Carolina	80.77	42	40	48	53
North Dakota	91.26	[3] 46	46	55	61
Ohio	115.60	42–53	58	69	77
Oklahoma	95.98	32	48	58	64
Oregon	104.36	44	52	63	70
Pennsylvania	103.18	45	52	62	69
Puerto Rico	52.88	20	26	32	35
Rhode Island	92.08	[3] 47–59	46	55	61
South Carolina	78.78	[3] 40	39	47	52
South Dakota	85.72	36	43	51	57
Tennessee	87.41	38	44	52	58
Texas	96.29	37	48	58	64
Utah	96.97	[3] 48	48	58	65
Vermont	88.69	[3] 45	44	53	59
Virginia	89.43	36	45	54	60
Washington	112.94	42	56	68	75
West Virginia	104.09	35	52	62	69
Wisconsin	106.94	[3] 57	53	64	71
Wyoming	93.92	[3] 47	47	56	63

[1] When 2 figures are shown, the higher includes maximum allowance for dependents; in Massachusetts maximum including dependents' allowances may not exceed claimant's weekly wage.

[2] In States noted, the maximum is recomputed annually (semiannually in Colorado and Wisconsin) based on a specified percentage of the average weekly wage in covered employment (selected industries in Colorado) during the 1-year period ending 6 months prior to effective date of recomputed rate.

[3] Excludes dependents' allowances.

CHART 32

EFFECTS OF PROPOSED UNEMPLOYMENT INSURANCE BENEFIT STANDARDS (S. 1991) IN 13 STATES ON PROPORTION OF CLAIMANTS ABLE TO RECEIVE HALF THEIR WEEKLY WAGE

S. 1991 proposed that every eligible claimant be assured weekly compensation equal to at least one-half of his weekly wage loss up to a maximum weekly benefit amount equal to 50 percent of the statewide average weekly wage in covered employment by July 1, 1967; the maximum is to go up to 60 percent by July 1, 1969, and up to 66⅔ percent by July 1, 1971.

The following charts portray the effect of the first and the final steps of the requirement on the proportion of all claimants, and of men and women claimants, who would receive compensation equal to at least half their usual wages, compared with the proportion receiving that amount under the State law. The data relate to 1961; average weekly wages were reported by samples of claimants surveyed in May and September 1961 and January 1962. Although, as shown below, maximum weekly benefit amounts in dollar terms have been raised in 11 of the 13 States in the study, only 3 have substantially improved their maximums relative to wage levels.

State	Maximum weekly benefit amount		Maximum weekly benefit amount as a percent of State average weekly covered wage	
	1961	July 1965 [1]	1961	July 1965
			Percent	*Percent*
California	$55	$65	51	53
Vermont	40	45	50	50
New York	50	55	48	47
Georgia	35	35	47	40
Pennsylvania	40	45	44	44
Oregon	40	44	43	42
Louisiana	35	40	42	41
Maryland	[2] $35- 43	48	[3] 41	49
Ohio	[2] 42- 53	[2] 42- 53	[3] 41	[3] 36
Arizona	35	43	37	41
Indiana	36	[2] 40- 43	37	[3] 36
Illinois	[2] 38- 59	[2] 42- 70	[3] 36	[3] 36
Michigan	[2] 30- 55	[2] 43- 72	[3] 27	[3] 34

[1] Includes increases passed by legislature as of July 1, 1965.
[2] Higher figure includes maximum allowance for dependents.
[3] Excludes dependents' allowances.

States are charted in order of the proportion the 1961 State maximum was of the 1961 Statewide average wage, starting with the highest percentage. In the charting, dependents' allowances were ignored, which tends to exaggerate somewhat the effects of increases in the maximum in the four States that provided such allowances in 1961–62. For two States, the effect could be estimated; almost no difference exists for women claimants, while the proportion of men receiving half their wage would be increased by 4 percentage points in each State.

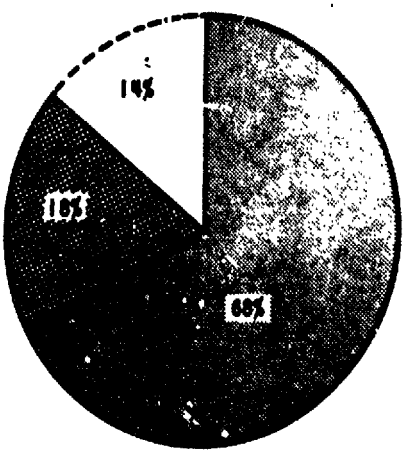
Summary of the effects

The lower the State maximum in relation to State wages, the larger the effect of the first step of the proposed standard. Increasing the maximum from 50 to 66⅔ percent of State average wages would increase benefits for from 23 to 43 percent of all claimants. At this final level, between 80 and 90 percent of all claimants—unquestionably the great majority—would be able to receive half their wages.

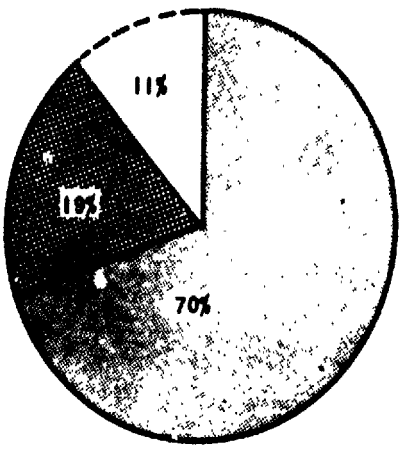
A dramatic difference appears when the effects of changes in the maximum are shown separately for men and women. A maximum set at 50 percent of State average wages permits almost all women to receive half their wages, and further steps would have no particular effect. For men, however, a maximum of 50 percent of the State average wage cuts off the benefits of 36 to 64 percent at a point below 50 percent of their own wages. Even at the final 66⅔ percent level, from 14 to 27 percent of the men would still receive less than half their wages.

