

UNEMPLOYMENT COMPENSATION

HEARING BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

H.R. 6900

AN ACT TO PROVIDE AN ADDITIONAL THIRTEEN WEEKS OF BENEFITS UNDER THE EMERGENCY UNEMPLOYMENT COMPENSATION PROGRAM AND THE SPECIAL UNEMPLOYMENT ASSISTANCE PROGRAM, TO EXTEND THE SPECIAL UNEMPLOYMENT ASSISTANCE PROGRAM FOR ONE YEAR, AND FOR OTHER PURPOSES

S. 1502

A BILL TO AMEND THE FEDERAL UNEMPLOYMENT TAX ACT

S. 1810

A BILL TO AMEND THE TEMPORARY UNEMPLOYMENT BENEFITS PROGRAM

JUNE 10, 1976



Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1976

53-821 O

21
5361 - 1231

COMMITTEE ON FINANCE

RUSSELL B. LONG, Louisiana, *Chairman*

HERMAN E. TALMADGE, Georgia

VANCE HARTKE, Indiana

ABRAHAM RIBICOFF, Connecticut

HARRY F. BYRD, Jr., Virginia

GAYLORD NELSON, Wisconsin

WALTER F. MONDALE, Minnesota

MIKE GRAVEL, Alaska

LLOYD BENTSEN, Texas

WILLIAM D. HATHAWAY, Maine

FLOYD K. HASKELL, Colorado

CARL T. CURTIS, Nebraska

PAUL J. FANNIN, Arizona

CLIFFORD P. HANSEN, Wyoming

ROBERT DOLE, Kansas

BOB PACKWOOD, Oregon

WILLIAM V. ROTH, Jr., Delaware

BILL BROCK, Tennessee

MICHAEL STERN, *Staff Director*

DONALD V. MOOREHEAD, *Chief Minority Counsel*

(II)

CONTENTS

ADMINISTRATION WITNESS		Page
Hon. John T. Dunlop, Secretary of Labor, accompanied by: William H. Kolberg, Assistant Secretary for Manpower; William B. Hewitt, Associate Manpower Administrator; and Lawrence E. Weatherford, Jr., Associate Manpower Administrator.....		31
PUBLIC WITNESS		
William L. Heartwell, Jr., commissioner, Virginia Employment Commission, accompanied by: Robert Goodwin, associate director, Interstate Conference of Employment Securities.....		68
ADDITIONAL INFORMATION		
Committee on Finance press release announcing this hearing.....		3
Text of:		
H.R. 6900.....		5
S. 1502.....		17
S. 1810.....		19
Communications:		
American Federation of Labor and Congress of Industrial Organizations.....		81
Chamber of Commerce of the United States, Hilton Davis, general manager, legislative action.....		79
Intergovernmental Relations Committee, National Conference of State Legislatures, policy position of the government operations task force.....		80
National Association of Manufacturers.....		80
APPENDIX A		
Communications received by the Committee expressing an interest in these hearings		77
APPENDIX B		
Staff data and materials on unemployment compensation.....		88

UNEMPLOYMENT COMPENSATION

TUESDAY, JUNE 10, 1975

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

The committee met, pursuant to notice, at 10:00 a.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long (chairman of the committee) presiding.

Present: Senators Long, Hartke, Byrd Jr., of Virginia, Gravel, Nelson, Haskell, Curtis, and Dole.

The CHAIRMAN. Because of the high levels of unemployment which this Nation is experiencing, the Congress acted at the end of last year to provide additional benefits for unemployed workers. Further benefits were authorized through June 30 of this year by a provision of the Tax Reduction Act under which benefits may be provided up to the 65th week of unemployment.

The bill H.R. 6900, which has been passed by the House of Representatives, is now before this committee to extend this temporary provision so that 65 weeks of unemployment benefits would be available up until June 30, 1976.

[Statements by Senator Curtis and Senator Dole, the committee's press release announcing these hearings, and copies of the bills, H.R. 6900, S. 1810, and S. 1502, follow:]

STATEMENT OF SENATOR CARL CURTIS

Mr. Chairman, we are today considering HR 6900, which would extend unemployment benefits under the Federal Supplemental Benefits and Special Unemployment Assistance programs. Certainly, with the current level of unemployment, this is a most important subject. I am pleased that Secretary Dunlop is with us this morning.

I will ask no questions at this time, but let me say I am concerned with the level of unemployment. I also have some concern, however, that repeated extensions and enlargement of unemployment benefits may over time convert our unemployment system into a more or less permanent system of income maintenance. In this respect, I understand that Secretary Dunlop has made some suggestions that look to the orderly phasing down of benefits as the unemployment situation improves. I look forward to studying these suggestions and, although the need for prompt action on HR 6900 is clear, I am confident that these suggestions will receive most careful attention by the Committee.

STATEMENT OF SENATOR BOB DOLE

Mr. Chairman, I just wanted to stop by briefly this morning—and I regret that I have two other hearings going at this same time—to express my support of this bill to temporarily extend unemployment benefits to a maximum of 65 weeks.

I might preface my remarks by stating that I voted for the amendment on the Tax Reduction bill to provide an additional 18 weeks' benefits through the end of this month. I did so with reservations, however, in that I am concerned over the possibility that this may become more than an "interim" action.

I say that because our record of turning supposedly temporary programs into permanently established policy is not very encouraging. However, I still believe that H.R. 6900 offers an alternative which may be preferable to other more costly and more binding proposals.

Certainly, these times of excessive unemployment call for responsible relief measures by Congress. But at the same time, we need to guard against the possible evolution of a protracted income maintenance system—which could conceivably end up being subsidized itself out of general revenues.

So with that in mind, I consider it an absolute must that we examine the whole principle behind expanded unemployment insurance. While we are doing that, then, this emergency extension will afford protection to those currently without jobs.

Although I have no particular objection to making this additional 13 weeks' entitlement effective for a full year, I am not so sure that a more limited extension of only six months might not be more advisable. Nevertheless, the House passed this bill with, I think, only eight dissenting votes; the President generally favors the concept; and expeditious treatment on our part seems to be in order.

Perhaps in our more detailed study of the unemployment benefits problems, we can give further attention to the "triggering" requirements, as well as the basic factors which are utilized to measure unemployment. If that has not already been suggested prior to my arrival here, I would ask that the Committee go on record as advocating resolution of those particular issues.

With that, Mr. Chairman, I thank you for this opportunity to present these few remarks, and offer my support and assistance in getting this "Emergency Compensation and Special Unemployment Assistance Extension Act" reported for consideration by the full Senate.

PRESS RELEASE

FOR IMMEDIATE RELEASE
May 22, 1975

COMMITTEE ON FINANCE
UNITED STATES SENATE
2227 Dirksen Senate Office Bldg.

FINANCE COMMITTEE SETS HEARINGS ON
EMERGENCY UNEMPLOYMENT COMPENSATION
BILL (H.R. 6900)

The Honorable Russell B. Long (D., La.), Chairman of the Senate Committee on Finance, announced today that the Committee would hold hearings on the additional emergency unemployment compensation benefits provided under H.R. 6900, a bill passed by the House on May 21, 1975.

Senator Long pointed out that unemployed workers under Federal-State unemployment programs generally qualify for 26 weeks of regular unemployment benefits and (until December 31, 1976) for 26 additional weeks of benefits. Under a provision included in the Tax Reduction Act of 1975, workers exhausting these 52 weeks of benefits may receive an additional 13 weeks of benefits until June 30, 1975. H.R. 6900 would extend for one year (until June 30, 1976) the period during which the additional 13 weeks of benefits may be paid.

The hearings will be held on June 10, 1975 at 10:00 A.M. in Room 2221, Dirksen Senate Office Building. The leadoff witness will be the Honorable John T. Dunlop, Secretary of Labor, who will present the Administration's position on the legislation.

Requests to Testify.--Senator Long advised that witnesses desiring to testify during this hearing must make their request to testify to Michael Stern, Staff Director, Committee on Finance, 2227 Dirksen Senate Office Building, Washington, D.C. 20510, not later than Monday, June 2, 1975. Witnesses will be notified as soon as possible after this cutoff date as to when they are scheduled to appear. Once the witness has been advised of the date of his appearance, it will not be possible for this date to be changed. If for some reason the witness is unable to appear on the date scheduled, he may file a written statement for the record of the hearing in lieu of a personal appearance.

Consolidated Testimony.--Senator Long also stated that the Committee urges all witnesses who have a common position or with the same general interest to consolidate their testimony and designate a single spokesman to present their common viewpoint orally to the Committee. This procedure will enable the Committee to receive a wider expression of views than it might otherwise obtain. Senator Long urged very strongly that all witnesses exert a maximum effort, taking into account the limited advance notice, to consolidate and coordinate their statements.

Legislative Reorganization Act.--In this respect, he observed that the Legislative Reorganization Act of 1946, as amended, requires all witnesses appearing before the Committees of Congress "to file in advance written statements of their proposed testimony, and to limit their oral presentations to brief summaries of their argument."

Senator Long stated that in light of this statute and in view of the large number of witnesses who desire to appear before the Committee in the limited time available for the hearing, all witnesses who are scheduled to testify must comply with the following rules:

- (1) A copy of the statement must be filed by the close of business on Monday, June 9.
- (2) All witnesses must include with their written statement a summary of the principal points included in the statement.
- (3) The written statements must be typed on letter-size paper (not legal size) and at least 50 copies must be submitted before the beginning of the hearing.
- (4) Witnesses are not to read their written statements to the Committee, but are to confine their ten-minute oral presentations to a summary of the points included in the statement.
- (5) Not more than ten minutes will be allowed for the oral summary. Witnesses who fail to comply with these rules will forfeit their privilege to testify.

Written Statements.--Witnesses who are not scheduled for oral presentation, and others who desire to present their views to the Committee, are urged to prepare a written statement for submission and inclusion in the printed record of the hearings. These written statements should be submitted to Michael Stern, Staff Director, Committee on Finance, Room 2227 Dirksen Senate Office Building not later than June 10, 1975.

1 TITLE I—ADDITIONAL THIRTEEN WEEKS OF
2 EMERGENCY UNEMPLOYMENT COMPENSATION

3 ADDITIONAL THIRTEEN WEEKS

4 SEC. 101. Paragraph (3) of section 102(e) of the
5 Emergency Unemployment Compensation Act of 1974 is
6 amended by striking out "July 1, 1975" and inserting in
7 lieu thereof "July 1, 1976".

8 MODIFICATION OF AGREEMENTS

9 SEC. 102. The Secretary of Labor shall, at the earliest
10 practicable date after the date of the enactment of this Act,
11 propose to each State with which he has in effect an agree-
12 ment under section 102 of the Emergency Unemployment
13 Compensation Act of 1974 a modification of such agreement
14 designed to provide for the payment of the emergency
15 compensation benefits allowable under such Act by reason of
16 the amendment made by section 101. Notwithstanding any
17 provision of the Emergency Unemployment Compensation
18 Act of 1974, if any State fails or refuses, within the three-
19 week period beginning on the date of the enactment of this
20 Act, to enter into a modification of such agreement, the
21 Secretary of Labor shall terminate such agreement.

1 TITLE II—AMENDMENTS OF EMERGENCY JOBS
2 AND SPECIAL UNEMPLOYMENT ASSISTANCE
3 ACT OF 1974

4 EXTENSION OF SPECIAL UNEMPLOYMENT ASSISTANCE

5 SEC. 201. (a) Section 206 of the Emergency Jobs and
6 Unemployment Assistance Act of 1974 is amended—

7 (1) by striking out so much of the first sentence as
8 precedes “*Provided, That*” and inserting in lieu thereof
9 the following: “Except as provided by subsection (b),
10 the maximum amount of assistance under this title which
11 an eligible individual shall be entitled to receive during
12 any special unemployment assistance benefit year shall
13 be 150 per centum of the maximum amount that would
14 have been payable to such individual during such benefit
15 year as computed under the provisions of the applicable
16 State unemployment compensation law, but not exceed-
17 ing 39 times the weekly benefit payable to the individual
18 for a week of total unemployment as determined under
19 subsection (a) of section 205:”; and

20 (2) by adding at the end thereof the following new
21 sentence: “Effective with respect to assistance for weeks
22 of unemployment ending after June 30, 1976, the pre-
23 ceding sentence shall be applied by substituting ‘the

1 maximum amount of regular compensation' for '150
2 per centum of the maximum amount of regular compen-
3 sation' and by substituting '26' for '39'."

4 (b) Section 208 of such Act is amended—

5 (1) by striking out "March 31, 1976" and inserting
6 in lieu thereof "March 31, 1977"; and

7 (2) by striking out "December 31, 1975" and
8 inserting in lieu thereof "December 31, 1976".

9 DENIAL OF SPECIAL UNEMPLOYMENT ASSISTANCE IN
10 CASE OF CERTAIN EMPLOYEES OF EDUCATIONAL
11 INSTITUTIONS

12 SEC. 202. Section 203 of the Emergency Jobs and Un-
13 employment Assistance Act of 1974 is amended by insert-
14 ing "(a)" after "SEC. 203." and by adding at the end
15 thereof the following new subsection:

16 "(b) An individual who performs services in an instruc-
17 tional, research, or principal administrative capacity for an
18 educational institution or agency shall not be eligible to
19 receive a payment of assistance or a waiting period credit
20 with respect to any week commencing during the period
21 between two successive academic years (or, when the
22 contract provides instead for a similar period between two
23 regular but not successive terms, during such similar period)
24 if—

1 “(1) such individual performed services in any
2 such capacity for any educational institution or agency
3 in the first of such academic years or terms; and

4 “(2) such individual has a contract to perform
5 services in any such capacity for any educational insti-
6 tution or agency for the later of such academic years or
7 terms.”.

8 TECHNICAL AND CLARIFYING AMENDMENTS

9 SEC. 203. (a) Section 210 of the Emergency Jobs
10 and Unemployment Assistance Act of 1974 is amended
11 by adding at the end thereof the following new section:

12 “(c) Employment and wages which are not covered
13 by the State law may be treated, under sections 203 (1),
14 205 (a), and 206 (a), as though they were covered only if
15 the employment—

16 “(1) is performed by an employee (as defined in
17 section 3121 (d) of the Internal Revenue Code of
18 1954), and

19 “(2) constitutes employment as determined under
20 section 3306 (c) of such Code without regard to para-
21 graphs (1) through (9), (10) (B) (ii), (14), (15),
22 and (17) of such section.

23 For purposes of paragraph (2), section 3306 (c) of such
24 Code shall be applied as if the term ‘United States’ includes
25 the Virgin Islands.”.

1 (b) (1) Section 205 of such Act is amended—

2 (A) by striking out the last sentence of subsec-
3 tion (b) ; and

4 (B) by adding at the end thereof the following
5 new subsections:

6 “(c) If an individual knowingly has made, or caused to
7 be made by another, a false statement or representation of
8 a material fact, or knowingly has failed, or caused another
9 to fail, to disclose a material fact, and as a result of such
10 false statement or representation or of such nondisclosure
11 such individual has received an amount of assistance under
12 this title to which he was not entitled, such individual—

13 “(1) shall be ineligible for further assistance under
14 this title in accordance with the provisions of the appli-
15 cable State unemployment compensation law relating to
16 fraud in connection with a claim for unemployment com-
17 pensation; and

18 “(2) shall be subject to prosecution under section
19 1001 of title 18, United States Code.

20 “(d) Any individual who has received an amount of
21 assistance under this title to which he was not entitled shall
22 repay the amount of such assistance to the State agency
23 except that the State agency may waive such repayment if
24 it determines that—

1 “(1) the payment of such assistance was without
2 fault on the part of the individual, and

3 “(2) such repayment would be contrary to equity
4 and good conscience.

5 Instead of requiring repayment under this subsection, the
6 State agency may recover the amount to be repaid by deduc-
7 tions from any assistance payable under this title or from
8 any unemployment compensation payable to the individual
9 under any Federal unemployment compensation law ad-
10 ministered by the State agency or under any other Federal
11 law administered by the State agency which provides for the
12 payment of any assistance or allowance with respect to any
13 week of unemployment, during the three-year period after
14 the date the individual received the payment of the assist-
15 ance to which he was not entitled.

16 “(e) Any determination by a State agency under sub-
17 section (c) or (d) shall be subject to review in the same
18 manner and to the same extent as determinations under the
19 State unemployment compensation law, and only in that
20 manner and to that extent.”.

21 (2) Section 210 (a) of such Act is amended by striking
22 out “and” at the end of paragraph (3), by striking out the
23 period at the end of paragraph (4) and inserting in lieu
24 thereof a semicolon and by adding at the end thereof the
25 following new paragraphs:

1 “(5) ‘State agency’ means the agency of the State
2 which administers the program established by this title;
3 and

4 “(6) ‘special unemployment assistance benefit year’
5 means the benefit year as defined in the applicable State
6 unemployment compensation law.”.

7 (c) Section 206 of such Act is amended by inserting
8 “(a)” after “SEC. 206.” and by adding at the end thereof
9 the following new subsection:

10 “(b) In the case of any individual who files a claim for
11 assistance under this title during a benefit year which such
12 individual has established under any State unemployment
13 compensation law, the maximum amount of assistance under
14 this title which such individual shall be entitled to receive
15 during the special unemployment assistance benefit year
16 established pursuant to such claim (as determined under sub-
17 section (a) without regard to this subsection) shall be re-
18 duced by the amount of any unemployment compensation
19 received during the benefit year established under the State
20 unemployment compensation law.”.

21 (d) Paragraph (1) of section 203 of such Act is
22 amended by inserting “(A)” after “shall be excluded” and
23 by striking out “; and” at the end thereof and inserting in
24 lieu thereof “, or (B) if such employment and wages consti-
25 tute his sole qualifying employment and wages; and”.

1 (c) Paragraph (4) of section 203 of such Act is
2 amended by striking out "subsection (b)" and inserting in
3 lieu thereof "paragraph (2)".

4

EFFECTIVE DATES

5 SEC. 204. (a) The Secretary of Labor shall, at the
6 earliest practicable date after the date of the enactment of
7 this Act, propose to each State with which he has in effect
8 an agreement under section 202 of the Emergency Jobs and
9 Unemployment Assistance Act of 1974 a modification of
10 such agreement designed to provide for the payment of the
11 special unemployment assistance allowable under such Act
12 by reason of the amendments made by section 201. Not-
13 withstanding any other provision of law, if any State fails
14 or refuses, within the three-week period beginning on the
15 date of the enactment of this Act, to enter into such a modi-
16 fication of any such agreement, the Secretary of Labor
17 shall terminate such agreement.

18 (b) No compensation shall be paid to any individual
19 under an agreement entered into by a State under the
20 Emergency Jobs and Unemployment Assistance Act of
21 1974, by reason of the amendments made by section 201
22 of this Act, for any week beginning before whichever of
23 the following is the latest:

24 (1) the date on which the State agreed to a modi-
25 fication of such agreement under subsection (a);

- 1 (2) the date of the enactment of this Act; or
2 (3) July 1, 1975.

3 (c) The amendments made by section 202 and subsec-
4 tions (c) and (d) of section 203 shall apply to weeks of
5 unemployment beginning after the date of the enactment of
6 this Act.

7 (d) The amendment made by section 203 (a) shall
8 take effect on December 31, 1974.

9 (e) The amendments made by subsections (b) and (e)
10 of section 203 shall take effect on the date of the enactment
11 of this Act.

12 **TITLE III—LOANS TO THE UNEMPLOYMENT**
13 **FUND OF THE VIRGIN ISLANDS**

14 **SEC. 301.** (a) The Secretary of Labor (hereinafter
15 in this section referred to as the "Secretary") may make
16 loans to the Virgin Islands in such amounts as he determines
17 to be necessary for the payment in any month of compensa-
18 tion under the unemployment compensation law of the Vir-
19 gin Islands. A loan may be made under this subsection for
20 the payment of compensation in any month only if—

21 (1) the Governor of the Virgin Islands submits an
22 application therefor no earlier than the first day of the
23 preceding month; and

24 (2) such application contains an estimate of the
25 amount of the loan which will be required by the Virgin

1 Islands for the payment of compensation in such month,

2 (b) For purposes of this section—

3 (1) an application for loan under subsection (a)
4 shall be made on such forms and shall contain such in-
5 formation and data (fiscal and otherwise) concerning
6 the operation and administration of the unemployment
7 compensation law of the Virgin Islands as the Secretary
8 deems necessary or relevant to the performance of his
9 duties under this section;

10 (2) the amount required by the Virgin Islands for
11 the payment of compensation in any month shall be
12 determined with due allowance for contingencies and
13 taking into account all other amounts that will be avail-
14 able in the unemployment fund of the Virgin Islands
15 for the payment of compensation in such month, and

16 (3) the term “compensation” means cash benefits
17 payable to individuals with respect to their unemploy-
18 ment, exclusive of expenses of administration.

19 (c) Any loan made under subsection (a) shall be
20 repayable (without interest) not later than January 1, 1978.

21 (d) No loan may be made under subsection (a) for
22 any month beginning after June 30, 1976. The aggregate
23 of the loans which may be made under subsection (a) shall
24 not exceed \$5,000,000.

25 (e) There are authorized to be appropriated from the

16

12

- 1 general fund of the Treasury such sums as may be neces-
- 2 sary to carry out this section.

Passed the House of Representatives May 21, 1975.

Attest:

W. PAT JENNINGS,

Clerk.

94TH CONGRESS
1ST SESSION

S. 1502

IN THE SENATE OF THE UNITED STATES

APRIL 22 (legislative day, APRIL 21), 1975

Mr. RIBICOFF (for himself, Mr. BROOKE, Mr. CASE, Mr. PHILIP A. HART, Mr. INOUE, Mr. JACKSON, Mr. KENNEDY, Mr. LEAHY, Mr. MAGNUSON, Mr. PASTORE, Mr. PELL, Mr. SCHWEIKER, Mr. HUGH SCOTT, Mr. STAFFORD, Mr. WEICKER, and Mr. WILLIAMS) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Federal Unemployment Tax Act to provide a five-year moratorium on application of the penalty imposed (through a reduction in the credit allowed employers against the Federal unemployment tax) by existing law on States which have failed to make timely repayment of certain advances made to the State's unemployment account.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
3. That section 3302 (c) (3) of the Internal Revenue Code of
- 4 1954 is amended by adding at the end thereof the following
- 5 new sentence: "The provisions of the preceding sentence
- 6 shall not be applicable with respect to the taxable year

1 beginning January 1, 1975, or any succeeding taxable year
2 which begins before January 1, 1978; and, for purposes of
3 such sentence, January 1, 1978, shall be deemed to be the
4 first January 1 occurring after January 1, 1974, and con-
5 secutive taxable years in the period commencing January 1,
6 1978, shall be determined as if the taxable year which begins
7 on January 1, 1978, were the taxable year immediately
8 succeeding the taxable year which began on January 1,
9 1974.”.

94TH CONGRESS
1ST SESSION

S. 1810

IN THE SENATE OF THE UNITED STATES

MAY 22, 1975

Mr. JAVITS (by request) introduced the following bill; which was read twice and referred to the Committees on Finance and Labor and Public Welfare jointly by unanimous consent

A BILL

To amend the temporary unemployment benefits programs, and
for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 TITLE I—AMENDMENTS TO THE EMERGENCY
4 UNEMPLOYMENT COMPENSATION ACT OF 1974

5 SEC. 101. (a) Section 102 (b) of the Emergency Un-
6 employment Compensation Act of 1974 is amended by add-
7 ing at the end thereof the following paragraph:

8 “Any such agreement shall further provide that payment
9 of emergency compensation for any week of unemployment
10 beginning after December 31, 1975, shall, in addition to the
11 limitations of paragraphs (1) and (2) of this subsection, be

II

1 further limited so as to be made to an individual only if his
2 last employment prior to filing his initial claim for regular
3 compensation under the State law included at least five work-
4 days in an area where an emergency compensation benefit
5 period is in effect with respect to such week of unemploy-
6 ment. Each standard metropolitan statistical area of two
7 hundred and fifty thousand population or more, any part of
8 which is contained within the geographic limits of the State,
9 shall be considered an area of the State for this purpose. The
10 remainder of the State that is outside the geographic limits
11 of any standard metropolitan statistical area of two hundred
12 and fifty thousand population or more shall also constitute an
13 area of the State for this purpose.”.

14 (b) The Secretary of Labor shall, at the earliest prac-
15 ticable date after the enactment of this Act, propose to each
16 State with which he has in effect an agreement entered into
17 pursuant to section 102 of the Emergency Unemployment
18 Compensation Act of 1974 a modification of such agreement
19 designed to cause payments of emergency compensation
20 thereunder to be made in the manner prescribed by such Act,
21 as amended by this Act. Notwithstanding any provision of
22 the Emergency Unemployment Compensation Act of 1974,
23 if any such State shall fail or refuse, within a reasonable time
24 after the date of the enactment of this Act, to enter into such

1 a modification of such agreement, the Secretary of Labor shall
2 terminate such agreement.

3 SEC. 102. Section 102 (c) (3) (A) of such Act is
4 amended by deleting the words "a State" and "any State"
5 in each place where they appear and substituting therefor
6 the words "an area" and "any area," respectively.

7 SEC. 103. Section 102 (d) (2) is amended by adding at
8 the end thereof the following: "*Provided, That, with respect*
9 *to benefits for weeks ending after December 31, 1975, if the*
10 *individual, except for the imposition of a disqualification in*
11 *accordance with the State law, was otherwise eligible for a*
12 *payment of emergency compensation under this Act with*
13 *respect to a week of unemployment which began during an*
14 *emergency benefit period, but did not exhaust entitlement to*
15 *emergency compensation during such period, entitlement*
16 *shall continue after the end of period, but no emergency com-*
17 *pen-sation shall be paid under this Act for any week of*
18 *unemployment that begins more than 13 weeks after the end*
19 *of such period.*".

20 SEC. 104 (a). Section 102 (c) (3) (B) (i) of such Act
21 is amended by inserting, after the words, "For purposes of
22 subparagraph A," the following: "with respect to emergency
23 compensation accounts established in accordance with sub-

1 section (e) (3) and limited to benefits for weeks of unem-
2 ployment ending before January 1, 1976,".

3 (b) Section 102 (c) (3) (B) (i) of such Act is further
4 amended by deleting the words, "a State 'emergency on'
5 indicator" and substituting therefor the following: "an area
6 'emergency on' indicator."

7 SEC. 105. (a) Section 102 (c) (3) (B) (ii) of such Act
8 is amended by inserting, after the words, "For purposes of
9 subparagraph A," the following: "with respect to emergency
10 compensation accounts established in accordance with sub-
11 section (e) (3) and limited to benefits for weeks of unem-
12 ployment ending before January 1, 1976,".

13 (b) Section 102 (c) (3) (B) (ii) of such Act is further
14 amended by deleting the words, "a State 'emergency off' in-
15 dicator" and substituting therefor the following: "an area
16 'emergency off' indicator".

17 SEC. 106. Section 102 (c) (3) of such Act is amended
18 by adding at the end thereof the following subparagraphs:

19 "(C) (i) For purposes of subparagraph A, with respect
20 to emergency compensation accounts established in accord-
21 ance with subsection (e) (2) and limited to benefits for
22 weeks of unemployment ending after December 31, 1975,
23 there is an area 'emergency on' indicator for a week if, for
24 each of the three most recent calendar months ending before
25 such week, both the rate of insured unemployment (season-

1 ally adjusted) for all States and the rate of insured unem-
2 ployment (seasonally adjusted) in the area equalled or
3 exceeded 5 per centum.

4 “(ii) For purposes of subparagraph A, with respect
5 to emergency compensation accounts established in accord-
6 ance with subsection (c) (2) and limited to benefits for
7 weeks of unemployment ending after December 31, 1975,
8 there is an area ‘emergency off’ indicator for a week if, for
9 each of the three most recent calendar months ending before
10 such week, either the rate of insured unemployment (sea-
11 sonally adjusted) for all States or the rate of insured unem-
12 ployment (seasonally adjusted) in the area was less than 5
13 per centum.

14 “(D) (i) For purposes of subparagraph A, with respect
15 to emergency compensation accounts established in accord-
16 ance with subsection (c) (3) and limited to benefits for
17 weeks of unemployment ending after December 31, 1975,
18 there is an area ‘emergency on’ indicator for a week if, for
19 each of the three most recent calendar months ending
20 before such week, both the rate of insured unemployment
21 (seasonally adjusted) for all States and the rate of insured
22 unemployment (seasonally adjusted) in the area equalled or
23 exceeded 6 per centum.

24 “(ii) For purposes of subparagraph A, with respect to
25 emergency compensation accounts established in accordance

1 with subsection (c) (3) and limited to benefits for weeks of
2 unemployment ending after December 31, 1975, there is an
3 area 'emergency off' indicator for a week if, for each of the
4 three most recent calendar months ending before such week,
5 either the rate of insured unemployment (seasonally ad-
6 justed) for all States or the rate of insured unemployment
7 (seasonally adjusted) in the area was less than 6 per centum.

8 “(E) For purposes of subparagraphs (C) and (D), the
9 rate of insured unemployment has the same meaning as in
10 section 203 (f) (1) of the Federal-State Extended Unem-
11 ployment Compensation Act of 1970.”.

12 SEC. 107. Section 102 (e) (2) of such Act is amended
13 by striking out the words “Except as provided in paragraph
14 (3), the amount established in such account for any in-
15 dividual” and substituting the following: “With respect to
16 benefits for weeks ending after December 31, 1975, the
17 amount established in such account for any individual who
18 initially files an application for emergency compensation for
19 a week of unemployment which begins in an emergency
20 benefit period based on an area 'emergency on' indicator as
21 defined in subsection (c) (3) (C) (i)”.

22 SEC. 108. Section 102 (e) (3) of such Act is amended
23 by striking out the words “only” and “July 1, 1975” and
24 substituting for the latter the following: “January 1, 1976;
25 and also for later weeks of unemployment but then only if

1- such later weeks begin in an emergency benefit period that
2 is based on an area 'emergency on' indicator as defined in
3 subsection (c) (3) (D) (i)".

4 TITLE II—AMENDMENTS TO TITLE II OF THE
5 EMERGENCY JOBS AND UNEMPLOYMENT
6 ASSISTANCE ACT OF 1974

7 SEC. 201. (a) Section 202 of the Emergency Jobs and
8 Unemployment Assistance Act of 1974 is amended by add-
9 ing at the end thereof the following paragraph:

10 "Any such agreement shall provide that payment
11 of special unemployment assistance for any week of
12 unemployment ending after December 31, 1975, shall
13 be made to an individual only if, prior to filing his
14 initial claim for assistance or waiting period credit with
15 respect to such week of unemployment, he was last
16 employed for at least five workdays in an area where a
17 special unemployment assistance period is in effect with
18 respect to such week of unemployment. Each standard
19 metropolitan statistical area of two hundred and fifty
20 thousand population or more, any part of which is con-
21 tained within the geographic limits of the State, shall
22 be considered an area for this purpose. The remainder of
23 the State that is outside the geographic limits of each
24 area shall also constitute an area of the State for this
25 purpose."

1 (b) The Secretary of Labor shall, at the earliest prac-
2 ticable date after the enactment of this Act, propose to each
3 State with which he has in effect an agreement entered into
4 pursuant to section 202 of the Emergency Jobs and Un-
5 employment Assistance Act of 1974 a modification of such
6 agreement designed to cause payments of special unemploy-
7 ment assistance thereunder to be made in the manner
8 prescribed by such Act, as amended by this Act. Notwith-
9 standing any provision of the Emergency Jobs and Unem-
10 ployment Assistance Act of 1974, if any such State shall fail
11 or refuse, within a reasonable time after the date of the enact-
12 ment of this Act, to enter into such a modification of such
13 an agreement, the Secretary of Labor shall terminate such
14 agreement.

15 SEC. 202. (a) Section 203 (1) of such Act is amended
16 to redesignate it as section 203 (a).

17 (b) Section 203 (2) of such Act is amended to re-
18 designate it as section 203 (b) and to make it read:

19 “(b) the individual is totally or partially unem-
20 ployed, and is able to work, available for work, and seek-
21 ing work, within the meaning of, or as required by, the
22 applicable State unemployment compensation law and is
23 not subject to disqualification under that law: *Provided*,
24 That, in the case of any individual who performed serv-

1 ices for a school in an instructional, research or principal
2 administrative capacity, special unemployment assist-
3 ance shall not be payable for any week commencing dur-
4 ing the period between two successive academic years
5 (or, when the contract provides instead for a similar
6 period between two regular but not successive terms,
7 during such period) if the individual has a contract to
8 perform service in any such capacity for any school for
9 both of such academic years or both of such terms; and”.

10 (c) Section 203 (3) of such Act is amended to re-
11 designate it as section 203 (c) and to make it read:

12 “(c) the individual has filed a claim for assistance
13 or waiting period credit under this title: *Provided, That,*
14 if the individual, except for the imposition of a disquali-
15 fication in accordance with subsection (b) was other-
16 wise eligible for a payment of assistance or waiting
17 period credit under this title with respect to a week of
18 unemployment which began during a special unemploy-
19 ment assistance period, but did not exhaust entitlement
20 to assistance during such period, entitlement shall con-
21 tinue after the end of the period but no assistance shall
22 be paid under this title for any week of unemployment
23 that begins more than thirteen weeks after the end of
24 such period; and”.

1 (d) Section 203 (4) of such Act is repealed, effective
2 with respect to weeks of unemployment ending after De-
3 cember 31, 1975.

4 (e) Section 203 (5) of such Act is amended to re-
5 designate it as section 203 (d).

6 SEC. 203. Section 204 of such Act is amended by strik-
7 ing out its present provisions and substituting the following:

8 "Section 204. For purposes of section 203, and limited
9 to assistance for weeks of unemployment ending after De-
10 cember 31, 1975, in the case of any area a special unem-
11 ployment assistance period—

12 " (a) shall begin with the third week after the first
13 week for which there is an area 'emergency on' indicator
14 (as defined in section 102 (c) (3) (C) (i) of the Emer-
15 gency Unemployment Compensation Act of 1974, as
16 amended) ; and

17 " (b) shall end with the third week after the first
18 week for which there is an area 'emergency off' indicator
19 (as defined in section 102 (c) (3) (C) (ii) of the Emer-
20 gency Unemployment Compensation Act of 1974, as
21 amended) except that no special unemployment assist-
22 ance period shall have a duration of less than thirteen
23 weeks."

24 SEC. 204. (a) Section 206 of such Act is amended by
25 redesignating it as section 206 (a) and by inserting after the

1 words "shall be entitled to receive" the following: "during
2 his special unemployment assistance benefit year".

3 (b) Section 206 of such Act is amended by adding the
4 following subsection:

5 " (b) The maximum assistance amount of an individual
6 who has exhausted his special unemployment assistance
7 rights by having received all the special unemployment
8 assistance available to him during his benefit year shall be
9 increased by an amount equal to 50 per centum of the amount
10 established under subsection (a) if the week of unemploy-
11 ment for which he next files a claim for special unemploy-
12 ment assistance after such exhaustion:

13 " (1) begins before the expiration of his special un-
14 employment assistance benefit year or before the
15 termination of a special unemployment assistance period
16 that began during his special unemployment assistance
17 benefit year; and

18 " (2) such week begins within a special unemploy-
19 ment assistance period that is based on an area 'emer-
20 gency on' indicator as defined in section 102 (c) (3) (D)

21 (i) of the Emergency Unemployment Compensation
22 Act of 1974 as amended."

23 SEC. 205. (a) Section 208 of such Act is amended by
24 striking out "March 31, 1976" and substituting therefor
25 "March 31, 1977."

1 (b) Section 208 of such Act is amended by striking out
2 "December 31, 1975" and substituting therefor "Decem-
3 ber 31, 1976."

4 SEC. 206. Section 210 (a) is amended by adding, at
5 the end thereof, the following paragraph:

6 “(5) ‘special unemployment assistance benefit
7 year’ means the benefit year as defined in the applicable
8 State unemployment compensation law.”.

The CHAIRMAN. Our first witness will be the Honorable John T. Dunlop, Secretary of Labor. We are pleased to have you.

**STATEMENT OF HON. JOHN T. DUNLOP, SECRETARY OF LABOR;
ACCOMPANIED BY WILLIAM H. KOLBERG, ASSISTANT SECRETARY FOR MANPOWER; AND WILLIAM B. HEWITT AND LAWRENCE E. WEATHERFORD, JR., ASSOCIATE MANPOWER ADMINISTRATORS**

Secretary DUNLOP. Thank you very kindly, Mr. Chairman.

I appreciate this opportunity to appear, and with me today on my left is Mr. William H. Kolberg, Assistant Secretary for Manpower, and on my right, Associate Manpower Administrator Larry Weatherford, and William Hewitt, who is also Associate Manpower Administrator, is also on my left.

Mr. Chairman, since you and this committee are very well familiar with the range of issues I have come to testify about, it would seem to me most appropriate if I, with your permission, could briefly summarize what I might say and have submitted for the record the longer and more careful statement that has been prepared and submitted to you.

Is that agreeable, sir?

The CHAIRMAN. That is fine.

Secretary DUNLOP. Thank you.

Let me say a couple of things then in introduction. I think our unemployment insurance system has served us well in the main in this period of very marked economic downturn. As I set forth on page 2, this is true not only from the point of view of the individual household, but also from the macroview of the economy. There it sets forth the fact that in 1973 there were \$4 billion in unemployment benefits to 5 million beneficiaries, in 1974 that it increased to \$6 billion to cover 7½ million persons. For this year, 1975, we estimate about \$19 billion will be paid out to over 14 million unemployed workers. You see the compensatory system working well.

I also would like to add, with your permission, Mr. Chairman, a note of personal expression of gratitude and appreciation to the thousands of people who work in the State and Federal unemployment insurance system around the country. As I have, in getting acquainted with our regional offices going around the country, I visited a great many of these unemployment insurance offices and talked with the people not only in the lines but the people who work in those offices, and I think the country owes to those staffs an enormous gratitude for very hard work during the winter months, slacking off a bit now, of course, where it was necessary to invest long overtime hours to get those checks out into the hands of people who need them, and the country owes them a debt of gratitude and I want to express that to you this morning.

Now as you have indicated, with the continuation of the unemployment high levels, we face the fact that there will be a number of people who will run out of their benefits under both the regular benefit program and the supplemental program if further extension is not done by June 30, and that is just 20 days away.

In brief, Mr. Chairman, I am here to support the House-passed bill with one important caveat, and that is that the administration is of the view that triggers should be added, that the House bill plus the triggers are incorporated in a bill introduced by Senator Javits, which is S. 1810.

Now briefly, the case for the triggers can be put in this way, as I see it.

First of all, the extension of unemployment insurance to 65 weeks does begin to raise questions about at what point we have converted an unemployment insurance system into a public assistance program generally. You will recall the British faced this problem in the thirties, the 1930's, and that is a matter of some concern to me.