Effects of Proposed UI Benefit Standards (S. 1991) on Proportion of Claimants Able to Receive Half Their Weekly Wage*

CALIFORNIA



VERMONT



Percent of claimants able to receive half their weekly wage:

- under maximum weekly benefit amount current in 1961
- added under maximum raised to
  - --50% of 1961 State average weekly covered wage
  - --66-2/3% of 1961 State average weekly covered wage

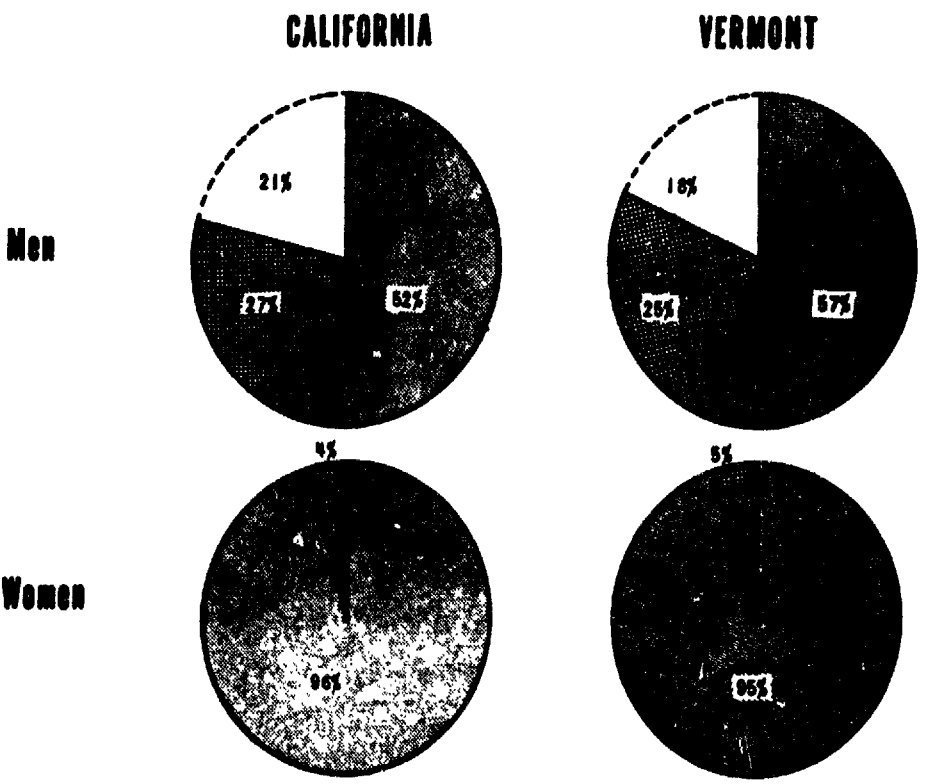
Percent still unable to receive half under proposed standards

* Based on wage data from claimant surveys in 1961-62

July 5, 1962

Effects of Proposed UI Benefit Standards (S. 1991) on Proportion of Claimants Able to Receive Half Their Weekly Wage*

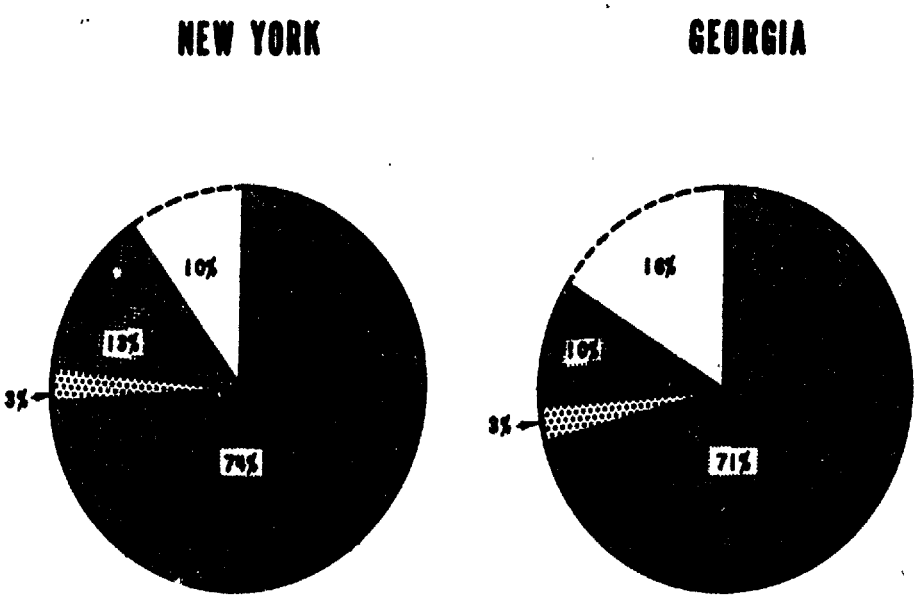
Far more Men than Women would gain--



* Based on wage data from claimant surveys in 1961-62

July 8, 1963

Effects of Proposed UI Benefit Standards (S. 1991) on Proportion of Claimants Able to Receive Half Their Weekly Wage*