It also seems to me, therefore, important from these high levels that we ought to plan to dephase these extended benefits when they are enacted, and if you will turn to page 7, you will see a little table which, in a sense, is a brief summary and constitutes our proposal after some considerable discussion as to the best way to, indeed, phase these extended benefits. It shows that when the national and area insured unemployment rates are 6 percent or over, the 65 weeks would prevail for the regular benefits, the extended benefits, and the Federal supplement. For the SUA it would be 39 weeks as shown in the same table. If unemployment came down to below 6 percent to 5.9 percent, that would be reduced to 52 weeks and 26 weeks. And at 4 percent to 4.9 percent would be down to 39 weeks and the SUA program would disappear. At 3.9 percent or less, the regular program would remain at 26 weeks.

That is the system that we think is appropriate, so that is one reason for these phasings.

Another reason that I think needs to be considered is that the amounts of Federal money that are appropriated for this purpose ought very well, it seems to us, to go to those localities which most need it. There are a number of localities where the insured unemployment rate is 3 percent, not many, but some, 4 percent, and it seems to me that a dephasing proposition would have the effect of concentrating more of the Federal money into those localities which most need it, some of our major metropolitan areas, as distinct from being put into just what might be called frictional unemployment in every part of the country.

The one thing that impresses me, Mr. Chairman, as I do go around the country and talk to people, is how diverse the situation is. If you go, as I have, to Dallas, our Dallas office, or you go to Kansas City, the unemployment situations there are very different than they are in New York City or in Detroit or in other parts of our metropolitan areas. And the phasing mechanism is intended in part to concentrate upon those high unemployment areas, what limited funds there are available.

There may be some question if you are going to use the dephasing mechanism, whether it ought to be on a State basis or on a major labor market area basis. We prefer a major labor market area for reasons that are set forth on page 14.

I think, Mr. Chairman, that is really all I want to say on that subject. I would like the opportunity, if I may, to say a word about the perceptions which I have of the unemployment insurance program as a whole and what the administration's policy with respect to it ought to be.

In a sense I can divide that, Mr. Chairman, into three parts. The first approach is that before June 30 we ought to make these extensions, otherwise we will have, as time goes on, very extended exhaustions of benefits. That is phase I. That is represented by the House bill and with the addition of the trigger matter, which I talked about, the Senate bill 1810.

Now the second stage in our perception of the unemployment insurance problem is that growing out of the experience which we have had in these recent months and some longer experience as well, it is timely to try to see the consensus upon a major limited number of items on which permanent changes can be made, and we have been carrying on, Mr. Chairman, very extended discussions with all kinds of interested groups and Members of the Congress, special interests in this area. We have talked to labor people, management groups, to the State administrators, and as I say, members of the relevant committees, and we think that perhaps it is possible to develop an area of agreement on four major items which we would like to see enacted during 1975. Those four areas are set forth beginning at page 17. They relate first to the subject of coverage. The supplemental program, was necessary due to the rapid changes in unemployment last year. We think we should have a permanent system which has much broader coverage than the one which we have now, so it would be unnecessary in times of rapid growth of unemployment to make the kind of very quick emergency sort of changes that were necessary last December.

So coverage is one area.

Second, financing, and there are several ways in which it should be possible to improve the financial base. We also believe, although perhaps it is more controversial, that consideration should be given and we are continuing to discuss the subject of some kind of maximum weekly benefit amount standard which States should be expected to conform to. And that is set forth, as you notice, on pages 20 and 21. And finally, the subject of a more careful look at triggering devices for extended benefits.

Those four areas are, in our view, areas where we think by careful work together with the Congress we can get adopted, and we would like to see adopted in 1975 some permanent changes in the UI system growing out of our experience over these recent months.

Finally, Mr. Chairman, the third prong of our approach to the UI problem is to suggest that there be established a study commission this year. It is the recommendation of our Federal Advisory Council on Unemployment Insurance that we do so and that the study commission take a hard long-term look at the system covering a whole range of problems.

We have been working with our advisory committee and others about appropriate terms of reference and formulations and type of commission and those discussions are going on now. The only final comment on that issue, I would like to mention, Mr. Chairman, that is very much my view, that that idea ought not to be an excuse for not taking up in 1975, and we hope favorably, some of the longer term structural changes, the four, to be precise, that I have mentioned in this brief summary and which, as you note, are set forth on pages 17 to 22 of the statement.

Those, then, Mr. Chairman, constitute a summary of our views of this matter. We think this 13-week extension before June 30 is essential. We would prefer very much to see the triggers we are proposing added to that. Second, we think in 1975 we ought to try to make these permanent changes in the system by largely consensus recognizing that there will not be unanimity. And third, we think a longer term review of the system is timely in the light of the experience the country has had over the last decade, but particularly over the last month.

That, Mr. Chairman, constitutes a brief summary of my statement. I will be glad to try to answer any questions.

The CHAIRMAN. Mr. Secretary, the theory of unemployment benefits is that they provide income on a temporary basis to the worker who has become involuntarily unemployed; and he can then find a suitable job. He is allowed 26 weeks to find a new job under the regular unemployment program; 39 weeks when unemployment is high, either nationally or in his State. Last year's legislation extended this up to 52 weeks, and this year the period has been extended to 65 weeks.

At what point do you feel we should cease to consider a man's unemployment a purely transitional problem and do something to create jobs, rather than just provide cash income to people who are not working?

Secretary DUNLOP. Mr. Chairman, I think that is a good question, and that is the range of issues I referred to a little while ago by suggesting that at some point the UI system runs the danger of doing what the British did in the 1930's, of turning it into a sort of welfare system.

I guess my answer to that is that I would be very loath to see anything beyond the 65 weeks we are recommending. I would also say, however, that in order to, at this time, preclude the extension from 52 to 65, we ought to have had in place a much more comprehensive kind of welfare program which would take up the situation, which we do not have. If we had had a more comprehensive welfare program in place—and I am mindful of the efforts to do so in the past and the complexities of that area—then I might have a very different view about the extension that is here in front of us.

The CHAIRMAN. Well, there are several things that occur to me; one of them is that we ought to regard it as urgent to get on with building things like highways, when we have 20 percent of our construction labor out of work. From my point of view, I think that where the only thing that is holding us up is environmental objections, we ought to relax the environmental restrictions.

Now, some of these environmental restrictions really are pretty hard to justify when you have a large number of people out of work and you have work that needs to be done. For example, there is that requirement that you have a 1-year study of the air quality of the area where the highway would go to show that the air quality would not be adversely affected.

The point that occurs to me is that I do not care whether the highway runs through one barren section of land between here and New Orleans or another barren section of land between here and New Orleans. In any event, something is coming out the tailpipe, even if

it is only hot air, and it would be the same thing whether it is going through one man's field or another man's field.

Now, in addition to relaxing some of these requirements, we should accelerate public works. At least those two things, I think, would help a lot.

What is your reaction to that?

Secretary DUNLOP. As to the first of the two matters you mentioned, I do believe that a good many of our regulatory arrangements of recent years have added very materially to the problem of getting on with a number of projects. I have no doubt in my own mind that the Alaska Pipeline would not now be under construction had it not been that in the final analysis the Congress acted on that matter.

The CHAIRMAN. We relaxed the environmental standards in that matter by saying that as far as we were concerned, the big study that Senator Gravel held in his hand was adequate for us to get on with widening that right-of-way from 50 feet to 100 feet.

Secretary DUNLOP. Well, Mr. Chairman, as you know, I have had a good number of years of interest and experience in the construction business, always as a neutral in labor-management disputes—what I would feel is that it should be possible for us to make a better compromise between the interests of stretching out our concerns for the environment a little bit to accommodate the employment situation. I do not think those are either/or, so to speak. I do think the essential problem is really the long delays that are involved in it. If we had a process that was certain, a little more reasonable, I think we could get along a little further.

I think in this regard I do express the views—I am happy to say unanimous views—of the Labor and Management Committee which the President appointed, which it is my pleasure to serve as their coordinator. They agree with what I have just said.

Now, second, with respect to the public works situation more generally, it would take me quite a long time, I regret to say, to indicate my own views about the economy. I guess my view is something like this: that after the tax cuts which we have had, which seem to me to be the first line of economic policy we should pursue—and again, I am happy to tell you that the Labor and Management Committee recommended that to the President in December, unanimously, as you know, both business tax cuts and personal income tax cuts—after that, it seems to me, the two other things that we have been urging are an unemployment insurance system, to be sure that income is maintained for those that are out of work. Second, the program of a limited number of specific purpose public employment jobs.

Now, beyond that, it seems to me—which that is where we are now, so to speak—that there are a couple of areas that need special attention as job creations. One of them is—as you know, I have been strongly of the view that we need to push the public utility, particularly the electric utility area, because power is a factor of production, if you like, which we would otherwise be short of. It is also essential to move in the direction of shifting out of oil and gas in some parts of the country, in power generation. And so, the shutdown of these powerplants, the construction of them and operation, is, I think, a major matter to which we need to give very first priority because of the long leadtime to create jobs and so forth.

Now, on the more specific public works area, I guess I have these views. One is that there are a number of items that are budgeted and I feel that in that area a certain amount of speeding up of that can be done to give the economy a certain amount of special added boost at this point. The acceleration of those—and particularly as we move into a new fiscal year in a few weeks—some of those can be programed shorter than they have been to get their impact faster.

Beyond that, I think I would want to take a good look at the quality of the programs proposed. I, myself, am sympathetic to some of them. Many of them are not productive programs which have a long-term favorable impact on the economy.

The one thing we know from the 1960 and 1961 and 1962 program is that—and I am not absolutely sure this is essential to the character of it—but in that period, we have pretty good data that showed that it took a couple of years from the time of authorization to get the payments out the front door. And that is really a kind of a crucial issue here as to what that time interval is. And until that is speeded up it seems to me it is not a very effective instrument for the purposes of job creation.

The CHAIRMAN. Well, before President Johnson became President, he recommended that we should have a backlog of desirable public works that we would like to do whenever we found ourselves with an unacceptably high degree of unemployment.

Now, it seems to me we ought to have an authorization for that so that it would take just a quick appropriation and it could begin. And perhaps we could even expedite some of the other things, as I mentioned, even perhaps streamline the bidding procedures to get something like that going. And I would hardly think that would be too much of a problem. Where you have a contract already underway, you could simply negotiate an extension of the contract with the fellow who is doing it for you then, if you thought it was urgent.

We also have another point, Mr. Secretary. We in this committee recommended a tax cut of about \$6 billion beyond that which became law this year. The conferees—I was pleased to cooperate in bringing down the amount of the tax cut to about \$23.5 billion on the assurance—I will not say the threat—of the President that that bill was going to be vetoed if it went about a \$25 billion tax cut.

Now, the Congress sent to the President a measure for about \$5 billion of public works that the President vetoed. If he could find those are not such a sufficiently high priority, I wish you could tell us what he would be willing to sign, because it seems to this Senator that we would just like to get something done, just quite apart from who is going to benefit politically as the result of it. And I really feel that to just pay those people unemployment benefits, we are doing absolutely nothing.

Now, what can we do about that? I am willing to cooperate, but do you not agree that to be paying out \$19 billion to 14 million unemployed workers—compared to \$4 billion for 5 million unemployed workers—is a vast waste of \$15 billion and a minimum of human resources?

Secretary DUNLOP. Senator, I think you have said a number of things. This last set of comments you make, I agree with you very much. We ought to be able to do better. And the two things we have

not been able, historically, in this country—and this statement is apart from political party—I believe is to develop the idea of a shelf of public works and make it work very well.

The second point you make, that the payment of large sums of money in unemployment insurance constitutes a waste of human resources, is a matter I agree with. Given the fact that such unemployment exists, it seems to me, however, that some such system of compensation—which goes to work automatically and turns off automatically—is an essential portion of every modern economic society. And that is why I am here to support it; not here to support the waste of human resources that is involved.

The CHAIRMAN. I believe Senator Byrd was the second Senator to enter the room; and following the rule we have been using around here for some time, he would be entitled to take his turn next.

I would like to ask each Senator to confine himself to 10 minutes.

Senator BYRD. Thank you, Mr. Chairman.

Mr. Secretary, the information we have indicates that the balance in the Federal unemployment account is getting quite low.

What steps are being taken to assure that there will be sufficient funds in that account?

Secretary DUNLOP. Senator, you are quite right. The balance in the account at the moment, if I am not mistaken, is \$3.8 billion. And the account has been drawn down by virtue, as you would suggest—and these facts may be helpful to you—of advances to States from the Federal unemployment or loan account. And they have been made to the following States: Connecticut, Washington, Vermont, New Jersey, Rhode Island, Michigan, Massachusetts, and Puerto Rico. These advances from 1972 through June 1975 have amounted to \$671.4 million, and that is what is drawing the account down.

I believe there is pending in the Congress a request for appropriations to provide a further addition to that fund, and if I am not mistaken, there has been some disagreement in the Congress over the legislation on that matter.

We are anxious to see that enacted so that that fund—the so-called loan account—can promptly be replenished to provide added amounts which we are certain will be necessary to additional States in 1975 and 1976.

Senator BYRD. What is the prospect of the States which already have borrowed from the fund, repaying the sums?

Secretary DUNLOP. Well, of course, that undoubtedly varies by State. As you know, the present law provides that where a loan advanced to a State has not been repaid within 2 years, the employers' 2.7 percent tax credit is reduced successively in 0.3 percent increments until the loan is repaid or recaptured.

For example, the 0.3 percent increase was levied on Connecticut employers for 1974, and collected in January of 1975. For 1975, collectable in 1976, the penalty rate will be increased to 0.6 percent in Connecticut, and so forth.

And the State of Washington, if I am not mistaken, will also incur a penalty of 0.3 percent next January.

Now, that is the present arrangement.

One of the views I have, Senator, is that in the longer term commission which we were proposing, that a review of this sort of financing

arrangement ought to take place to see what ought to be done with the accumulated liabilities, so to speak, that are going to be built up in this period of very high unemployment. It is clear to me it is not the kind of problem that ought to be handled between now and June 30.

Senator BYRD. Well, the President's budget message, submitted in January or early February, indicated that there would be a \$9.2 billion balance in June of 1975. But you say that that balance is now \$4.9 billion? There is a very substantial difference.

Mr. KOLBERG. I think, Mr. Byrd, what you must be referring to is the balances left in the State trust funds.

Senator BYRD. That includes the State trust funds.

Mr. KOLBERG. In total, they are probably as you indicated; some State trust funds are still in relatively good shape. What the Secretary was referring to was the balance left in the loan fund. That was \$3.8 million, as the Secretary indicated. We have asked for \$1.5 billion; that is a part of the \$15 billion supplemental request that has been going back and forth between the House and the Senate on the disagreement.

Senator BYRD. That clears up the difference in those figures. Thank you very much.

Mr. Secretary, we started off with 26 weeks of benefits and then went to 39, and now to 52; and you recommend 65. Where do you think is the appropriate stopping point?

Secretary DUNLOP. Well, the chairman asked me an analogous question, and I think maybe I can elaborate a little bit on what I said to him.

First of all, I do think that it is appropriate that the duration should rise in times of very heavy unemployment. And the reason for that principle, I think, is this: The job search which takes place in a labor market may take a lot longer, and one may have to travel a lot further in times in which unemployment levels are appreciably higher. So, the notion of expanding the benefits, the duration of benefits, with the level of unemployment is, on the whole, a sound principle. Let me start that way.

Now, second, I cannot tell you where any ideal limit is. I, myself, am concerned and at the outset this morning, Mr. Byrd, expressed concern about our system degenerating—instead of a Federal-State system, instead of an employer tax supported system—degenerating into what I call a public assistance program. And I used the experience of the British in the 1930's because that is the classic case in which it went awry. And I am concerned about that.

I am saying to you, however, that I do favor this extension at this time because we have not in this country placed into effect a comprehensive type of welfare program; because one solution to these problems would say after a certain point a person who was unemployed—I do not care for the moment whether you say 52 weeks, 65 weeks, or some other number; 78 weeks—ought to be treated financially not as a part of the unemployment insurance system, financed in the way an unemployment insurance system is, but ought to be treated as a part of some welfare program.

Senator BYRD. What is the point, though, that you would draw that line?

Secretary DUNLOP. Well, to be precise, I am not in favor of going any further than we are here recommending.

Mr. KOLBERG. The 65 weeks, Mr. Byrd.

Senator BYRD. Even at 65 weeks, you run some risk of getting to the point that England got to.

Secretary DUNLOP. I do not deny that, Senator. But since we do not have an alternative program in place in this country—we have debated it in the country, all sides for many years.

One other point I think I should mention, sir, and that is that the average duration of unemployment, however—let us not be mistaken about that—is only, if I remember correctly, about 14 weeks. And so, while you do have some cases of very long unemployment, most unemployment—indeed, the average unemployment—is really reasonably short. And 14 weeks is, if I remember it correctly, the statistical figure. And it has risen from about 9.8 weeks to 14 weeks.

I can get the figure readily.

So while there are some persons with very long unemployment benefits—and we are making a special study of all those who have exhausted their benefits; this is another thing that we have—what are the characteristics of these people who have exhausted, who have gone, since the average duration is only 14 weeks, what are the characteristics of those people who have gone all of the way to 39, 52, or 65.

Senator BYRD. That is a very important point you bring out. The average, which I must say I had not realized, is 14 weeks. Does that mean that a large majority of the unemployed are unemployed for 14 weeks?

Secretary DUNLOP. Oh, yes. That is the statistical average. There are a great many—I would give you a table, if I brought my monthly statistics.

Senator BYRD. To put it another way, then, would it be accurate to say that only a very small percentage would be unemployed for more than the current 52 weeks?

Secretary DUNLOP. Oh, yes; oh, yes, certainly.

I have a source of data, not from the unemployment insurance system, but the figures will not be all that incongruent. I have the figures from the monthly household survey which is taken once a month, as you know; and I have the average duration for the figures that came out last Friday. And they are 13.4 weeks. And that was May of 1975.

The figures for the second quarter of 1974 were 9.7. Those were roughly the figures I gave you, but this is from a different source than the UI data.

Senator BYRD. Is the system policed adequately to determine that those who have not been placed in jobs at the end of, say 52 weeks have really sought jobs? Or are they ones who would prefer to be on unemployment benefits?

Secretary DUNLOP. Well, Senator, that is a matter that has for many, many years interested me as an academic specialist, among other things, in this business. And I once edited a book dealing with the concept of availability of work, which deals with how that set of tests is administered in our unemployment insurance system.

Let me say several things to you. First, I will confess that it is extremely difficult, conscientiously, perhaps, to administer that in a

time in which jobs are very scarce, because the ultimate test of availability is sending a person out to a job to see whether he will accept it or not accept it and for what reasons. And that is the best test. And in a time of substantial unemployment, it is very hard to put one to the critical test. So, I start with that recognition, sir.

Now, each of the States, as you know, has its own rules about this matter, and what is an appropriate availability for work concept in one State is not applied in another; they have their own. What wage will a man or woman have to accept? How far will they have to travel? Shall they or shall they not work on the night shift in order to accept a job? How far different from the kind of work that they have normally done shall they be allowed to refuse and still draw unemployment compensation? These are very difficult problems, I confess, and as I say, an enormous body of precedent and law and court decisions, as a matter of fact, in all of these States, has grown up over that matter.

In each of the offices, sir, that I have visited since I came to this job, I have inquired into that problem. I have talked to the directors, I have talked to the office managers of the individual offices that I was visiting, because it is a matter that has long interested me. I guess my conclusion about it, in the large, is that yes, there is some abuse of the system. But all things considered, I, given my normal, somewhat skeptical nature, I have come to the conclusion that there is not as much as I had thought there would be. Now, that does not tell you very much, but nonetheless, that is kind of my judgment about it.

Senator BYRD. Thank you, sir. Thank you, Mr. Chairman.

The CHAIRMAN. The next Senator to enter the room was Senator Haskell.

Senator HASKELL. Thank you, Mr. Chairman.

Mr. Secretary, the bill on which we are holding this hearing would extend unemployment benefits from 40 to 65 weeks; and this means, I assume, additional employer taxes.

I wonder at what point the employer is going to stop being burdened and at what time, will this be a general fund responsibility? That is one of my questions.

Secretary DUNLOP. May I consult my colleagues?

Senator HASKELL. Certainly.

Secretary DUNLOP. What I wanted to consult my colleague about, Senator, was we had had some discussion about this matter in the Federal Advisory Council, and I wanted to be sure I had understood their position about it. Although we have not come down on any position about the issue you raised, the Advisory Council, the Federal Unemployment Insurance Advisory Council, has come down on the side of saying after 39 weeks the matter ought to become a matter of Federal Government responsibility. Is that correct?

Mr. KOLBERG. Yes.

Mr. WEATHERFORD. Well, general revenues.

Secretary DUNLOP. Yes; that is what I mean. We are talking about general revenues.

Now, I am not sure I agree with that.

It does seem to me, Senator, that that is one of the questions that this longer term Commission ought to be engaged in. That is one of the

reasons I want the Commission to spend the next year looking at that question.

On the other hand, I have some reservations about too early in the duration transferring the responsibility to the Federal Government exclusively, partly because that further undermines the State-Federal system, which I think, in this area, speaking personally, I would like to see preserved. If the Federal Government pays a larger and larger share of that bill, it seems to me the case for the federalization of the system, which has become a very emotional issue in many parts of the country and among many of the employers in the country, becomes a little easier; and the arguments for Federal determination, not only of benefit standards but of duration, and each and all of the gory details, including the administration of these matters I was talking with Senator Byrd about, become much more possible and much more difficult to resist. I do not, myself, think that, on the whole, is a desirable development.

So, I am not, myself, too enthusiastic about that, apart from its fiscal and obvious budgetary factors.

Senator HASKELL. Mr. Secretary, another question.

Is there any evidence of migration between States because State A has a very liberal unemployment insurance law, and State B has a very tight one?

Secretary DUNLOP. Well, there are two aspects of your question that I think I ought to comment on. I am afraid in the last couple of years I have been spending my time before this March doing other governmental chores, instead of doing all of the reading I should have done, in which case I could answer you very quickly, I am sorry to say.

Senator HASKELL. Well, join the club.

Secretary DUNLOP. Well, there are two points. One might have interpreted your question to say evidence of the migration of firms.

Senator HASKELL. I did not mean that; I meant employees.

Secretary DUNLOP. There is a great deal of argument about whether differential tax rates have something to do with the location of enterprise, and so forth.

Senator HASKELL. That was not my question. I directed toward the employees.

Secretary DUNLOP. I see.

The second concept of migration would be the migration of workers among States. To the best of my knowledge, I know of a couple of cases of work that have dealt with that range of questions; but I know of no piece of work which has come to the conclusion that there is any evidence to support that view.

Let me ask my colleagues.

One of my colleagues, Mr. Altman, has raised with me this point, which perhaps I might ask that I be clear about. One might think of migration in the sense of a person permanently moving to a work place, preferring a job in a State where unemployment benefits are higher than they are, in the same way that one might move to a State permanently in which wage levels were higher or the weather was better, or something else.

That is one kind of movement.

The second kind of movement is having had a job and become unemployed, can he move now to another State to draw higher benefits?

That is clearly out because the benefits are, under our interstate program, related to the State in which he developed his employment credits.

Senator HASKELL. On the first, there is no evidence, to your knowledge, of migration to States with high unemployment benefits, I gather.

Secretary DUNLOP. To my knowledge; no.

It would be an interesting intellectual, and I may say, statistical problem to separate out all of the reasons for which people move. If I am not mistaken, 20 percent of our people move within each year, out of a county. I remember some number like that in my head. To separate what proportion of that 20 percent that moved out of a county in a year was due to unemployment insurance—I think that would be a pretty hard job to do.

Senator HASKELL. One further question, Mr. Secretary.

What role does your office or your agency play in determining whether or not a Federal fund is actuarially sound; whether in fact the law is collecting adequate moneys to fund potential unemployment benefits?

What role does the Federal Government play?

Secretary DUNLOP. May I ask Mr. Weatherford. That is his responsibility, and that is one of the problems I have not gotten into in a few months.

Mr. Weatherford?

Mr. WEATHERFORD. Senator, there are really two areas that we have. The first one is one where the State has the full responsibility, and there is no strict Federal requirements that would impose on the State a tax rate, the amounts, and the solvency of that fund.

The second area is one that we do actively participate in. It is one where we provide technical assistance to our actuaries to each State in developing appropriate tax schedules and estimating income, outgo, and trying to provide that technical assistance that a State needs. We have got to provide a great amount of influence over it by program letters, leadership, guidance, to make sure that the State does develop a program that is sound. In this regard we have a lot of work to do obviously, between the next 2 years, because over half of our States' trust funds are going to be in serious difficulty.

Senator HASKELL. Maybe you and I could sit down at your convenience in my office to discuss this, because I think this is a problem, a real problem.

I know, for instance, in my State I had a zero rating. In other words, I did not have to pay anything. I probably should have been, you know, if the Government had been foreseeing the present economic conditions—and I think it is very much a real problem. I would like to sit down and discuss it with you.

Secretary DUNLOP. We would like to do that very much, Senator. As I remember from what little knowledge I have of Colorado, the experience rating arrangements there have produced some of the results to which you refer. I would be very happy to talk with you.

Mr. WEATHERFORD. If I could just take 1 second, Senator.

One of the real problems that we face and the States face now and will be facing, is the limitation on their wage base; their current wage at \$4,200 has, what I would like to refer to as a restricting mechanism

on them, because in order to collect the type of revenue that they are going to have to collect now means a tremendous increase in the rate which, in effect, kind of invalidates the experience rating system among the employees in this State.

We hope to talk about this in our next round, when the Secretary talks about this.

Senator HASKELL. Thank you very much.

My time has expired.

Senator HARTKE [presiding]. I am just following the regulations established by the chairman who said that the next person would be Senator Nelson.

Senator NELSON. I regret I did not get here in time to hear the presentation of your testimony, Mr. Secretary, and I do not want to repeat anything that has been covered.

However, in your statement, I note that you are estimating that cost in 1975 of \$19 billion, and in 1976 of \$18 billion.

Is that correct?

Secretary DUNLOP. Yes, sir.

Senator NELSON. A short time ago you testified that the current average unemployment period is 14 weeks. Is that what you were saying—average?

Secretary DUNLOP. Yes, sir.

Senator NELSON. I haven't read your testimony and I wasn't here while you presented it, so I might be asking something you covered. But I assume that a good percentage of the \$19 billion to be spent in 1975 and the \$18 billion estimated for 1976 is going to be paid to people in their first 14 weeks. Is that correct?

Secretary DUNLOP. Yes, certainly.

Senator NELSON. I asked this same question on another bill, on the public service employment bill, before the Labor Committee, so I guess I know the answer. But you are using a detriquer mechanism in a labor market area of 250,000?

Secretary DUNLOP. That is the recommendation, sir.

Senator NELSON. So, you do that, recognizing, I assume, that in a labor market of 250,000, you may have gone below the insured unemployment rate for the trigger, but have an inner-city area where the rates are much higher?

Secretary DUNLOP. I do not know what Mr. Kolberg answered when you asked him that question, and I have not consulted him. But, the answer seems clear to me, as yes, just as there would be variations around any average figure in any set of statistics.

Senator NELSON. Well, I did raise the same question, and the one that bothers me most about it, I think, is that in those areas, as in the public service employment bill, there will be areas in balance of State jurisdictions where you will have smaller communities of 40,000, 30,000, and so forth. In the whole area the rate may be well below the trigger, but it could be very high in smaller communities within that area. So, there is substantial discrimination. Maybe it is unavoidable, but there is substantial discrimination against the employees who live within an area like that, as contrasted with another area.

Secretary DUNLOP. May I comment on that, Senator, and put it this way to you: I guess my conviction is that it is important for reasons I specified in summarizing my testimony to dephase, to bring the

durations which we are proposing—65 and 39—down to more normal levels—from 65 to 52, and 52 to 39, as unemployment drops.

In my testimony, is the table which specifies the levels. Now, logically speaking, you could say I only want to use a national trigger, and if you use a national trigger, you will have very great disparities among cities and regions and so forth. As I said to the chairman, as I have been traveling around the country in the last 6 or 8 weeks, visiting, you notice how different some parts of our country are at the present time in this regard. Now, if you say I do not like a single number, I want to go to a State basis, or, if you take a State at a time, you also have a wide disparity. The certain metropolitan areas could be overbalanced in their effects by very high levels of unemployment, and certain metropolitan areas being averaged down because of a lot of smaller cities in which unemployment rates were high.

Now, we think that the preferred system, recognizing that neither the country as a whole nor the State as whole, nor, if I can say, the local labor market area, or balance of the State included, is ideal. We think we should move in this country more to standard metropolitan areas because that is the nature of the labor market. That is the area where most of the job search is carried on.

We are trying to develop from congressional suggestions, and I agree with that, a CETA approach.

Now, the difficulty, as you say, is the 250,000—it may not be representative. On the other hand, it is hard enough to get accurate, reliable, at the present state of the art, statistical information for that level to try to impose an obligation to make triggers work on a still smaller area, because the data—we are still struggling very hard to perfect the locality unemployment data, the labor force data, in units of 250,000. We have no capacity to do it at levels below that.

Senator NELSON. I think it causes some concern—I have heard it expressed here by Senator Byrd and yourself—about federalizing the program, about the length of time of coverage, and your response, which I guess I would agree with, that you have got to do something and this is the best we can do. Would it introduce an offensively novel concept if at some stage where the Federal Government was involved, you furnished an alternative to unemployment compensation and fund it in the public sector where there is lots of work that needs to be done; and if there is no private employment for the unemployed worker, say, at week 65 or whatever, which is a long, long time and far beyond the average, that in order to draw from Federal funds a worker must accept either a private job if there is one, or a job in the public sector, where there is lots of work that needs to be done, and where we have some programs that have been very successful, particularly for example, Operation Mainstream.

Have you ever considered trying to assess the value of that concept?

Secretary DUNLOP. There is quite a long intellectual history behind that idea, as you know. I have thought about it often in the past.

I think the principal question in my mind is our capacity, at the moment, as a country, to fashion the mechanisms by which that would work out. I do recognize a number of very successful manpower programs. I think they are by far a minority in the total we have developed over the last decade. As I get around the country and visit

with mayors in cities, as I have, as I say, gone to each of our regional offices, there are now a great many problems with the limited scope of public employment programs that we have. If the question is, am I prepared to explore such an idea. Yes, I am.

If the question is do I think we are anywhere near the mechanisms to make it work, well, I think not, candidly.

Now, one other problem about it. I myself am concerned that a great deal of our discussion in these days of job creation, has been talked about as if it were only the Federal Government or States, for that matter, that create jobs, when, as a matter of fact, the country really seems to me to be looking for what they call good jobs; and those are jobs which pay well, which have steady employment, which have chances for promotion, for safe working conditions and the like. If you look around our economy, those jobs are jobs which involve an enormous amount of capital.

So, while I am not hostile to the kind of intellectual notion you suggested, and have often thought about it, it seems to me that the mechanism of working it out—so, here is somebody who has been on unemployment insurance for 39 weeks and is coming to the end—he automatically goes to some kind of job in his city. If he is there 6 weeks, that is fine. If he goes back to his old job and is recalled, I have some doubts as to whether a successful local city program can be usefully carried out with that kind of mix of people over such duration. I think the mechanisms on that are really very difficult to work out.

Senator NELSON. Might I ask one more question?

Senator HARTKE. At the pleasure of the chairman, who is not here.

Secretary DUNLOP. Yes, Senator?

Senator NELSON. I think it has two features. One of them you discussed a while ago. What kind of a job is one required to take in the private sector; under what circumstances may he or she turn it down?

I am suggesting that once you get to a certain number of weeks of unemployment, that in any publicly funded program, there ought to be some alternative offered that a person would be required to accept.

Now, I do not think I agree with you that we do not have the capacity to manage it. I have forgotten—somebody here might remember—I think we handled 4 million people on WPA, and despite the popular talk of some people who do not know what the WPA did, it was a magnificently successful program. We handled, I think, over 4 million people, nearly half of the population of the unemployed, with a fraction of the gross national product.

It seems to me at some stage we ought to be saying well, look, you are going to have to do some work. Considering the fact that at some stage requiring the worker to make a contribution, and considering the fact that there is all kinds of work to be done, I think it is manageable, and I would like to see that concept explored.

Secretary DUNLOP. May I comment, sir?

Senator NELSON. People ought to work if there is work to be done.

Secretary DUNLOP. Let me say there are two ideas I would like to comment on that.

The first is, if you are going to do that, I would like to see it thrown into the pot for discussion the notion that such people might be assigned, as in other countries, to essential training programs, because I have a feeling—and it may happen in a number of our localities—

if unemployment duration goes on to 52 weeks or something like that, there is a real chance that we have a structural factor at work in that community or in that industry, in that locality, which means that those jobs are never going to come back; and therefore, under those circumstances, if one is going to spend money, one of the things that one might do at some point is to put people into training programs that get them out of the occupations, industries, localities, in which they are in—and I am not offering that.

Senator NELSON. No; I would not heartily endorse that.

Secretary DUNLOP. I am not offering that as an alternative, but it seems to me that it belongs in the same pot of ideas.

Now, the second point, of course, is, and I am sure you are aware, the average costs of these public service jobs are in the order of—what, \$8,000 a year per employee. In the unemployment compensation system, of course, is a very much lower level. The benefits average \$65 a week, which is half, roughly, the annual rate.

I just wanted to point that out.

Senator HARTKE. The next person on my schedule is Senator Hartke, I will defer, however, to Senator Gravel.

Senator GRAVEL. I would just like to touch on the triggering mechanism involved, but before I do that, I want to say that I subscribe to the concept enunciated by Senator Nelson, that at some point, after a long period of unemployment, a person should forego the option of turning down general work in lieu of the exact kind of work he wants.

At the beginning he should be able to stay in his chosen field but after a period of time expires, possibly because of the factors you defined, there may be not the precise type of work available in that community and it may never be available. So, he has got a choice, he has either got to move out of the community or take another kind of work, more humble work possibly.

And that brings us to the problem of the triggering mechanism. What would be your reaction if we, along with extending these benefits, extended the authority to make the 120-percent triggering mechanism optional? It is highly discriminatory in the State of Alaska. Most people, because they now have high unemployment, think that we are the land of prosperity because of the pipeline. But, according to the figures here, as of May 17, 1975, there are not too many places in the United States that have unemployment higher than we have.

We have 10.71 percent unemployment but we could not be triggered if the mechanism were enforced today. We could not be triggered because we would only have 94 percent rather than 120 percent, since, as you know, we have customarily enjoyed worse unemployment than this. What is now a national problem has been consistently an Alaska problem and we have been discriminated against through this triggering device albeit we have had this temporary "pardon."

I think this "pardon" should be institutionalized. We should not punish people because they happen to be in an area that has constant severe unemployment. We should try to solve the problem in another fashion perhaps through a mandatory training effort or through a mandatory jobs program.

Secretary DUNLOP. Well, Senator, let me comment on several aspects of what you have said.

First of all, I am sure you know the 120-percent trigger was suspended, or more accurately, the Emergency Unemployment Act of 1974, included a provision permitting States to waive the 120-percent indicators until December 31, 1976. So, at this point in history, as far as your State or any other State that wishes to do so, it has that authority to waive the triggers of that form and so that need not now be in effect.

Senator GRAVEL. Excuse me, Mr. Secretary, what I was suggesting, was an amendment to this act that would make that waiver permanent. That is what I was suggesting.

Secretary DUNLOP. Well, on that matter, I guess my view is that the record of the Congress in the last years, since 1972, unless I am mistaken, I have in front of me seven occasions in which the Congress has waived the application of the trigger.

So, my testimony sought to develop the notion that the triggers we now have are not a very effective mechanism if every time they would hurt somebody or bite somebody the Congress comes along and extends them or makes them nonoperative.

And, in that sense, therefore, it was our proposal that the Congress ought to look at this trigger problem from a different perspective. And I tried to offer a different set of triggers of national and local area triggers then have been previously tried.

Now, I guess finally my observation is that I would much rather that the Congress adopt some system with triggers for the reasons I have indicated such as those we have recommended or, conceivably others we could talk about rather than simply abolish the triggers and not put anything in its place.

Senator GRAVEL. Well, we could have a permanent trigger like the 4 percent already in existence. You see, that is in positive terms, not relative terms. I think a positive trigger is easier to comprehend and more effective. But, what you seem to be saying now is that if you have a constantly high rate of unemployment then you are used to the suffering so you do not need any succor.

I do not think that is very logical. We are dealing with real human suffering, so I think that a positive figure, whether it is 4 percent, 5 percent, 6 percent, makes more sense than a relative figure.

Secretary DUNLOP. Let me ask you—some of the things you have said, I find myself in agreement with.

You will see a brief summary of our proposed trigger arrangements in my prepared statement. And you see our view is that at one level of unemployment in a locality or the State, the rest of the State, or national state of unemployment, you would have over 6 percent, 65 weeks. If unemployment levels came down to 5 to 6 you would have 52 weeks and so on down to less than 4 percent, 26 weeks.

Now, that seems to me to meet the tests that you are talking about.

Senator GRAVEL. Yes: this is in positive terms, not relative terms.

Secretary DUNLOP. Then we are on the same wavelength.

Senator GRAVEL. This is what you are recommending to the committee?

Secretary DUNLOP. Yes, sir.

Senator GRAVEL. I may well be your champion, Mr. Secretary.

Secretary DUNLOP. Thank you.

Senator GRAVEL. Thank you very much.

Senator HARTKE. Senator Curtis?

Senator CURTIS. Thank you, Mr. Chairman.

Mr. Chairman, I ask unanimous consent that a short statement of mine be inserted at the opening of these hearings just following the chairman's statement.

Senator HARTKE. Without objection, so ordered.¹

Senator CURTIS. Mr. Secretary, is it a correct statement of your position today that you are recommending an extension of the existing law for a specified period and are not recommending an extension of the period of entitlement provided in existing laws?

Secretary DUNLOP. Yes, sir.

Senator CURTIS. And how long are you proposing to extend the existing law; to what date?

Secretary DUNLOP. I think the answer is June 30, 1976.

Senator CURTIS. June 30?

Secretary DUNLOP. Yes.

Senator CURTIS. That would be for 1 fiscal year?

Senator HARTKE. Wait just a minute, I do not think that is right.

Secretary DUNLOP. Let me have somebody answer it who will not make a mistake. Who wants to answer it? Larry? All right; now don't you dare make a mistake.

Senator CURTIS. I think my next question will clarify your answer.

What change in existing law do you propose for the last 6 months of this extension period, if any?

Secretary DUNLOP. We propose the change incorporated in S. 1810, which is the trigger problem.

Senator CURTIS. It is my understanding that you were favoring a phase-down of the benefit-period for the last 6 months, but a straight extension of the operation of existing law for the balance of this calendar year. Is that right?

Mr. WEATHERFORD. That is correct.

Secretary DUNLOP. That is correct.

Senator CURTIS. Now, explain how that phase-down during the last 6-month period would work.

Mr. WEATHERFORD. Effective on January 1, Senator Curtis of 1976, on both the national and an area basis which the Secretary described of 250,000 population, if the insured unemployment rate dropped below 6 percent, the benefits in that area would drop from 65 weeks to 52 weeks. If that rate dropped further below 5 percent, it would drop from 52 weeks back to 39 weeks which is the current permanent program.