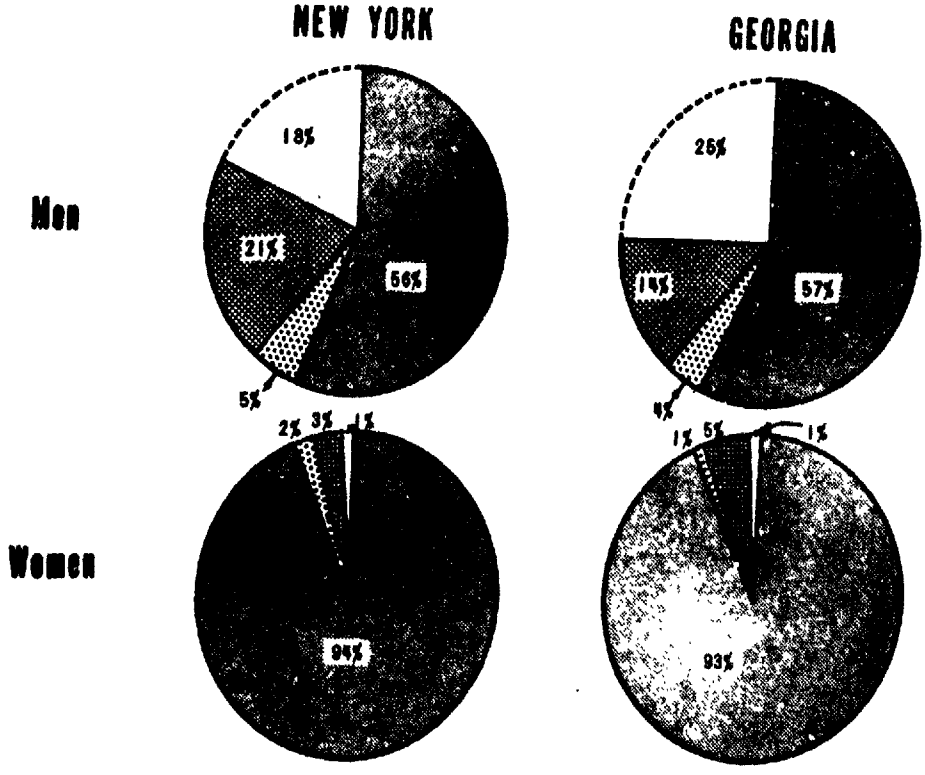


* Based on wage data from claimant surveys in 1961-62

July 8, 1966

Effects of Proposed UI Benefit Standards (S. 1991) on Proportion of Claimants Able to Receive Half Their Weekly Wage*

Far more Men than Women would gain--



Percent of claimants able to receive half their weekly wage:

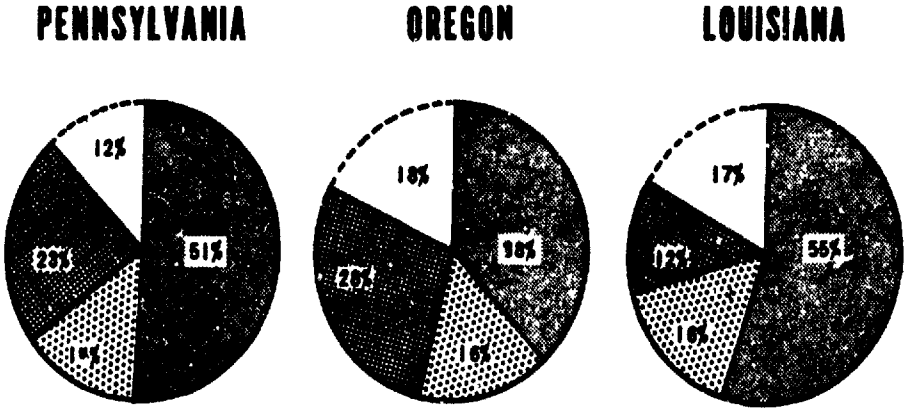
- under maximum weekly benefit amount current in 1961
- added under maximum raised to
  - --50% of 1961 State average weekly covered wage
  - --66-2/3% of 1961 State average weekly covered wage

Percent still unable to receive half under proposed standards

* Based on wage data from claimant surveys in 1961-62

July 8, 1965

Effects of Proposed UI Benefit Standards (S. 1991) on Proportion of Claimants Able to Receive Half Their Weekly Wage*



Percent of claimants able to receive half their weekly wage:

. under maximum weekly benefit amount current in 1961

. added under maximum raised to

--50% of 1961 State average weekly covered wage

--66-2/3% of 1961 State average weekly covered wage

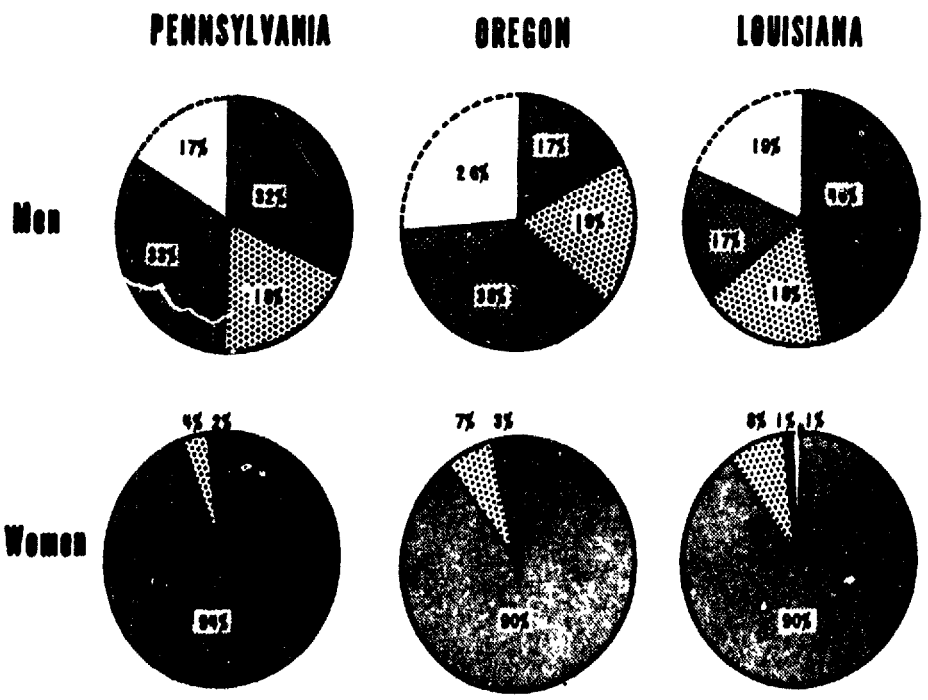
Percent still unable to receive half under proposed standards

* Based on wage data from claimant surveys in 1961-62

July 8, 1968

Effects of Proposed UI Benefit Standards (S. 1991) on Proportion of Claimants Able to Receive Half Their Weekly Wage*

Far more Men than Women would gain--



Percent of claimants able to receive half their weekly wage:

. under maximum weekly benefit amount current in 1961

. added under maximum raised to

--50% of 1961 State average weekly covered wage

--66-2/3% of 1961 State average weekly covered wage

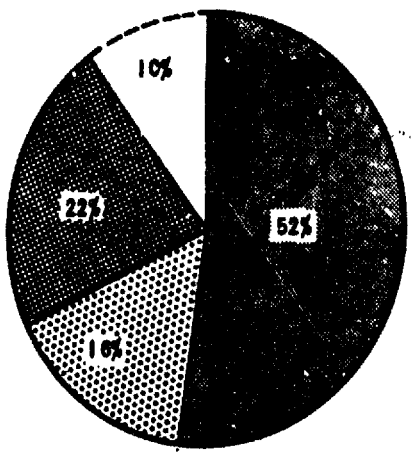
Percent still unable to receive half under proposed standards

* Based on wage data from claimant surveys in 1961-62

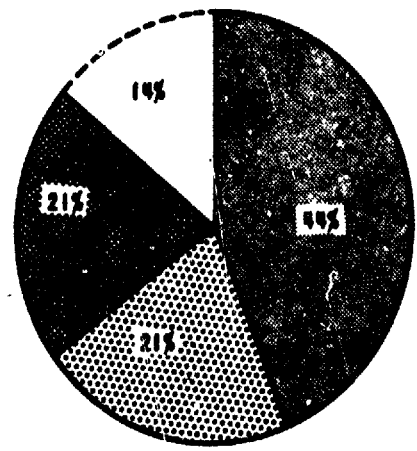
July 8, 1965

Effects of Proposed UI Benefit Standards (S. 1991) on Proportion of Claimants Able to Receive Half Their Weekly Wage* **

MARYLAND



OHIO



Percent of claimants able to receive half their weekly wage:

. under maximum weekly benefit amount current in 1961

. added under maximum raised to

--50% of 1961 State average weekly covered wage

--66-2/3% of 1961 State average weekly covered wage

Percent still unable to receive half under proposed standards

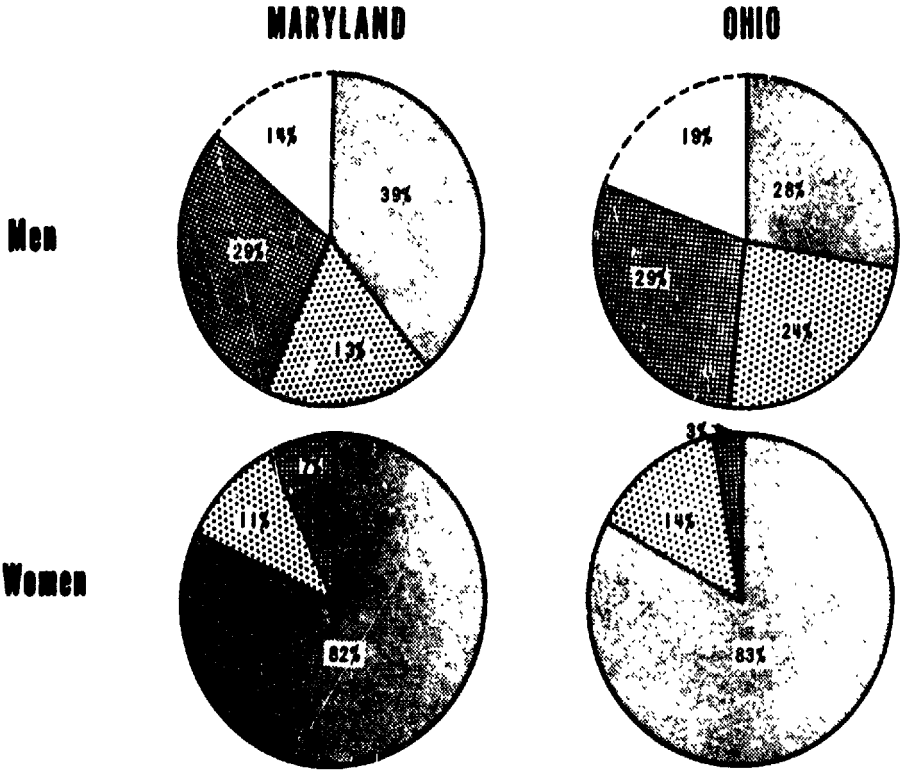
* Based on wage data from claimant surveys in 1961-62