Senator CURTIS. In asking my question, I used the expression a "phase-down," but that is the same thing as a change in the triggering mechanism. Is that correct?

Secretary DUNLOP. Yes; that is correct.

Senator CURTIS. Then there is a meeting of the minds that, for the balance of this calendar year, existing law should be extended without change.

Mr. WEATHERFORD. Yes, sir, 65 weeks.

¹ See p. 1.

Senator CURTIS. Then for the last 6 months of the coming fiscal year is when this new "phase-down" proposal would become effective?

Mr. WEATHERFORD. Senator, I think there is one change from that. The administration proposal, S. 1810, would provide for that to go on through calendar year 1976, not until June 30.

The House bill, which came over, extended that 65 weeks without the dephasing to June 30. But, I think it is important, you said the first 6 months of next year, it really goes on through calendar year 1976.

Senator CURTIS. I see. What did the House-passed bill do along the lines of our discussion?

Mr. WEATHERFORD. The House extended the 65 week availability which came about with the tax reduction minimum through June 30.

Senator CURTIS. In other words the House bill merely extended existing law.

Mr. WEATHERFORD. Yes, sir, through June 30, 1976.

I think we should understand, Senator Curtis, that that is a triggering mechanism, that these benefits would all go off when we drop below 4 percent. But that is not operable and we do not anticipate us being in that posture at any time during the next 2 years.

Senator CURTIS. I think that is all, Mr. Chairman.

Senator HARTKE. All right, Mr. Dunlop, you are not new to this question, you are an old hand at unemployment, and I think, that, generally speaking, I can interpret what you have said; you are pretty disappointed with the whole mechanism of this system—aren't you?

Secretary DUNLOP. Well, I am disappointed that it has to work, that we have to have unemployment compensation at the levels we have had. I think a great deal of the normal operation of it is very good. I also testified. I think before you came in, Senator, that in going around the country I am very much of the view that the country owes a great debt of gratitude to the people in these offices who have worked very long hours through this winter.

Senator HARTKE. I do not think there is any question about it. It has been a nice program of handing out the dole; right? It is a good program with people administering the dole; that is what it amounts to. You said this back in 1959 in your testimony before me on the special committee on unemployment. Let me read you just a few of your words.

"A great deal of mischief," is the way you described this system "has been done in this field by the present unemployment." What you say about it is that "the unemployment compensation system established in a period of mass unemployment, appears peculiarly unadaptive and unimaginative to treat the differentiated character of unemployment in the decade ahead."

And I think your prophecy is exactly on target. I would rather stick with that than your statement today in which you conform to the present administration's policy of neglect.

I also think that in your statement you are exactly on target. I just want to refer to the outline of your thinking.

You say, "general fiscal and monetary policies are blunt and crude tools to treat unemployment," right?

Secretary DUNLOP. I agree with that.

Senator HARTKE. You agree with that. You say that "public policy concerning unemployment must be concerned both with the level and the structure of unemployment." Do you agree with that?

Secretary DUNLOP. I have been saying that.

Senator HARTKE. There is not a thing in the present law that deals with the structure of unemployment significantly; isn't that fair?

Secretary DUNLOP. Not very much.

Senator HARTKE. Not very much, at best. And when you mentioned a moment ago your idea of trying to take the long-term unemployed and putting them into some type of technological training that is really almost inoperative in an age in which there is nothing to train them for, isn't it?

Secretary DUNLOP. I cannot buy that, neither could I have bought it in 1959.

Senator HARTKE. But tell me, then, what you are going to train them for today. Let me pose the problem differently: How many jobs a year need to be created just to stay even?

Secretary DUNLOP. 1.5 million, I forget the exact number.

Senator HARTKE. Last month we did not even maintain that pace; is that correct?

Secretary DUNLOP. That is correct.

Senator HARTKE. Therefore, any statement from the Labor Department or the administration is misleading when it asserts that there are more people at work. The fact is that, relatively speaking, more people are not at work. This country is in a very precarious situation. Do you agree with that?

Secretary DUNLOP. I agree that the rise in employment is only a partial view of what is happening, because in terms of unemployment, the relative rise of the labor force must always be taken into account.

Senator HARTKE. That is right. It is wrong for Government officials to look at the situation through rose-colored glasses. All that does is prolong the agony, it does not deal with the hardcore problems that we are faced with today.

Secretary DUNLOP. I am also against rose-colored glasses.

Senator HARTKE. At least, we can agree on that.

Senator CURTIS. They are better than blinders.

Senator HARTKE. That is right, and that is what they are wearing down at the White House.

"The average level of unemployment experienced in the recent past cannot be regarded as an effective deterrent to inflation."

Do you agree with that statement?

Secretary DUNLOP. I sure do.

Senator HARTKE. I hope you do, that is your own statement made in 1959.

Secretary DUNLOP. Yes; and I have been saying it since 1959.

Senator HARTKE. And "such unemployment levels are an effective way to constrain wages and prices"?

Secretary DUNLOP. I agree.

Senator HARTKE. "Policy decisions affecting the average levels of unemployment reflect and require a scale of priorities among objectives of national economic policy. The scale of priorities in which economic policy is to be formulated in the next decade, it is the most vital issue of domestic policy facing the country," and we neglected it, didn't we?

Secretary DUNLOP. Yes, sir.

Senator CURTIS. May I ask the chairman what you are reading from?

Senator HARTKE. I am reading from Mr. Dunlop's testimony before me when I was on the Select Committee on Unemployment Problems in 1959.

Senator CURTIS. In 1959? The statute of limitations has run out.
[General laughter.]

Senator CURTIS. The Secretary cannot be held to answer for any offense committed back in 1959.

Senator HARTKE. John, just for the record, would you not reaffirm every statement today that I have read to you?

Secretary DUNLOP. Well, I have not looked at it recently, sir.
[General laughter.]

Secretary DUNLOP. But every statement you have thus far read, I would be prepared to agree with.

Senator HARTKE. That is fine.

Now, my point is that we are just not addressing the heart of the problem; what we are doing is administering first aid to a crucially ill patient.

Secretary DUNLOP. Yes; I do not disagree with that formulation. But, Senator, I do think when the patients are in the shape that they are, to continue your metaphor, it is important to deal with these problems for the people who are out of work.

Now, I have been around looking at the country and I—

Senator HARTKE. I agree with that.

Secretary DUNLOP. All right.

Senator HARTKE. I do not find any disagreement with that. We are not going to let the patient die simply because we do not have the immediate cure—that is what you are saying?

Secretary DUNLOP. Yes.

Senator HARTKE. And you praise those people who are in the emergency room doing a hell of a good job keeping the patient alive?

Secretary DUNLOP. Yes, sir.

Senator HARTKE. I find no fault with that. But I do think it is shocking that we are going to have \$19 billion spent in 1975 on 14 million unfortunate Americans who would rather be working than drawing unemployment compensation checks.

Secretary DUNLOP. Yes, sir.

Senator HARTKE. You have argued that someplace along the line these people ought to go from the unemployment rolls into a training program. If not that, then they may have to be relegated to the dump heap of welfare.

Secretary DUNLOP. I do not myself, regard those as the only two alternatives. I think, Senator, that a series of policies which include the stimulation of both private and public with particular emphasis on private employment, is what we need.

Senator HARTKE. Yes; all right. But there is one point in regard to the statement that Senator Long made originally; he said that you know that we are trying to come to grips with this in the Congress, and that there is an effort to make some type of an accommodation.

What is wrong, for example, with the program which is tied up in the supplemental appropriations bill involving railroad rehabilitation? It would take people who are in maintenance of way, employees

who have been thrown out of work because of the economic recession, and put them back to work doing the same thing they previously did.

Would you not basically endorse such a program? It is 100 percent in line with your philosophy. I cannot see how you could oppose it.

Secretary DUNLOP. Well, Senator, let me talk just a little bit about the railroads.

I happen not to be involved.

Senator HARTKE. Let me just stop for a moment; I am talking about the theory and this is the example of your theory, which I think I endorse; I am not sure yet.

What I am saying is that this type of employment is not the type of thing which you criticize and with which I agree. It is not just a make-shift job which has no relationship whatsoever to previous experience of the individual or his dignity and his own employment future. But it continues to find some type of relation between the individual's ability and his desires. Isn't that the type of thing that happens in these so-called emergency employment approaches which deal with upgrading the railroad beds in this country using the same type employees who did that work before?

Secretary DUNLOP. As I said, Senator, I have not been involved in the railroad discussion very much, and I would be somewhat hesitant to talk about it. But let me make one point that I think ought to be borne in mind, and that is this: The question of which lines to rehabilitate, how to rehabilitate them, a line that is rehabilitated for heavy freight is rehabilitated in a different way than a line for fast passenger service. The curvature on the line for fast passenger service is a very different curvature and so forth than one with heavy freight.

It seems to me that the essential thing in the railroad business is to get along with the problem of how these railroads are going to be run, who is to run them; get the financing that is necessary to run them, and then let the people who are going to run it decide which rail tracks are to be repaired and handled for fast freight or fast passenger or otherwise rehabilitated. I don't know enough about it, candidly. But I have some doubts, knowing what I do about the railroads, and I have a lot of labor-management experience on the railroads I regret to say in some ways. I have spent 3 months riding the front ends and rear ends of trains trying to decide what the crew consists of, all of those operations should be in 1959, 1960, and 1961, and what I do not know, to be quite frank about it, is whether the problems of the repair of the roadbeds can really be separated from the question of the organizational—

Senator HARTKE. Well, that is a different question. But the fact of it is, would you not agree, that if you could find work which is related to the ordinary and customary talents of the individual, that that would be a much preferable way of providing public service employment?

Secretary DUNLOP. On that principle, I agree.

Senator HARTKE. All right, fine. Senator Dole, do you want to ask some questions?

Senator DOLE. I am sorry, Mr. Chairman. I have no questions. I have been in another committee meeting. I do have a statement I would like to have made a part of the record prior to the testimony.

Senator HARTKE. Without objection, that will be done.¹

Senator CURTIS?

Senator CURTIS. In reference to the statistics on unemployment, is there any breakdown with reference to the unemployed? How many of them are the principal wage-earner in the family?

Secretary DUNLOP. Oh, yes, of course. I carry around in my head one figure that may provide some insight into that, and we would be happy to furnish for the record those detailed figures more generally.

The unemployment rate that came out last Friday for heads of households was 6.3 percent. The unemployment rate overall, including, therefore, people who are not heads of households, like people living in the same household, as you recall, was 9.2 percent. So that is one measure of the difference I think that you asked for.

But we can furnish very readily for the record that sort of information.

[Material supplied by the Department of Labor follows:]

Table A. Highlights of the employment situation (seasonally adjusted data)

Selected categories	Quarterly averages					Monthly data		
	1974				1975	Mar. 1975	Apr. 1975	May 1975
	I	II	III	IV	I			
	(Millions of persons)							
Civilian labor force	90.5	90.6	91.4	91.8	91.8	91.8	92.3	92.9
Total employment	85.8	86.0	86.4	85.7	84.1	83.8	84.1	84.4
Adult men	48.5	48.5	48.5	48.3	47.3	47.0	47.1	47.3
Adult women	29.8	30.1	30.5	30.1	29.8	29.9	30.0	30.0
Teenagers	7.5	7.4	7.4	7.4	7.0	7.0	7.0	7.1
Unemployment	4.7	4.7	5.0	6.1	7.0	8.0	8.2	8.5
	(Percent of labor force)							
Unemployment rates:								
All workers	5.1	5.1	5.5	6.6	8.3	8.7	8.9	9.2
Adult men	3.4	3.5	3.7	4.8	6.3	6.8	7.0	7.3
Adult women	5.1	5.1	5.4	6.5	8.2	8.5	8.6	8.6
Teenagers	15.2	15.1	16.1	17.5	20.5	20.6	20.4	21.8
White	4.6	4.6	5.0	5.9	7.6	8.0	8.1	8.5
Negro and other races	9.2	9.1	9.6	11.7	13.7	14.2	14.6	14.7
Household heads	2.9	3.0	3.2	4.1	5.5	5.8	6.0	6.3
Married men	2.4	2.4	2.7	3.3	4.8	5.2	5.6	5.8
Full-time workers	4.6	4.6	5.0	6.2	7.9	8.3	8.6c	8.8
State insured	3.2	3.3	3.4	4.3	6.0	6.4	6.8	7.0
	(Weeks)							
Average duration of unemployment	9.5	9.7	9.9	9.9	11.3	11.4	12.9	13.4
	(Millions of persons)							
Nonfarm payroll employment	78.0	78.3	78.7	78.3	76.8	76.4	76.4p	76.4p
Goods producing industries	24.9	24.9	24.8	24.1	22.7	22.3	22.3p	22.2p
Service-producing industries	53.1	53.5	53.9	54.2	54.0	54.0	54.1p	54.2p
	(Hours of work)							
Average weekly hours:								
Total private nonfarm	36.7	36.7	36.7	36.4	36.0	35.9	36.1p	36.0p
Manufacturing	40.4	39.9	40.1	39.7	38.9	38.8	39.0p	39.0p
Manufacturing overtime	3.5	3.2	3.4	2.9	2.3	2.3	2.3p	2.3p
	(1967=100)							
Hourly Earnings Index, private nonfarm:								
In current dollars	152.7	156.2	160.3	164.0	167.3	168.8	168.8p	169.8p
In constant dollars	107.8	107.4r	107.0r	106.4r	106.4	107.0	106.3p	N.A.

p¹ preliminary. c¹ corrected.
N.A. = not available. r = revised

¹ See p. 2.

Senator CURTIS. Now, this heads-of-household figure, 6.3 percent, would someone be included in that figure if their spouse was employed on a full-time basis?

Secretary DUNLOP. Yes.

Senator CURTIS. In other words, if a husband and wife are both working, and the husband becomes unemployed, he would be included in that tabulation that accounts for 6.3 percent?

Secretary DUNLOP. Well, I can give you the rate for that. The unemployment rate for married men with their spouse present—living with them, I suppose that means—is 5.8 percent.

Senator CURTIS. Is that if the wife is employed?

Mr. HEWITT. They do not go to the point if there is a secondary wage earner in the family of the principal wage earner who is unemployed.

Senator CURTIS. In other words, there could be persons included in the 6.3 percent figure whose spouses are full-time wage-earners. Is that correct?

Mr. HEWITT. Yes, sir.

Senator CURTIS. Now, let us refer to students graduating. Those who go to work within a few days after their graduation, or after the school term ends, of course do not become an unemployed statistic. But, in good times and bad, many of them have to look around, make several applications for employment, and find something that they are suited for. Or they may even change locations.

How much time elapses before they become an "unemployment statistic"?

Secretary DUNLOP. Well, the answer to that, Senator Curtis, is this. If we are measuring unemployment by the insured unemployment system, the answer is they do not, because they are not involved in that.

Senator CURTIS. Is that the way it is?

Secretary DUNLOP. Well, we have, Senator, two basic ways in which unemployment is measured in this country. One is through the unemployment system which we have been talking about all morning. The other is the monthly household survey sample, 47,000 households in the United States. It is a very good number, as we statisticians say.

So, in the UI system of measuring, the student we talked about would not be unemployed. In the household data, this monthly sample, he would, or she would, only be counted as unemployed if in the sample somebody knocked on the door and asked whether that student or member of the household was seeking work. If the student responded, or the person who responded, the parent responded for them, "Why yes, so-an-so has finished school, but he is not looking for work"—then he would not be counted as unemployed.

If the student responded, or his parent responded, or his sister responded that he was getting over his last year and he didn't quite know yet what he was doing—he has to be actively seeking work, according to the answers given, to be included in the unemployed.

Senator CURTIS. But the result of the sample is then translated to the entire number of students leaving school?

Secretary DUNLOP. Yes, it is blown up, as we say, from these 47,000 households to the country as a whole, and for the country as a whole, Senator, it is my testimony and I am sure any parade of statisticians you wish would respond that it is probably the best statistical number

we have in the United States, although people will quarrel with the definition, which is fair enough. But given the liability of the sample on a nationwide basis, it is a very reliable number.

Senator CURTIS. Now, based upon the UI tabulation, what is our percentage of unemployment?

Secretary DUNLOP. Let me compare the two, Senator. Last Friday's household sample showed an unemployment nationwide rate of 9.2 percent. If I may drop a footnote to Senator Hartke's remark, in 1959, and now I am interested in the differential rates of unemployment in different groups, the UI rate last week was 7 percent. In other words, the difference between 7 percent which is the insured unemployment rate and 9.2 percent is that those are the differences, because they are different concepts.

For example, in the household sample, people who have never worked before and who are now seeking work, or people who have worked before a long time ago and are returning to the labor market, they will be counted—if they are seeking work—as unemployed in the population sample, in the household sample.

Senator CURTIS. And it will also reveal something in reference to marginal workers?

Secretary DUNLOP. Yes.

Senator CURTIS. And something in reference to unemployment?

Secretary DUNLOP. If they are reported as seeking work, yes.

Senator CURTIS. Yes. In other words, it is conceivable that in the sampling, the report may be made that the husband and father would like to have a job; and it also may be true that he has not had the opportunity of acquiring any particular skills that would make him very attractive to many employers. Is that not right?

Secretary DUNLOP. Yes; there are still all kinds of possibilities. A person may say, I am seeking work, but my aspiration for a wage is higher than anything in this community. They may say, I am seeking work, but he may have in his mind a type of work that is not available; or vice versa. There are lots of people who have been so discouraged because they have not found work, that they have not been seeking work. So you have all kinds of situations.

Senator CURTIS. Yes; I think all of these factors are important, but I likewise think it is important that both the Congress and the country understand the complexity and the various factors involved.

Secretary DUNLOP. Oh, yes; by all means.

Senator CURTIS. Thank you.

Senator HARTKE. I wonder if I could just ask one more question before I go to the Commerce Committee executive session?

By July 1975, at least 250,000 people will have exhausted all benefits, including those which are extended by H.R. 6900. What happens to those people? What do you do about those?

Secretary DUNLOP. If I understand you right, on June 30, 1975, the benefits that were extended by the tax reduction bill earlier this year would disappear, and people would be eligible for no further benefits, and they would have no other source of maintenance. In fact, in one of the tables, Senator, I did include the exact number. In the last table to my testimony, you will see the number of people who are estimated to exhaust their benefits each quarter.

And the answer is, they would have no visible means of further support.

Senator HARTKE. Thank you, Mr. Chairman.

The CHAIRMAN (presiding). Mr. Secretary, eight States have exhausted their unemployment benefit accounts and are now borrowing money from the Federal unemployment account to meet their benefit payment obligations. These are interest-free loans, but if they are not repaid within 2 years, the Federal unemployment tax on employers in the State, in effect, is automatically increased in order to increase the amount. Senator Ribicoff's bill, S. 1502, now pending before the committee, would allow an additional 3 years for these loans to be repaid.

Could you give us your view on this proposal?

Secretary DUNLOP. Well, Senator, you are perfectly right of the fact of these States and others that will in the future exhaust their funds and be required to borrow.

We, I think, are concerned about the impact of these tax penalties on employers in the States where economic conditions are already causing heavy burdens. And I guess my view this morning, Senator, to you, is that that is an issue which in our judgment ought not to be addressed between now and June 30, but really is a part of this commission's study which I spoke of in my prepared statement. That is, the problem involves quite a lot of complex considerations of tax rates in the separate States—the relative effects of questions of loans. And we would rather see that issue addressed in the post-June 30 period, and we are prepared to address it.

The CHAIRMAN. Now, under H.R. 6900, up to 65 weeks of unemployment benefits will be available through June 30, 1976 in any State provided that the National or State unemployment insured rate is at least 4 percent.

While the national rate is now 7.8 percent, and all but a few States are well above 4 percent at present, I would certainly hope that there would be some improvement in the situation next year.