**Based on maximum excluding dependents' allowances

July 8, 1968

Effects of Proposed UI Benefit Standards (S. 1991) on Proportion of Claimants Able to Receive Half Their Weekly Wage* **

For more Men than Women would gain--



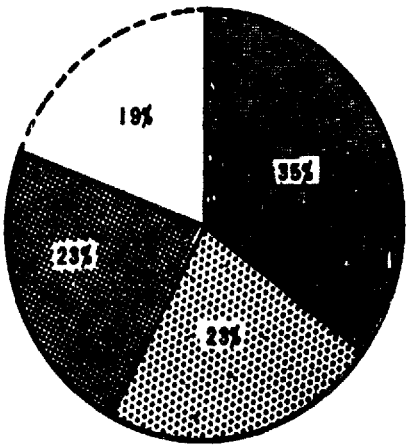
* Based on wage data from claimant surveys in 1961-62

**Based on maximum excluding dependents' allowances

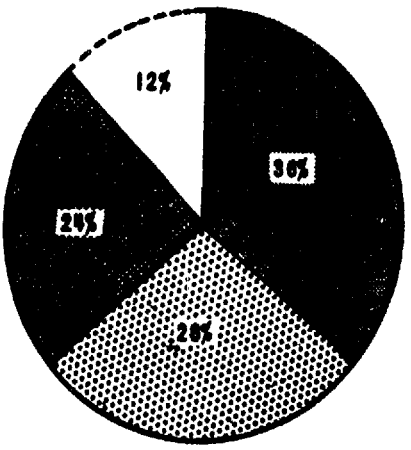
July 5, 1962

Effects of Proposed UI Benefit Standards (S. 1991) on Proportion of Claimants Able to Receive Half Their Weekly Wage*

ARIZONA



INDIANA



Percent of claimants able to receive half their weekly wage:

. under maximum weekly benefit amount current in 1961

. added under maximum raised to

--50% of 1961 State average weekly covered wage

--66-2/3% of 1961 State average weekly covered wage

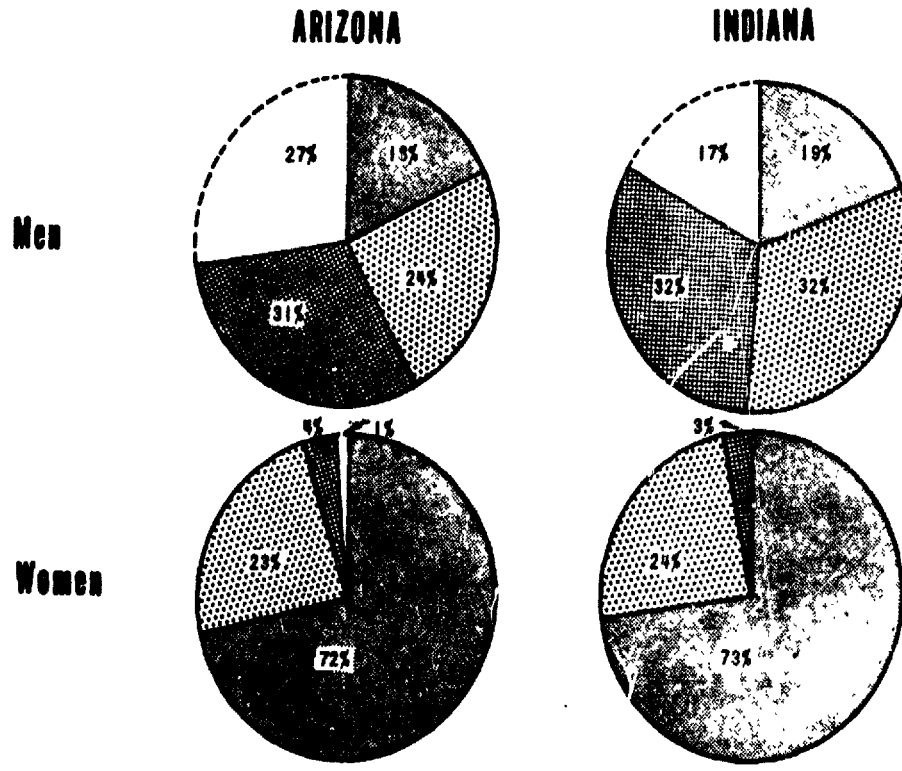
Percent still unable to receive half under proposed standards

* Based on wage data from claimant surveys in 1961-62

July 8, 1965

Effects of Proposed UI Benefit Standards (S. 1991) on Proportion of Claimants Able to Receive Half Their Weekly Wage*

Far more Men than Women would gain--

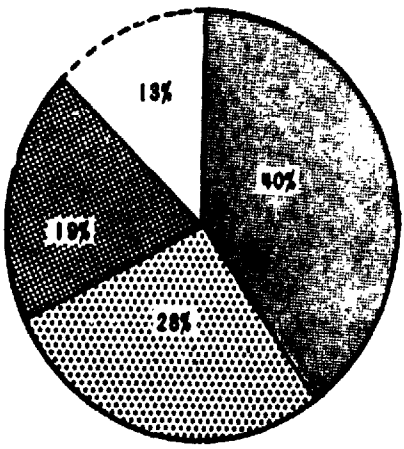


* Based on wage data from claimant surveys in 1961-62

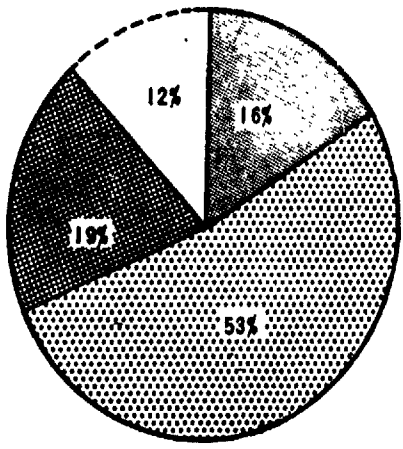
July 5, 1965

Effects of Proposed UI Benefit Standards (S. 1991) on Proportion of Claimants Able to Receive Half Their Weekly Wage* **

ILLINOIS



MICHIGAN



Percent of claimants able to receive half their weekly wage:

. under maximum weekly benefit amount current in 1961

. added under maximum raised to

--50% of 1961 State average weekly covered wage

--66-2/3% of 1961 State average weekly covered wage

Percent still unable to receive half under proposed standards

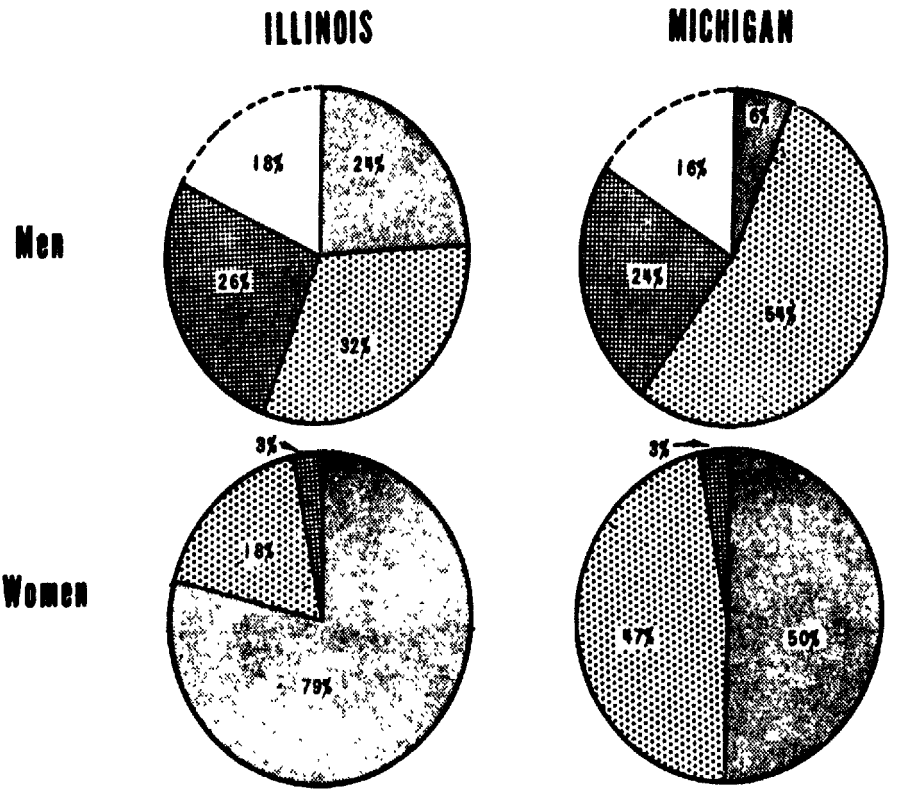
* Based on wage data from claimant surveys in 1961-62

**Based on maximum excluding dependents' allowances

July 8, 1965

Effects of Proposed UI Benefit Standards (S. 1991) on Proportion of Claimants Able to Receive Half Their Weekly Wage* **

Far more Men than Women would gain--



* Based on wage data from claimant surveys in 1961-62

**Based on maximum excluding dependents' allowances

July 9, 1965

TABLE 33.—*Number and percent of claimants exhausting benefits, and average actual benefit duration of exhaustees, by State, 1964*

State	Claimants exhausting benefits		Average actual duration of exhaustees (weeks)	State	Claimants exhausting benefits		Average actual duration of exhaustees (weeks)
	Number	Percent of all beneficiaries [1]			Number	Percent of all beneficiaries [1]	
Total, all programs [2]	1,443,278	23.8	[3]	Minnesota	22,010	24.8	22.8
Total, State programs	1,370,796	23.8	21.9	Mississippi	10,481	23.4	20.6
				Missouri	22,647	19.5	19.8
Alabama	19,211	30.7	21.2	Montana	5,147	25.8	19.1
Alaska	2,408	23.4	24.4	Nebraska	6,075	26.3	17.6
Arizona	8,459	23.5	19.4	Nevada	5,174	24.4	20.3
Arkansas	11,461	25.7	18.7	New Hampshire	2,079	8.8	25.0
California	205,621	27.7	22.0	New Jersey	86,939	28.7	21.4
Colorado	5,950	23.3	18.8	New Mexico	4,006	19.8	24.9
Connecticut	28,315	28.2	20.3	New York	152,208	19.3	26.0
Delaware	3,992	20.6	21.0	North Carolina	26,120	16.7	24.5
District of Columbia	4,387	25.0	26.9	North Dakota	2,115	20.4	21.8
Florida	30,145	36.2	16.2	Ohio	44,362	18.2	24.9
Georgia	24,774	28.5	14.6	Oklahoma	13,220	32.9	22.9
Hawaii	3,539	18.1	26.0	Oregon	10,609	17.8	24.0
Idaho	5,869	27.0	15.5	Pennsylvania	72,598	15.8	30.0
Illinois	75,768	27.2	19.4	Puerto Rico	26,029	48.5	12.0
Indiana	34,696	28.9	13.4	Rhode Island	10,150	22.6	19.9
Iowa	8,886	27.9	16.2	South Carolina	16,925	32.3	19.4
Kansas	8,968	22.8	20.1	South Dakota	2,980	31.3	15.9
Kentucky	16,939	25.1	20.6	Tennessee	24,617	25.4	21.0
Louisiana	19,892	31.8	19.9	Texas	65,024	39.4	17.1
Maine	5,570	15.9	26.0	Utah	6,452	25.8	19.8
Maryland	15,788	16.4	26.0	Vermont	2,845	23.1	26.0
Massachusetts	68,845	25.3	22.8	Virginia	14,818	27.3	15.8
Michigan	44,575	17.8	18.3	Washington	29,849	21.8	25.6
				West Virginia	9,569	17.2	25.1
				Wisconsin	20,626	20.8	[3]
				Wyoming	1,064	17.5	20.7