In your statement, you favor reducing the duration of benefits available as the insured unemployment drops nationally. Would you favor a reduction also on a State-by-State basis?

Secretary DUNLOP. Well, Senator, we recommended that the—our preferred position is that it be by local labor market area of 250,000 or more. If the question is what is my view about doing it on a State basis, I would say I would prefer a State basis to just a National basis, and I would prefer a local labor market area basis to a State basis.

The CHAIRMAN. Now, we have a suitable job provision in our unemployment insurance law, and I find myself wondering whether we should continue to say that a person need not accept available employment after a 39-week period has expired.

Do you feel that perhaps the suitable job provision should be terminated at some point less than 65 weeks? Or do you think this ought to just carry right on through, all of the way? You can have help wanted signs out all over the community, but a person may still draw unemployment insurance benefits for more than a year.

Secretary DUNLOP. Well, I guess my view is, if I understand your question, is that the requirements should be continued. Indeed, as

seems to me, as I said earlier, I had asked a study be made, and I have just gotten the first State results that I looked at in my home on Sunday. One, from a number of States, before I use them, is who are these people who have gone on to exhaust their benefits, now at the 52 weeks? What is their age, what is their sex, what is their racial composition, what industries are they from—all of these kinds of questions obviously have occurred to you and to me.

Now, my own view is that I would continue that requirement. If anything, it seems to me that at that point, anybody who—14 weeks, I said, was the average. Now, when a person has been unemployed for 60 weeks or 50 weeks, it seems to me that person ought to begin to get a little more attention from our employment service and others as to see what are the special problems which he or she confronts. And therefore, instead of avoiding any such questions, it seems to me, rather, that special attention ought to be given.

The CHAIRMAN. I think that Ronald Reagan made the point that if he had not moved about this country, but was still living in the hometown where he first was born, and was out of a job, that he would be eligible for unemployment insurance almost indefinitely. There were no jobs in his hometown for a movie actor; no jobs available for a radio announcer, and no jobs available for a man who has had some experience as a Governor of a State. That job was already taken. Based on the experience he had had, if he was still in his hometown, from which he had migrated, he would be eligible to draw unemployment insurance almost forever—provided the law permitted him to.

So, I just wonder at what point do we say, you either go somewhere where somebody can use your talent or else you ought to accept the kind of jobs that are available around here. In other words, shall we just continue right on along for 65 months without asking the fellow to lower his sights and take something that was beneath his dignity in the beginning?

Secretary DUNLOP. Well, maybe my colleagues ought to supplement what I am saying—or maybe I ought to say correct—but my understanding of the way the States, though there is diversity among them, work is that the office—first of all, they are required to register at the employment office, as distinct from the unemployment insurance place where their checks are mailed or where they receive the payments in cash or in checks.

Now, at the employment office there are, as I see them, banks of jobs that are put up on various kinds of television screens for people to examine. I have seen people turning over these. A person is referred, after a while, to a job. Now, various State laws provide that a person may turn down one or more referrals, but there is a limit to that, depending upon the State law.

Maybe Mr. Weatherford would explain just a little bit more how it works.

Mr. WEATHERFORD. Senator Long, I think maybe one of the State administrators who will be talking to you might want to supplement what I am going to say, but I am under the impression that a person who goes into an unemployment insurance office is just not paid, because they do certain things in that office on a periodic basis to talk to him about his own personal efforts to find a job and try to provide him some help. At the same time, as the Secretary said, he registers

with the public employment service. And those folks do a job of trying to help him find a job. And we do not continue to pay people who refuse suitable work.

I think the difficulty that we have in the broad system of employment security is trying to locate the job and put the man with it. And in my experience with it, you just do not find many cases where people are refusing work and continuing to pay benefits, because when he refuses a job, somebody in the employment service tells somebody in the claims line, and they cut him off; because it is difficult to try to put these two things together and to find a job and to find a man and to get an employer—to get all of these factors together.

The CHAIRMAN. I wish I had the exact story, because I am sure the man was telling the truth. I became acquainted with a fellow who was a very successful businessman, and he told me that at one time he found himself out of a job. According to his story he knew that there were jobs that he could hold that did not pay as much and did not have, perhaps, quite the same stature as the jobs he had held before, and according to his story, he had difficulty prevailing upon the department to refer him to one of those jobs which seemed to be below his skill and experience. He finally succeeded by mainly strength and effort, in forcing them to refer him to a job that was available, because he was convinced if he kept holding out for the kind of thing he had had before, he would never get a job.

I would just like for you to get me straight on that. For example, if a fellow knows a lot about the trucking business but they do not want to refer him to the job of being a truck driver—at what point do people just go ahead and refer him to whatever they have got, rather than refer him to jobs up near the top of the company where he was when he lost that previous job?

Secretary DUNLOP. Let me try to comment on that.

If a person wishes to be referred to a job, I suppose—my experience in these offices and talking to State administrators is that he has—if someone has not, so to speak, been in line ahead of him—and the offices tend to refer two people to a given job, in my experience in some of the offices, anyway—that person you talked to would have a right to be referred to such a job.

Now, the question you were talking about earlier was a little different. It is the question, if that job represents a substantially different rate of pay or a different occupation or a different distance of commuting or different hours at work, different working conditions than he previously had enjoyed, does he have the right to object to that? That is a different case from the one you mentioned, Senator. And the rules there vary among States. For awhile, for some cases, he may do so; but after a certain point in time, the extent to which he may turn down a job declines, typically.

But I think all I am trying to say, Mr. Chairman, is that there is a difference between the problem of a fellow who wants to take a job, from a fellow who does not want to take it because it is beneath what he may regard as his customary place of work.

The CHAIRMAN. Well, at a racetrack, you are familiar with the term of dropping down in class. If a horse cannot win in running an allowance race, put him in a claiming race. But I guess when a mother has an eligible daughter in the family and she turns down two or three men,

after a while the mother starts talking about the daughter having her sights too high. And I guess maybe in terms of jobs, that is the kind of thing we are talking about. How do we meet that problem where there are jobs available? You have got help wanted signs hanging around town, and a person has been drawing unemployment benefits a long time, but to get a job the person is going to have to drop down in class, you might say.

Secretary DUNLOP. Well, Senator, I do not know very much about the handicapping business to which you refer—

The CHAIRMAN. Well, I have lost some money because I do not; I know that.

Secretary DUNLOP. But I would say this, if you look at how these things work, at least as I have looked at it over many years, it seems to me what happens is this: that an individual's aspirations are in fact very significantly influenced by a long period of unemployment. That the kind of job—after all, we are not talking about something which fulfills, certainly, in heads of households, his normal pay. And the experience is that people, after a time, are willing to take lower rates, are prepared to travel further, are willing to take jobs which are of a lower status, more disagreeable or whatever else you want to say, than when they are first employed. And I do think the office tends to refer people to do jobs that are different from what they originally started out with. That is to say, this sort of learning about the labor market, this part of changing one's aspirations does, in fact, go on.

The CHAIRMAN. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

I have just one question.

Mr. Secretary, you testified that the average duration of unemployment is 14 weeks.

Secretary DUNLOP. About; yes.

Senator BYRD. Do you have the figures showing the percentage, say, for the month of May, or for the first quarter—however you might keep the figures? What percent of the unemployed were unemployed for less than 26 weeks?

Secretary DUNLOP. Just a moment—may I consult and see if I have those numbers here?

Mr. HEWITT. 12.8 percent were 27 weeks.

Secretary DUNLOP. For May 1975, 37 percent of those who were unemployed were unemployed 5 weeks or less. This is the household survey. Another 31 percent were unemployed from 5 to 14 weeks; 31 percent were unemployed 15 weeks and more.

Senator BYRD. How much? Thirty what?

Secretary DUNLOP. 31.5.

Now, that latter figure—the 31.5—can be broken down into two further categories: those who were unemployed 15 to 26—which I think is about your question—18.7 percent were unemployed—

Senator BYRD. May I ask at that point whether this is the way you would handle it. You would take the 37 percent who are unemployed for 5 weeks; take the 31 percent who are unemployed for a period of 5 to 14 weeks; and then that last percentage you gave was between 15 and 26 weeks. What percent was that?

Secretary DUNLOP. 18.7.

Senator BYRD. 18.7.

Secretary DUNLOP. I will add it up for you in just a minute. If I could give you a final number—

Senator BYRD. And the 86 percent, then, were unemployed for less than 26 weeks.

Secretary DUNLOP. My quick arithmetic—I was about to give you another number—the number who were unemployed 27 weeks and over is 12.8 percent. And I think that is the number you are seeking.

Senator BYRD. Yes; that would make 98 or 99 percent, approximately.

Secretary DUNLOP. The first three numbers I added—I gave you—add up to 100, I think, exactly. And of this 31.5, it is broken down into 18.7 and 12.8.

And when we are talking about this long-term duration, Senator—that is where you first broached this question with me earlier, in response to my reply to you, I believe—I said that while we are talking about—let me state it more carefully—while we are talking about an extension to a maximum duration of 65 weeks, the average duration under the unemployment household figures are 13.4 weeks. And only 12.8 percent had, in May of 1975, unemployment of 27 weeks or more.

Is that clear?

Senator BYRD. Yes, that is clear.

It seems to say to me that the question of going from 52 weeks to 65 weeks affects really a rather infinitesimal number of individuals.

Secretary DUNLOP. Well, I am not sure infinitesimal—

Senator BYRD. Percentagewise.

Secretary DUNLOP. A small percentage of those who are unemployed, yes.

Senator BYRD. Well, that is what we are talking about, those who are unemployed.

Mr. WEATHERFORD. Senator, if I might make a point, not all people who draw benefits are entitled to these maximum figures we are talking about, the 26 weeks under regular programs and when you leave the regular program and go to the permanent extended and on into FSB, that does not automatically add these 13-week increments we are talking about. We only add half of what he has under the basic program. And under the State laws throughout the country about two out of five people that exhaust their benefits, about 40 percent do not exhaust 6 weeks because they are not entitled to a full 26 weeks under the various State laws.

Consequently, the fact that we have a 65-week available would certainly be enough for a claimant who had only 20 weeks. He has 20, you add 10 more for the regular program and 10 more for the FSB. So 40 would take care of it but without this extension, that man is going to be cut off at 20 weeks.

So I think the key thing I wanted to say when we talk about the duration and average duration and what have you, that not everybody that is a claimant draws 26 weeks. Many of them do not qualify for 26 weeks, and when they exhaust their benefits, he is out of benefits in some States at 4 weeks and in other States the average minimum duration is around 10 weeks.

Secretary DUNLOP. That just underscores the point you are making, Senator.

Senator BYRD (presiding). But, in any case, increasing the duration of the benefits from 52 weeks to 65 weeks would affect only a very, very small percentage of the total unemployed.

Mr. WEATHERFORD. That is correct.

Senator BYRD. A very small figure.

Mr. WEATHERFORD. Except when you take the total universe, yes, sir, we are talking about a lot of people. And we had a discussion one time, Senator Byrd, of the relationship to the exhaustees in percent to the relationship of total people, and I think we have to be concerned about number rather than percents of this. And you are talking about somewhere between 1 million and 2 million people. Although that is a small percent of the total in the country, it is a lot of people.

Our judgment is that we do have a lot of individual people that are going to be faced with this much less than 65—

Senator BYRD. Well no such large figure which you are mentioning would be affected by the 52 weeks to 65 weeks extension.

Mr. WEATHERFORD. I am sorry, sir.

Senator BYRD. Do you mean you would have about a million people unemployed affected by the extension?

Mr. KOLBERG. Senator, let me try it this way. Over the course of this calendar year we would estimate there would be 14 million separate individuals on unemployment insurance over that time, not at any one time. Right now there are about 6.2 million being paid right now, but over the course of calendar 1975, to relate that, and I think the point you are getting to are those who will be involved perhaps in an exhaustion after extended periods. The table that is attached to the Secretary's testimony indicates that those that would exhaust 65 weeks over this entire year we estimate to be about 400,000. So it would be about 400,000 that would exhaust 65 weeks out of the 14 million that would have been on unemployment insurance at some time during this year.

Senator BYRD. Thank you. Thank you, gentlemen, very much.

Senator DUNLOP. Thank you, Senator.

[Secretary Dunlop's prepared statement follows:]

PREPARED TESTIMONY OF HON. JOHN T. DUNLOP, SECRETARY OF LABOR

Mr. Chairman and members of the Committee, I appreciate this opportunity to appear before you. With me are Assistant Secretary for Manpower, William H. Kolberg, and Associate Manpower Administrators William B. Hewitt and Lawrence E. Weatherford, Jr.

The Congress and the Administration acted quickly last December to provide needed temporary improvements in the unemployment benefit program to cope with the dramatic upturn in the unemployment levels in late 1974. These programs, to extend benefits for regular unemployment insurance claimants up to 52 weeks and to provide protection to the 12 million workers not previously covered, have substantially helped to buffer the effect of the economic downturn on the unemployed with previous attachment to the labor force.

The unemployment insurance system, with these temporary extensions, is the Nation's first line of defense in dealing with the serious unemployment conditions we have faced during the past months and which we expect to continue for some time. Unemployment benefits have provided the means by which millions of jobless workers have been able to maintain their households and families during these hard times. Moreover, the program is helping to sustain the economy, as benefits are being paid at a rate expected to be about \$19 billion this year, a five fold increase over the benefits paid out in 1973. This level of benefits, which is helping maintain aggregate demand in the Nation's economy, is unprecedented.

In 1973, \$4 billion in unemployment benefits was paid out to over 5 million beneficiaries. In 1974, \$6 billion was paid to over 7½ million. For 1975, we estimate about \$19 billion will be paid out to over 14 million unemployed workers. For calendar year 1976, we estimate the figure will be over \$18 billion to over 12 million claimants.

Over the past few months I have spent some time in our regional offices and in observing the activities of local employment security offices in a number of States. I have witnessed first hand the extraordinary workloads handled by the State agencies caused by the sudden and dramatic rise in unemployment levels. I appreciate the complexities involved in administering not only a greatly expanded volume of regular and extended benefit claims, but also the problems of the initial claims of people who become newly eligible for unemployment benefits by reason of the Special Unemployment Assistance (SUA) program.

I have been generally impressed by the work performed by the staff of unemployment insurance and employment service offices throughout the country. A remarkable job has been performed, often with no increase in staff, with the need to work nights and weekends, and under constant, heavy pressure. They deserve the Nation's thanks for the job they have done.

NEED FOR FURTHER EXTENSION OF TEMPORARY PROGRAMS

While the program is presently handling the current work load, it is apparent to the Administration and the Members of Congress that while the current high unemployment levels persist, an increasing number of workers are scheduled to exhaust all of their available benefits including those available under FSB and SUA. As a temporary measure, Senator Javits introduced and the Congress passed a further extension of benefits up to 65 weeks for regular claimants as a part of the tax reduction bill. However, this provision expires on June 30—just 20 days from now.

As I pointed out in my confirmation hearings and at my swearing-in ceremony, the number one priority for curing the Nation's economic ills is to get the economy moving through tax reduction measures. This has been accomplished and fortunately we are already beginning to see signs that the recession is coming to an end. We know, however, that even with the beginning of recovery, unemployment may be expected to recede slowly.

In this setting, the Administration proposed a further extension of the temporary unemployment programs. These were carefully considered by the Subcommittee on Unemployment Compensation of the House Ways and Means Committee. That Committee and the full House adopted the Administration's recommendations for extending benefits through the end of this year and significant technical amendments but it did not include a major provision which we believe requires immediate attention. H.R. 6900 contains no effective means of dephasing the unprecedented 65 weeks of benefits for regular claimants nor the 39 weeks for SUA claimants until insured unemployment drops to a level of 4½ percent or the program terminates. Senator Javits has, therefore, introduced by request S. 1810 which is the Administration's proposal. S. 1810 not only provides for the extension of benefits similar to the House passed bill but it provides for a dephasing of those benefits in 1976 as the economy begins to improve in the Nation and in each area.

Let me describe first the features of S. 1810, after which I will comment on the House bill.

S. 1810—FSB Provisions

The Administration proposals concerning the temporary extensions of benefits are incorporated in S. 1810. As I have indicated, a maximum of up to 65 weeks of benefits (26 weeks of regular UI, 13 weeks of Federal-State extended and 26 weeks of Federal Supplemental Benefits) is now available until June 30. As current legislation now stands, after June 30, the maximum available will be 52 weeks, until the program expires at the end of 1976. We believe the 65-week maximum will be needed on a nationwide basis beyond June 30 and, indeed until the end of this calendar year. Accordingly, the bill provides for the extension nationwide of the 65-week maximum through December 31, 1975, instead of June 30, 1975.

After December 31, 1975, the bill provides that as long as the rate of insured unemployment for the Nation or for each area does not drop below 6 percent for 3 consecutive months, the full maximum of 65 weeks would continue to be available in that area.

When the rate drops below 6 percent for either the Nation or the area, but remains as high as 5 percent for both, the maximum benefits payable would be 52 weeks.

When the rate drops below 5 percent for either the Nation or the area, FSB would no longer be available, and the maximum benefits payable would be 39 weeks: 26 weeks of regular benefits and 13 weeks of extended benefits payable under the permanent program.

The 13 weeks of extended benefits under the permanent program would continue to be available on a nationwide basis as long as the rate of insured unemployment for the Nation is 4½ percent or higher as provided in the permanent laws.

We have carefully considered a wide range of possible trigger levels before arriving at those we recommend. We believe that they will appropriately dephase these temporary programs as the economy improves.

The following table shows how the total maximum duration of benefits would decline as unemployment levels recede in 1976:

TABLE

Both national and area IUR/SA	Maximum duration of benefits in weeks UI/EB/FSB ¹	SUA
6 percent and over.....	65 (26 UI, 13 EB, 26 FSB).....	39
5 to 5.9 percent.....	52 (26 UI, 13 EB, 13 FSB).....	26
4 to 4.9 percent ²	39 (26 UI, 13 EB).....	0
3.9 percent or less ²	26 (26 UI).....	0

¹ UI equal regular unemployment insurance; EB equal extended benefits payable under the permanent program; FSB equal Federal supplemental benefits, payable on a temporary basis.

² These entries are illustrations; existing law provides for both national and State triggers. State triggers could continue extended benefits selectively.

S. 1810—SUA Provisions

S. 1810 relates not only to the temporary FSB program but also to the Special Unemployment Assistance (SUA) program enacted last December. This is the temporary program, which is now under consideration by another committee, to provide protection to those 12 million workers not eligible for benefits under the regular unemployment insurance program. As it now stands, benefits are provided under this program for a maximum of 26 weeks. As indicated on the attached table a significant number of these workers are expected to exhaust their benefits and still be without work. Accordingly, the bill provides that the maximum amount available on a nationwide basis throughout 1975 be increased from 26 to 39 weeks. As is proposed with respect to the FSB program, the bill provides a dephasing of the levels of SUA during 1976 on an area basis, as unemployment levels recede.

In other words, the maximum 39 weeks would be available in an area as long as the rate of insured unemployment nationwide and for the area was 6 percent or higher. When it drops below 6 percent for either the Nation or the area but is at least 5 percent for both, a maximum of 26 weeks of SUA would be available in the area. When the national or area rate drops below 5 percent, these benefits would no longer be available in the area.

DEPHASING MECHANISM

We feel that a trigger-off mechanism should be incorporated because benefit durations of as long as 65 weeks for covered workers and 39 weeks for those eligible for SUA benefits are durations that were not designed for normal economic periods. These levels of benefits are geared only for protracted periods of unemployment such as we are currently experiencing.

We also feel the trigger-off mechanism is desirable in order to make the most effective use of limited public financial resources. By targeting funds to those areas with the slowest rates of recovery, we will assure that special and supplemental benefits are used only where they are absolutely necessary.

We urge unemployment rate triggers because we believe that the duration of benefits must be directly related to the level of unemployment in the local labor market. We recognize that as available job opportunities decline, the typical job search period must be extended and longer periods of compensation are nec-

essary. Furthermore, the impact of high unemployment is felt on job markets throughout the country which give job seekers fewer employment alternatives even if they widen the geographical area of their job search. A national trigger recognizes this reduction in potential geographic mobility and provides extended benefit duration to sustain a necessarily longer job search. Conversely, as economic recovery takes place, the job search period decreases correspondingly and area variations in the rates of recovery make it desirable to encourage worker mobility, thus the need for a national trigger-off. The reason we are also recommending an area dettrigger mechanism for phasing out extra weeks of unemployment benefits is that an area trigger is most responsive to geographic variations in unemployment. Since the 1960's, geographic variations in the unemployment rate during recessions have become more pronounced. We expect that as the economy turns around, the rate of recovery will vary markedly from area to area. This expectation is supported by a recent study, reported in the *Monthly Labor Review* showing increasingly wider differences in unemployment levels among geographic areas in the 1970's as compared with the last decade.¹ Consequently, there is a need for a mechanism that will be locally responsive and geared specifically to areas with high unemployment rates.

The trigger mechanism is a built-in stabilizer that responds semi-automatically to changes in the level of economic activity. One of our purposes is to make it turn on better and make it turn off better, as the economies of our labor markets shift and change.

I recognize, Mr. Chairman, that the "triggers" and the set of concepts implicit in that term appear to be complicated.

I would like to describe what I believe are the basic purposes of triggers. The first purpose, I think, is to recognize that if the Federal Government has a limited amount of money, it is common sense to try to concentrate that money into those areas where the unemployment rates are highest.

The second purpose, as I see it, particularly for the future, Mr. Chairman, is that our economy is likely to undergo a period in which there are very marked differences in the unemployment picture, locality by locality as the total levels of unemployment recede in the economy. We need to pay more attention to the geographical structure of unemployment, the locality structure of unemployment, in the period ahead. As I indicated earlier, there is new information which suggests that these structural changes need a good bit of attention.

The third reason for emphasizing triggers, in my opinion, is that if we design them to respond properly to changes in economic conditions, the duration of unemployment insurance payments will increase promptly with the onset of economic decline. They will then be reduced promptly as the economy recovers. Triggers are necessary to tune these payments to fluctuations in the economy.

The fourth purpose, I think, for paying attention to this subject is that if we can together design an improved system of triggers, it will prevent the need for what has been a record of ad hoc intervention in this matter by Congressional action. On six different occasions, the Congress, for understandable reasons, has altered the operation of the trigger established in 1970 with respect to the permanent program of Federal-State extended benefits. Such ad hoc intervention emphasizes the fact that we do not have a well designed or accepted system.

So for these reasons, the topic here is important. Generally, we propose essentially local area triggers because we think triggers should be tuned to fluctuations in the economic conditions within the locality—that is, a locality of 250,000 population or more.

It is important to note that our recommendations call for the trigger provisions to be based on three months experience. This assures that the trigger on and trigger off response will be to truly underlying economic conditions and trends, and not be in response to aberrations or quirks in the monthly statistical data.

We also think it is easier and more appropriate to adjust benefit durations to changing conditions at the local level rather than to national conditions. The present system undoubtedly conceals a great deal of variation among areas and communities.

Our recommendations as to the unemployment levels at which to set the trigger are made on the basis of historical trends and projections of future conditions. We have carefully considered a wide range of possible trigger levels before arriving at those we recommend. For example, our recent analysis indicated that, as unemployment was rising and as we broached the six percent IUR

¹ Andrew M. Sum and Thomas P. Rush, "The Geographic Structure of Unemployment Rates," *Monthly Labor Review*, March 1975, pp. 3-9.

level, the number of exhaustees showed a substantial build up, indicating that the job search situation was still deteriorating.

MAJOR LABOR MARKET AREAS

For the purpose of our proposed extended benefits program, a major labor market area is defined as a Standard Metropolitan Statistical Area (SMSA) with 250,000 or more population in July 1973, the latest date for which comparable data are available. There are 139 such areas throughout the Nation. In total, 64 percent of the Nation's population reside in these 139 large SMSA's. SMSA's are defined by the Office of Management and Budget and are in common use by government and private enterprise. In addition, those portions of each State which are not covered by these 139 large SMSA's are included in a balance-of-State area. With the 51 balance-of-State areas, the number of jurisdictions which would be subject to their individual unemployment rate triggering would be 190. We will be happy to make available for the record a list of all such areas.

Based on the Administration's economic assumptions the national insured unemployment rate (IUR) in January 1976 will still be above 6 percent. At that time, we estimate that some 92 local areas and 34 balance-of-State areas for a total of 126 with 74 percent of the Nation's insured unemployed, will continue to be eligible for the supplemental benefits and SUA programs.

H.R. 6900

I should like to turn now to the House passed bill which is also aimed at extending the FSB and SUA programs. With respect to the FSB program H.R. 6900 would extend the full maximum of 65 weeks until June 30, 1976. Thereafter and until the end of 1976, a maximum of 52 weeks of such benefits would be provided. Thus, for 1975, the two bills contain the same FSB provision. The critical difference is that while S. 1810 incorporates an area-trigger mechanism for reducing the levels of both FSB and SUA benefits available during 1976 as conditions improve, H.R. 6900 contains no such device.

The Department of Labor has enjoyed a close working relationship with the members and staff of the Subcommittee on Unemployment Compensation of the Committee on Ways and Means, where H.R. 6900 originated. Our understanding is that the Subcommittee intends to explore thoroughly the implications of various alternative trigger mechanisms for activating and detripping extended benefit programs.

We share with the Subcommittee the recognition that action is needed quickly to prevent the level of extended benefits from being reduced after June 30, and to extend the SUA program. We welcome particularly the technical amendments to SUA incorporated into the House-passed bill that experience has shown are needed. But we believe now is the time also to incorporate the detripping devices of the Administration proposal.

It is our view that an appropriate mechanism should be built into the temporary benefit programs now, so that in 1976 there will be available a means for reducing benefit durations when there are corresponding improvements in economic conditions. We feel also that the appropriate places where this detripping should apply are the major labor market areas in the country. We believe S. 1810 would provide an orderly dephasing of the two extended benefit programs, while ensuring the continued availability of appropriate amounts of extended benefits in areas with excessively high levels of unemployment.

For these reasons, we support S. 1810 over the House passed H.R. 6900, and would again point out the urgency of this legislation. In 20 days from today the provisions added by the Tax Reduction Act will expire, effectively cutting off benefits to many workers and denying them to others.

CHANGES IN PERMANENT PROGRAM

I indicated earlier that I would identify some of the areas of our Federal-State system of unemployment insurance where we believe permanent changes should be explored in 1975. In the near term, I hope to submit specific proposals for your consideration, after further informal consultations with representative groups seeking as large an area of consensus as possible. It is most important to identify those aspects of the programs where there is agreement on improvement. Otherwise, we risk getting no changes at all. In addition, we hope to learn from the experience gained in this period of high unemployment so as to be better prepared to offer constructive changes in our regular, permanent program of unemployment insurance.

COVERAGE

In enacting the temporary program of SUA last December, Congress recognized that an uncovered worker with steady attachment to the labor force is no less vulnerable to the risk of unemployment than a worker laid off from a covered job. That program is due to expire at the end of this year, or at the end of 1976 if our proposals made earlier are adopted. When this program ends, those workers will again be without unemployment insurance protection.

Although some States have gone beyond the current Federal coverage provisions and have extended the regular program to include one or more of the groups of workers otherwise excluded, amendment of the Federal law would be necessary to ensure that these workers are protected in all States.

It takes about two years for an extension of coverage, through amendment to Federal law, to become effective. Each State must enact corresponding coverage provisions in its unemployment insurance law. Not until the provision is on the State statute books can workers begin to establish qualifying wage credits.

It appears that there is now widespread support for extending coverage to certain excluded groups of workers.

FINANCING

There also appears to be widespread sentiment that unemployment insurance must be put on a sounder financial basis. The key to this issue is the current Federal unemployment tax rate of 3.2 percent and the current Federal taxable wage base of the first \$4,200 paid a worker. This wage base was set in the 1970 legislation. Under the original Social Security Act, the wage base was total wages. In 1939 it was established as \$3,000 and it remained at that figure until 1970.

Most States have the same \$4,200 tax base. An increase in tax base beyond the Federal base is difficult to get adopted in many States because of apprehension that an increase would put their employers at a competitive disadvantage.

When more revenue is needed to finance benefit costs, as is the case now, a State can accomplish this by increasing tax rates, by increasing the tax base, or by doing both. A low tax base will mean higher tax rates for more employers, up to the maximum rates permitted by State law. If these maximum rates hold, it will mean less opportunity for arraying rates in accordance with individual employers' experience with unemployment, which is what experience rating systems in every State are designed to do.

Moreover, benefits are based on a worker's total wages up to the maximum weekly benefit amounts, while taxes are determined by rates and the taxable wage base limit. Only about 50 percent of all wages in covered employment are taxed, and in some States the ratio of taxable wages to total wages is well below 50 percent, and falling as wages increase.

The current \$4,200 wage base has become less and less realistic when measured against the rise in total wages. An increase in the wage base is one of the means to be considered to help ensure sound financing at the State level, as well as for accumulating sufficient revenues through the net Federal tax to meet our financial commitments at the national level.

WEEKLY BENEFIT AMOUNTS

It is important also that the question of benefit adequacy be examined in terms of what purposes unemployment benefits are intended to serve and whether current levels of benefits meet those purposes. The goal has historically been to provide a 50 percent replacement of normal weekly pay before taxes. Most States now meet this goal with respect to benefits below the maximum; however, substantial numbers of workers are still cut off by low ceilings from receiving a benefit equal to half their normal pay before taxes.

Largely because of the low maximums in State laws, the average weekly benefit amount now paid is about \$65.

We recognize that the current drains on State and Federal unemployment funds are enormous. We recognize also that providing an adequate maximum weekly benefit amount in every State would add somewhat to the costs of the program. The current heavy costs, however, are attributable for the most part to the extraordinary volume of unemployment. We believe a reasonable approach to benefit adequacy should be considered this year. In any event, legislating now to improve weekly benefit amounts would not impact costs or benefit levels received by jobless workers for about 2 years.

TRIGGERING DEVICES FOR EXTENDED BENEFITS

There have been a number of problems with the triggering mechanism in our permanent program of extended benefits—which makes available a maximum of 13 weeks of extended benefits, when unemployment either in the Nation or in the State reaches prescribed levels. As part of the State trigger, the level of unemployment must not only be high enough, but must also be 20 percent higher than the level of the corresponding periods in the previous two years. The object of this provision was to ensure that extended benefits would not trigger on in a State solely because of normal seasonal downturns.

Instead, this provision has prevented States from staying in trigger on status when unemployment is substantially high for a sustained period. In effect, it causes States to trigger off when high unemployment continues much beyond one year. It has been necessary for Congress to act on six occasions to permit waiver for a continuing period of this 20 percent requirement.

Clearly, we should consider adjustments in the trigger mechanism for the permanent program of extended benefits. These should be aimed at making extended benefits available at the early stage of an economic decline, and at triggering on the program when unemployment levels are high, regardless of how they compare with a previous period. Our experience under the temporary programs may reveal other reasonable approaches on which a consensus may be based.

STUDY COMMISSION

The third step to improvements in the program ties in with the recommendation of the Federal Advisory Council on Unemployment Insurance for the establishment of a national group to conduct an in-depth study of the need for long-term reforms in the system.

We should seriously consider the establishment of a national study commission on unemployment insurance. We believe such a body, set up on a representative basis, might make a significant contribution to an extensive evaluation of the system and particularly to an understanding of the relationship of unemployment insurance with other income maintenance systems.

The scope of any such commission should be broad enough to permit a thorough examination of the basic structure of this program and its underlying principles.

I should point out, however, that action on the current legislation now pending must not be postponed pending establishment of a study commission and publication of its findings.

Again, I wish to express my appreciation and that of my colleagues for this opportunity to appear and offer our views on unemployment insurance. I hope this Committee will extend to us another opportunity in the near future to discuss our further proposals.

EXHAUSTIONS OF BENEFITS UNDER REGULAR UNEMPLOYMENT INSURANCE (UI) PROGRAMS AND UNDER SPECIAL UNEMPLOYMENT ASSISTANCE (SUA) PROGRAM, 1973-76

	Regular UI	Extended benefits	FSB-1	FSB-2 ¹	SUA-1	SUA-2
ACTUAL						
January-March 1973.....	428,000	69,000				
April-June.....	398,000	40,000				
July-September.....	343,000	32,000				
October-December.....	340,000	37,000				
January-March 1974.....	426,000	36,000				
April-June.....	504,000	149,000				
July-September.....	507,000	143,000				
October-December.....	496,000	138,000				
ESTIMATED²						
January-March 1975.....	700,000	300,000	100,000			
April-June.....	900,000	400,000	300,000	50,000	10,000	
July-September.....	1,000,000	550,000	350,000	150,000	90,000	10,000
October-December.....	1,000,000	600,000	400,000	200,000	90,000	40,000
January-March 1976.....	1,100,000	600,000	400,000	200,000	90,000	50,000
April-June.....	1,000,000	600,000	400,000	200,000	90,000	50,000
July-September.....	900,000	550,000	350,000	200,000	80,000	50,000
October-December.....	900,000	450,000	250,000	200,000	70,000	40,000

¹ FSB-1 and FSB-2 refer to exhaustion of Federal supplemental benefits for covered workers, weeks 52 and 65 (tiers 1 and 2), respectively. SUA-1 and SUA-2 refer to exhaustion of special unemployment assistance for noncovered workers, weeks 26 and 39 (tiers 1 and 2), respectively.

² Estimated exhaustion for calendar year 1976 based on assumption of no change in FSB and SUA trigger mechanisms from present law.

Senator BYRD. The next witness will be Mr. William Heartwell, Jr., commissioner of employment, Commonwealth of Virginia, and chairman of the Legislative and Legal Affairs Committee of the Interstate Conference of Employment Security Agencies.

The committee is very pleased to have Mr. Heartwell present today. Before the chairman calls on Mr. Heartwell, if you will permit me to make an observation.

The CHAIRMAN [presiding]. That is fine.

Senator BYRD. I have known Mr. Heartwell for many years. We in Virginia are very proud of his long and effective service to the Commonwealth of Virginia. We in Virginia recognize him as being an outstanding public official, a man of splendid abilities who has done a magnificent job for our State and I am happy that he has been recognized by his colleagues throughout the Nation by being made chairman of the Legislative and Legal Affairs Committee of the Interstate Conference on Employment Security Agencies.

Mr. Chairman, I am pleased to say to my colleagues of the Finance Committee, Mr. Heartwell is an outstanding public official. I thank the chairman and the committee for permitting me to say these few words.

STATEMENT OF WILLIAM L. HEARTWELL, JR., COMMISSIONER, VIRGINIA EMPLOYMENT COMMISSION, AND CHAIRMAN, LEGISLATIVE AND LEGAL AFFAIRS COMMITTEE, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC., ACCOMPANIED BY ROBERT GOODWIN, ASSOCIATE DIRECTOR, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC., WASHINGTON, D.C.

Mr. HEARTWELL. Thank you, Senator, for those very kind remarks. I realize the lateness of the hour. I will keep my remarks very brief and to the legislation we are considering.

I do have with me and to my right Mr. Robert Goodwin, who is a former Director of the Bureau of Employment Security for many years and is now associated as an associate director with the Interstate Conference of Employment Security Agencies here in Washington.

I think you gentlemen understand that the Interstate Conference of Employment Security Agencies represent all of the State employment security administrators throughout the country and that our basic responsibility, of course, is administering the employment security program and the unemployment insurance program.

Our responsibility also includes the unemployment insurance that is being considered before you this morning, the Federal supplementary benefits.

Because of our responsibilities with respect to these programs, we do appreciate this opportunity and I would like to also acknowledge the Secretary's remarks concerning the tremendous crunch that all employment security agencies throughout the States are experiencing during this downturn in the economy, and to say that through many long and dedicated weeks, weekends, and holidays we do feel, sir, that we have acted responsibly in seeing that qualified claimants receive their benefits. It has been very traumatic in some respects but also very rewarding, and that we did have a system in place that could

move quickly, efficiently, expeditiously to see that these people were paid.

The bylaws of our conference, sir, require us to poll the States before we come up with a collective position on pending legislation, and on this particular legislation we took this step and polled the States and presented our testimony initially to the House Committee on Ways and Means. The States were invited to react specifically to proposals put forth by the administration and incorporated in H.R. 6504. The administration recommendations are also contained in S. 1810. Our poll presented six questions and to the extent that these questions are pertinent to this hearing, I will report them to you today. And for those who are interested we have attached to our testimony the full text of the questions and answers to all questions in our questionnaire.

The first question we presented to the State administrators was whether or not they favored an extension of the special unemployment assistance in the Federal supplemental benefits program in 1975. On the extension of the SUA, 42 States favored the proposal and 4 States did not. On the extension of Federal supplementary benefits, 41 States favored the proposal and 5 States did not.

I might add, though, Mr. Chairman and Senator Byrd, that it should be stated that some of the States voting in favor of the proposal, including Virginia, did so mainly because of the gravity of the situation but raised very serious questions identifying an unemployment insurance program up to 65 weeks, particularly if it is financed by employers.

For 1976 the administration proposed that both SUA and FSB be put on an area basis. The administration's area proposal would trigger on in areas with populations of 250,000 or more, and as a separate area, the balance of the State, only if both the national and area insured unemployment rates, seasonally adjusted, for each of the most recent 3 calendar months is at least 6 percent to qualify for 39 weeks of SUA benefits or up to 26 weeks of SBA benefits. If unemployment drops below 6 percent, but not less than 5 percent, SUA benefits would be reduced to 26 weeks and FSB benefits to 13 weeks. If either the national or area trigger drops below 5 percent for 3 consecutive months, no SUA benefits would be payable and extended benefits would be limited to the 13 weeks available under the triggers of the 1970 law as amended last year.

I might add that the States were very much against this-area proposal. Only 2 States favored this proposal and 44 States voted against this area trigger.

In speaking of the trigger I think we can give some good indications in my home State that I would like to refer to briefly. But basically, the opposition to the area trigger centered on the use of areas for paying these benefits because State administrators are strongly opposed for the following reasons.

First, in some States, such as Virginia and Texas, our areas of high population, our urban corridor would not qualify under the 250,000 population criterion because the insured unemployment rate is below this. This is true in areas of Texas also and other States, yet in some of our smaller areas that would not qualify populationwise, where we have high unemployment, and this includes areas such as Lynchburg, Petersburg, areas in the valley, areas in the southside,

areas in southwest Virginia. They will not qualify because of a lack of population and because of the balance of State-insured unemployment rate is not high enough to qualify.

So you would actually, in effect, have in Virginia under the area trigger no one that would qualify, and we think this is inequitable.

Texas.—I will skip this testimony. They have some other examples of what I have just related that is included for the record.

I would like to also very briefly bring up another question that has been of tremendous concern to the administrators which is included in H.R. 6900, which is an amendment providing that benefits be not paid to teachers, researchers, and principal administrators employed by schools during the period between academic years or terms if they have contracts with any school for both such years or terms.

This problem, as you are aware, has been addressed by the Appropriations Committee in the House, which included a provision in H.R. 5899 which would deny these payments to teachers. I might add on the question of including the teacher provision not paying the teachers. 43 States voted in favor of this and only 3 not in favor.