[1] Exhaustions for calendar year as percent of 1st payments for 12-month period ending June 30 of that year.
[2] Includes claimants exhausting benefits under the unemployment compensation program for Federal employees and ex-servicemen.
[3] Comparable data not available.

TABLE 34.—*Statutory minimum and maximum duration of unemployment insurance benefits and average potential duration, by State, 1964*

State	Statutory duration (weeks)		Average potential duration (weeks)	Percent of claimants entitled to—	
	Minimum	Maximum		Less than 15 weeks	26 or more weeks
Total			24.2	8	68
Alabama	12+	26	23.5	3	66
Alaska	15	26	25.3		87
Arizona	10	26	22.6	11	60
Arkansas	10	26	21.9	13	50
California	[1] 12	[1] 26	23.8	6	71
Colorado	10	26	22.2	13	55
Connecticut	[1] [2] 10	[1] 26	22.4	13	58
Delaware	11+	26	22.8	10	57
District of Columbia	17+	34	29.9	(3)	75
Florida	10	26	19.3	26	22
Georgia	9	26	18.8	25	17
Hawaii	[1] 26U	[1] 26U	26.0		100
Idaho	[1] 10	[1] 26	18.5	30	16
Illinois	[1] [2] 10	[1] 26	22.2	15	51
Indiana	6+	26	18.7	30	25
Iowa	10	26	20.6	18	39
Kansas	10	26	22.7	10	58
Kentucky	15	26	23.0		57
Louisiana	12	28	23.3	12	55
Maine	26U	26U	26.0		100
Maryland	26U	26U	26.0		100
Massachusetts	[2] 8+	30	25.6	8	64
Michigan	9+	26	22.8	12	62
Minnesota	18	26	23.9		51
Mississippi	12	26	23.6	6	57
Missouri	[2] 10+	26	22.8	9	58
Montana	13	26	22.3	17	59
Nebraska	11	26	21.1	17	39
Nevada	10	26	22.5	14	61
New Hampshire	26U	26U	26.0		100
New Jersey	12+	26	23.5	8	67
New Mexico	18	30	28.5		85
New York	26U	26U	26.0		100
North Carolina	[1] 26U	[1] 26U	26.0		100
North Dakota	18	26	23.5		58
Ohio	20	26	25.1		75
Oklahoma	10	39	26.7	6	57
Oregon	11+	26	25.3	1	90
Pennsylvania [4]	[1] 18	[1] 30	29.3		94
Puerto Rico	[1] 12U	[1] 12U	12.0	100	
Rhode Island	12	26	22.8	7	55
South Carolina	10	22	20.6	5	
South Dakota	16	24	19.4	22	
Tennessee	12	26	23.2	5	58
Texas	10+	26	20.2	24	31
Utah	[2] 10	36	26.0	16	48
Vermont	[1] 26U	[1] 26U	26.0		100
Virginia [5]	12	26	19.2	22	8
Washington	15+	30	27.6		76
West Virginia	26U	26U	26.0		100
Wisconsin	12+	34	28.0	8	67
Wyoming	[2] 11	26	23.9	1	62

U—Uniform duration.
[1] Benefits are extended when unemployment in State reaches specified levels; see table 4.
[2] In States noted, duration is longer for claimants earning minimum qualifying wages.
[3] Less than 0.5 percent.
[4] Changed from uniform duration of 30 weeks to variable duration of 18-30 weeks effective July 1, 1964.
[5] Increased maximum duration from 24 to 26 weeks effective July 1, 1964.

Table 35

SUMMARY OF SELECTED DISQUALIFICATION PROVISIONS OF STATE UI LAWS, December 1969 1/

Annotated to indicate those that do not appear to meet proposed Federal standard ϕ

	Basic disqualifications			Special disqualifications for unemployment due to:	
	Voluntary leaving	Discharge for misconduct	Refusal of suitable work	Pregnancy 2/	Marital or domestic obligations
Alabama	D 3/ C,W	* R	6-10	None	None
Alaska	**	**	**	D	D
Arizona	* R	* R	**	None	None
Arkansas	8 W	8 W	8 W	#	#
California	D	D	2-10 W	None	#
Colorado	D C, W	D C, W	D C, W	# 2/	D
Connecticut	**	**	**	# 2/	None
Delaware	D	D	D	2/	None
District of Columbia	4-9 R	4-9 R	4-9 R	2/	None
Florida	(4/)	(4/)	(4/) R	None	None
Georgia	5-9 R, W	5-11 R, W	5-9 R, W	D	None
Hawaii	2-7	2-7	2-7	2/	#
Idaho	D	D	D	#	#
Illinois	(4/)	(4/)	(4/)	# 2/	#
Indiana	D	D	D	#	D
Iowa	D 3/ C, W	4-9 R, W	D C	None	None
Kansas	**	**	**	2/	D
Kentucky	D W	6-16 W	1-16	None	D
Louisiana	D W	D W	D	2/	None
Maine	D	D	D	# 2/	D

ϕ See reverse side of page for annotations.
See footnotes at end of table.

SUMMARY OF SELECTED DISQUALIFICATION PROVISIONS OF STATE UI LAWS, December 1965 1/

Annotated to indicate those that do not appear to meet proposed Federal standard /

	Basic disqualifications			Special disqualifications for unemployment due to:	
	Voluntary leaving	Discharge for misconduct	Refusal of suitable work	Pregnancy 2/	Marital or domestic obligations
Maryland	(4/)	(4/)	(4/)	2/	None
Massachusetts	4-10	4-10	* R	2/	None
Michigan	* W, R	* W, R	* W, R	#	None
Minnesota 5/	5-8 R, W	5-8 R, W	7	D	D 3/ C
Mississippi	D	1-12	1-12	None	D
Missouri	D W	1-8 W	D W	2/	None
Montana	**	2-9	**	# 2/	D C
Nebraska	3-7 R, W	3-7 R, W	D C	# 2/	None
Nevada	1-15	1-15	1-15	#2/	D
New Hampshire	D	D	D	2/	None
New Jersey	D	**	**	2/	None
New Mexico	1-13 R	1-13 R	1-13 R	None	None
New York	D	D	D	None	D
North Carolina	4-12 R, W	5-12 R, W	4-12 R, W	# 2/	None
North Dakota	D	D	D	D	D
Ohio	D	D C 3/	D	#	D
Oklahoma	* W	* W	**	2/	D
Oregon	(4/)	(4/)	(4/)	D	D
Pennsylvania	D	D	D	#	D
Puerto Rico	**	**	**	None	None

1/ See explanation at beginning of table.
2/ See footnotes at end of table.

SUMMARY OF SELECTED DISQUALIFICATION PROVISIONS OF STATE UI LAWS, December 1965 1/

Annotated to indicate those that do not appear to meet proposed Federal standard ♦

	Basic disqualifications			Special disqualifications for unemployment due to:	
	Voluntary leaving	Discharge for misconduct	Refusal of suitable work	Pregnancy 2/	Marital or domestic obligations
Rhode Island	D	3-10	**	None	None
South Carolina	* R, W	6-23 W	* R	None	None
South Dakota	4-9 R, W	7-24 R, W	1-10 R, W	♦ 2/	None
Tennessee	D	D	D	None	None
Texas	1-26 R, W	1-26 R, W	1-13 R, W	None	None
Utah	* W	1-9	**	♦	♦
Vermont	2-9 W	6-12 W	**	2/	None
Virginia	D	D	D	None	None
Washington	**	**	D	♦ 2/	None
West Virginia	* R	* R	4 or more R	♦	D
Wisconsin	D 3/ C, W	D 3/ C, W	D	2/	D
Wyoming	D C	D C	D C	None	None

♦ See opposite page for annotations.

1/ Omits disqualifications for labor dispute, fraudulent misrepresentation to obtain benefits, special provisions in 22 States imposing heavier disqualifications applicable to discharges for dishonest or criminal acts or other acts of aggravated misconduct; and special disqualifications applicable to students and retirees.

2/ States footnoted have eligibility provisions that deny benefits during a specified period before and after childbirth to individuals who are unemployed during their pregnancy.

3/ Benefit rights based on any work left are canceled; if employer involved was claimant's only base-period employer, cancellation results in denial for at least the remainder of the benefit year.

4/ Disqualification provisions include postponement of benefits for both a specified period and for duration of unemployment.

5/ Basic disqualifications shown become effective July 1, 1966.

Summary of selected disqualification provisions of State UI laws, December 1965

Explanation of annotations

1. The first line of entries for each State indicates the period of the disqualification, as follows:

   "**" means that the provision appears to meet all of the requirements of sections 3304(a)(7) and (9).

   "*" means that the number of weeks of postponement of benefits specified in State law is equal to or less than the maximum provided in section 3304(a)(7) but, because of other factors (see C, R, or W below), provision does not meet other parts of the Federal standard.

   "D" means disqualification for the duration of the individual's unemployment.

   "#" means that benefits are denied only until availability is demonstrated.

2. Where a second line of entries is shown for a State, it indicates factors (other than the period of disqualification) that are not consistent with Federal standard, as follows:

   "C" means cancellation of all wage credits with the employer involved or of all wage credits earned prior to the disqualifying act.

   "R" means that benefit rights or wage credits are reduced by an amount usually equal to the period of disqualification imposed.

   "W" means that the disqualification period does not run from the week in which the disqualifying act occurred, either because

   (a) disqualifications are imposed with respect to separations from other than last work (or for refusals of work in other than the current period of unemployment), or

   (b) disqualification does not commence until a claim is filed (and also, in some cases, it can be satisfied only by weeks of unemployment in which additional conditions are met).

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