One other item that has been touched upon by the Secretary in his testimony is the question concerning the source of funds for Federal supplemental benefits.

As you are aware 65 weeks are now funded from the Federal payroll tax. We polled the States concerning their views on how long should the employer tax pay for the supplemental benefits. Six States concluded that we should continue funding from the payroll tax for the full 65 weeks. Six States thought that the period should be limited to 52 weeks, but 32 States believed the limit should be only 39 weeks. And I might add that our employees in Virginia also feel very strongly that an unemployment insurance program anything over 39 weeks should be funded out of general revenue.

In summary, Mr. Chairman, and members of the committee, the Interstate Conference does favor the extension of SUA for another year to December 31, 1976, and to increase the maximum amount payable from 26 to 39 weeks through June 30, 1976. We also favor the extension of the present 26-week maximum under Federal supplemental benefits through June 30, 1976 with a drop back in both programs by 13 weeks to the original enacted duration after that date.

We strongly oppose the area trigger as proposed in S. 1810 and endorse the State and national triggers which are contained in H.R. 6900.

We favor the proposal in H.R. 6900 providing that benefits be not payable to teachers between academic years or terms if they have contracts with school for both such years or terms.

We believe that the source of funds for financing extended benefits should be financed by payroll tax only through the 39th week and beyond that from general funds of the Treasury.

In closing, Mr. Chairman and Senator Byrd, this is a very brief summation of the testimony that is recorded in more depth in the prepared statement that will be furnished to the committee.

The CHAIRMAN. Thank you very much. Do you have any questions?

Senator BYRD. Thank you, Mr. Chairman.

Mr. Heartwell, the national unemployment rate is what, 9.2 percent?

Mr. HEARTWELL. Yes, sir.

Senator BYRD. And it is 7 percent for those under UI?

Mr. HEARTWELL. Yes, sir.

Senator BYRD. Now, what are the two comparable figures for the State of Virginia?

Mr. HEARTWELL. Well, in Virginia, sir, the latest rate that we can verify, the unemployment rate, is 6.6 percent by April, and we estimate 7.4 percent for May, in comparison with the 9.2 percent. To answer the second part of this, out of our labor force of approximately 2,150,000, about 1,400,000 are covered under the act. I have not figured this out, percentagewise.

Senator BYRD. Which areas of Virginia have the larger percentage of unemployment?

Mr. HEARTWELL. We have a very unique situation, Senator, in that our urban corridor—which of course starts here and goes down through northern Virginia, Richmond, and cuts across through the peninsula into tidewater—which represents about 65 percent of our population, has very low unemployment. Richmond's insured unemployment is 1.4 percent.

Senator BYRD. 1.4 percent?

Mr. HEARTWELL. Yes, sir, the city of Richmond insured unemployment. Now, our high unemployment areas are basically—in the smaller areas, where durable manufacturing has been hard-hit; this is textiles, furniture, electronics, home furnishings, apparels, and these areas have been the Danville-Martinsville area south of Roanoke, and including Galax and Marion, which have been very heavily hit. Some areas in the valley, mainly Staunton and Waynesboro—and in some of these areas, you have unemployment rates as high as 12 and 13 percent, but they are smaller areas, and it is because the durable manufacturing is basically, in these particular areas.

Senator BYRD. Well, is the Martinsburg area—furniture manufacturing—beginning to make a comeback, is it not?

Mr. HEARTWELL. Yes, sir. Martinsville is an extremely interesting area. I was just there in April 1974. They had a claims load of 29; 29 claims for the whole month of April in 1974. In 1975, it had 13,200; and this is a rather dramatic explanation of what has happened to that area. But you are exactly right; some of our major industries are beginning to recall in that area, and the unemployment rate is dropping.

Senator BYRD. Well, of course, that would not just be the city of Martinsburg. I would assume that would be the case in Henry County, Patrick County, and Franklin County. Would the improvement get to Danville?

Mr. HEARTWELL. Yes, sir. Danville has been very heavily hit, and Galax is where you have a concentration of apparels.

Senator BYRD. How about the far southwest and the coal mining area? There is not too much unemployment there is there?

Mr. HEARTWELL. No, sir, there is not. Actually, going down the interstate to the far southwest, unemployment has not been high. Starting at Marion and coming up through Roanoke, it is much higher. About 46 percent of our unemployment is basically in what we call western Virginia. That would incorporate—starting at Martinsville, it would incorporate the areas we have been discussing. The other areas of the State, except for pockets, as I mentioned, in the valley, and a few on the south side, we have been very fortunate, sir.

Senator BYRD. Thank you, Mr. Heartwell. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, gentlemen.

Mr. HEARTWELL. Thank you, sir.

[Mr. Heartwell's prepared statement follows:]

STATEMENT BY WILLIAM L. HEARTWELL, JR., COMMISSIONER, VIRGINIA EMPLOYMENT COMMISSION AND CHAIRMAN, LEGISLATIVE AND LEGAL AFFAIRS COMMITTEE, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.

Mr. Chairman, and members of the Committee, my name is William L. Heartwell, Jr., Commissioner of the Virginia Employment Commission. I am also Chairman of the Legislative and Legal Affairs Committee of the Interstate Conference of Employment Security Agencies, and I am appearing before you today in that capacity.

The Interstate Conference of Employment Security Agencies represents the State Employment Security Administrators. These Administrators have responsibility for administering the employment security program—unemployment insurance and the public employment service in their respective States. Their responsibility for unemployment insurance includes the two temporary programs approved by Congress last December—the Federal Supplemental Benefits Program and the Special Unemployment Assistance Program.

Because of our responsibilities with respect to these programs, we appreciate the opportunity you have afforded us to testify before your Committee. We presented our views to the Committee on Ways and Means on May 1, and we are glad to have the opportunity to present our views to you.

The Interstate Conference of Employment Security Agencies is very much interested in permanent improvements in the unemployment insurance program, but it is my understanding that the hearing today deals only with the question of extension and revision of the Federal Supplemental Benefits Program and a few related questions. The Interstate Conference testified on the extension of SUA before the Senate Subcommittee on Employment, Poverty and Migratory Labor of the Labor and Public Welfare Committee on May 20, 1975.

The unemployment insurance program has, during the last six or eight months, borne the brunt of a crushing administrative load brought on by the very high unemployment. During this period the UI system has paid benefits to more workers than at any time in the history of the program. The system is now paying benefits to more than six million workers. Benefit payments have doubled since this time a year ago, and in some States they have tripled or quadrupled. A year ago our total unemployment rate was 5.2 percent. Now it is 9.2 percent.

In spite of the tremendous increase in workload, the UI system has done a good job, although some of the weaknesses of the system have been emphasized dramatically by the increased unemployment. These weaknesses are, of course, in large part the reason why Congress passed the FSB and SUA legislation. I assume that this Committee will address the problem of weaknesses in the permanent UI system at a later date and the Conference would appreciate an opportunity to present our views at that time.

The By-laws of the Interstate Conference require us to poll the States before presenting Conference views on pending legislation. We took this step and polled the States before presenting testimony to the House Committee on Ways and Means. The States were invited to react specifically to proposals put forth by the Administration and incorporated in H.R. 6504. The Administration recommendations are contained in S. 1810. Our poll presented six questions and to the extent that these questions are pertinent to this hearing, I will report them to you today. For those interested, I have attached to my testimony the full text of the questions and answers to all questions in our questionnaire.

EXTENSION OF SUA AND FSB

The first question we presented to the State Administrators was whether or not they favored an extension of the SUA and FSB programs for 1975. Specifically, for FSB the proposal was that entitlement be 100 percent of regular benefit duration with a 26 week maximum. On the extension of SUA, 42 States favored the proposal and 4 States did not favor the proposal. On the extension of FSB, 41 States favored the proposal and 5 States did not favor the proposal.

PAYING UI ON AN AREA BASIS

For 1976 the Administration proposed that both SUA and FSB be put on an area basis. SUA is, of course, on an area basis now but this provision has not been operative as the national trigger has been in effect since February 22, 1975. The Administration's area proposal would trigger on in areas with populations of 250,000 or more, and as a separate area, the balance of the State, only if both the national and area insured unemployment rates (seasonally adjusted) for each of the most recent three calendar months is at least 6 percent to qualify for 39 weeks of SUA benefits or up to 26 weeks of SBA benefits. If unemployment drops below 6 percent, but not less than 5 percent, SUA benefits would be reduced to 26 weeks and FSB benefits to 13 weeks. If either the national or area trigger drops below 5 percent for three consecutive months, no SUA benefits would be payable and extended benefits would be limited to the 13 weeks available under the triggers of the 1970 law as amended last year.

Only two States favored this proposal, and 44 States did not favor this proposal.

Opposition to this proposal centered on the use of areas as the administrative base for paying UI benefits. State Administrators are strongly opposed to the use of areas. As an alternative, the States voted 41 to 4 in favor of using State and national triggers and for paying benefits if either the State or national trigger is met. They favored using the trigger levels now in effect for SUA and FSB for the remainder of the temporary period of these programs.

I believe, and most State Administrators agree, that an area trigger is an arbitrary device for deciding who will get benefits and who will not, and that it would exclude large numbers of unemployed workers whose need for benefits is as great as those who would get benefits. The area proposal is based on the dubious assumption that the unemployed in areas with less than five or six percent unemployment have less difficulty in obtaining reemployment. As those with knowledge of the labor market know, a person's problem in finding reemployment is complex, is related in a large degree to his own personal situation—skill, age, occupational demand—and is affected only in a marginal way by the level of unemployment in the area.

Highly qualified workers can find great difficulty in finding reemployment if their occupation is not currently in demand, or if they are 50 years of age, or for many other reasons.

A major problem created by the area trigger proposal would be in those States where unemployment is not high enough to trigger "the balance of State" area but where there are sizeable cities under 250,000 with serious unemployment. Virginia and Texas are examples of the States. Let me illustrate this problem by the specific problem in my own State of Virginia.

For instance, the areas of Richmond, Norfolk, Tidewater, Newport News, Hampton and Northern Virginia would not qualify for paying benefits under the Bill even though they met the 250,000 requirement. Unemployment in all of these areas would be below the five and six percent requirement. On the other hand, some of our smaller areas, but areas of substantial size, such as Roanoke, Lynchburg, Winchester, Harrisonburg, Staunton-Waynesboro, Charlottesville, Bristol, Danville, Martinsville, Fredericksburg, Covington-Clifton Forge, Radford-Pulaski, would not be eligible even though the unemployment rates generally are higher in these areas than they are in areas over 250,000. Most of our employment in textiles and furniture is in these smaller areas and these industries have been hit very hard with unemployment.

In case you may think Virginia represents an isolated case, let me give you the information furnished to me by Henry Rothell, Administrator for the Texas Employment Commission. Again, Texas would not trigger on with either five or six percent for "rest of State" area. (Insured unemployment rate for State is only 2.6 percent.) At the same time, workers in the following areas have serious problems: Laredo with a population of 75,000 and an insured unemployment rate of 8.4 percent, Sherman-Dennison with a population of 83,000 and an unemployment of 8.4 percent, Brownsville-Harlingen with a population of 140,000 and an unemployment rate of 7.1 percent and McAllen-Edinburg with a population of 181,000 and an unemployment rate of 8.1 percent. Areas with populations of over 250,000 such as Houston, Dallas, San Antonio, Corpus Christie and Beaumont would not qualify as unemployment is below 5 percent. Unemployed workers would not be eligible for benefits in these areas although there would be many of them in overall numerical terms and many of them would have great difficulty in obtaining reemployment.

The area trigger approach would be extremely difficult to administer and would greatly increase administrative costs. Because many workers moved, and

often base eligibility on work in several areas, every area would need classification data for every other area—not only in a given State—but for areas in all States. Interarea clearance of data to determine eligibility would present a staggering administrative task.

The Administration proposal would use seasonally adjusted insured unemployment data. Seasonally adjusted area data has not been produced by either the national Manpower Office or by the States except experimentally on a study basis. The technical process of seasonal adjustment requires data for at least three years and data is not available for some areas.

CLARIFICATION OF TEACHER ELIGIBILITY FOR SUA

As you probably know, H.R. 6900 includes an amendment providing that benefits be not payable to teachers, researchers and principal administrators employed by schools during the period between academic years or terms if they have contracts with any school for both such years or terms. The question of payment or nonpayment of SUA to teachers between periods of academic years or terms has been a controversial problem. The problem has also been addressed by the Appropriation Committee in the House which included a provision in H.R. 5899 which would deny these payments to teachers. Although H.R. 5899 has passed the House with the teacher provision, it has not as yet become law. It would be desirable for this Committee to retain the amendment on the teacher question even if it should pass in H.R. 5899 in order to meet this problem after the end of the 1976 Fiscal Year.

On the question of including the teacher provision, 43 States voted in favor and only 3 voted not in favor.

SOURCE OF FUNDS FOR FSB

Our questionnaire also contained a question concerning the source of funds for FSB. As you know, all 65 weeks are now funded from the federal payroll tax. Six States concluded that we should continue funding from the payroll tax for the full 65 weeks. Six States thought the period should be limited to 52 weeks, and 32 States believed that the limit should be 39 weeks. Beyond the limits stated in the question, it would assume that funds would come from the general funds of the Treasury for the FSB program.

SUMMARY

In summary, Mr. Chairman and members of the Committee, the Interstate Conference favors the extension of SUA for another year to December 31, 1976, and to increase the maximum amount payable from 26 to 39 weeks through June 30, 1976. We also favor the extension of the present 26 week maximum under FSB through June 30, 1976 with a drop back in both programs by 13 weeks to the original enacted duration after that date.

We strongly oppose the area trigger as proposed in S. 1810 and endorse the State and national triggers which are contained in H.R. 6900.

We favor the proposal in H.R. 6900 providing that benefits be not payable to teachers between academic years or terms if they have contracts with school for both such years or terms.

We believe that the source of funds for financing extended benefits should be financed by payroll tax through the 39th week and beyond that from general funds of the Treasury.

In closing, I want to again thank you Mr. Chairman, and members of the Committee, for the opportunity to present our views. If you have questions I'll be glad to try to answer them.

INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.,
April 25, 1975.

MAILGRAM TO STATE ADMINISTRATORS (SEE ATTACHED LIST)

Frank Walsh and Bill Heartwell have accepted an invitation to testify before the UI subcommittee of Ways and Means Thursday, May 1 on extension of SUA and FSB. In order that they may present the views of the States we are requesting that you respond to this poll.

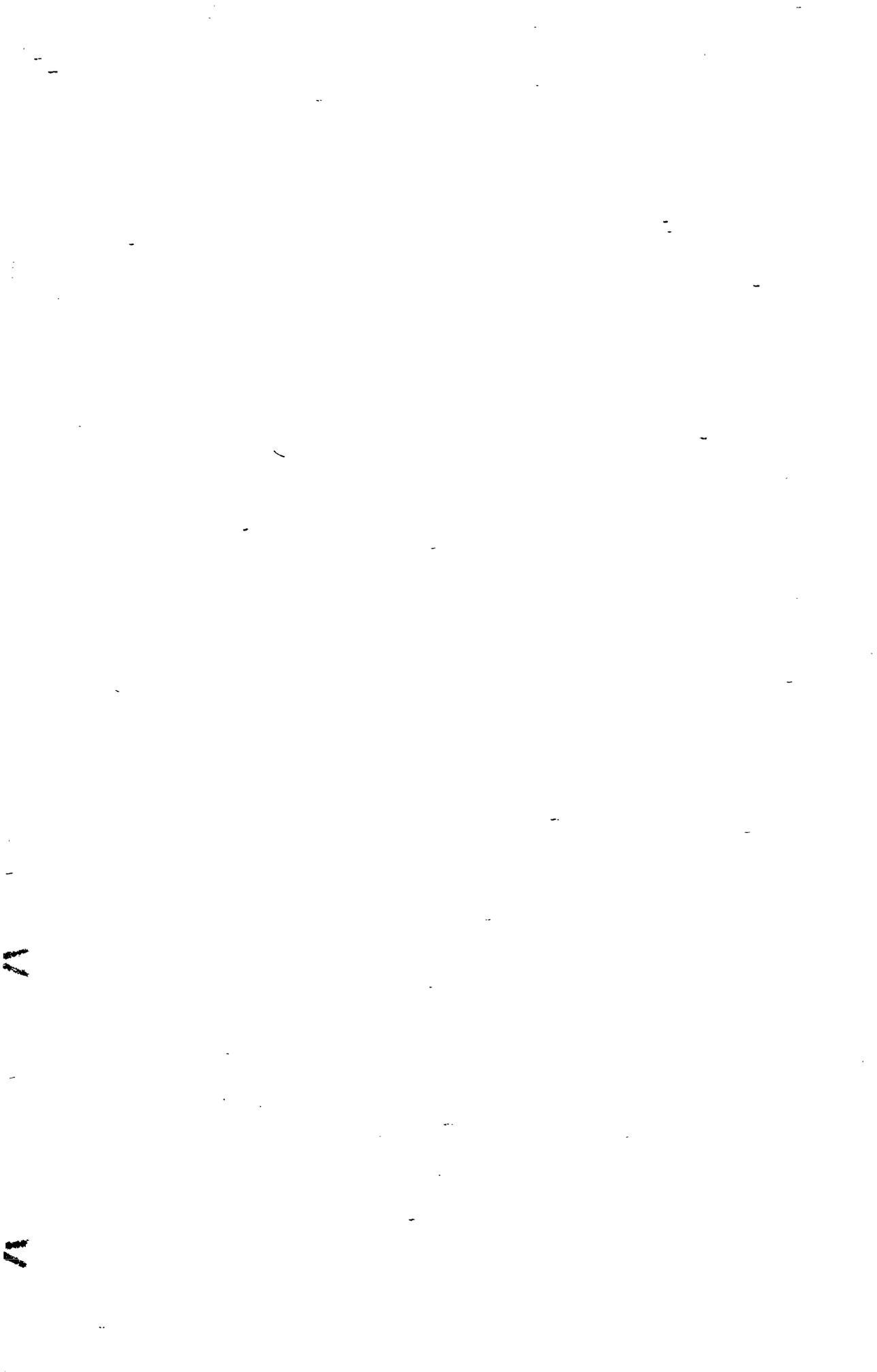
Our schedule is tight. Please furnish us with your response either in writing or by telephone by COB Tuesday, April 29.

The CHAIRMAN. That concludes the hearings. We will have to have a chance to analyze this information before we vote on a bill. Thank you.

[Whereupon, at 12:26 p.m., the committee recessed, subject to the call of the Chair.]

Appendix A

**Communications Received by the Committee Expressing an
Interest in These Hearings**



CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D.C., June 10, 1975.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR Mr. CHAIRMAN: This statement on temporary and emergency unemployment compensation benefits is made on behalf of the National Chamber's membership which includes over 48,000 business enterprises and 3,600 trade and professional associations, local and state chambers of commerce.

The National Chamber supports the permanent programs of the Federal-State Unemployment Compensation system. This includes the program to provide up to a maximum of twenty-six weeks of benefits to unemployed workers during normal economic periods. It also includes an additional thirteen weeks of extended benefits in times of recession when there is prolonged unemployment. Moreover, we support the financing of these permanent programs by employers through payroll taxes.

We do not support H.R. 6900 and other proposals to have the federal government extend unemployment compensation benefits beyond thirty-nine weeks. Such extensions undermine the basic purpose of the program which is limited to providing income maintenance for temporarily and involuntarily jobless workers. While unemployment compensation should be the primary source of income protection for people who are laid off, it is neither designed nor well equipped for administering to the needs of the long-term unemployed. This is the function of other manpower assistance programs and/or public relief which can offer both income support and re-employment assistance of the type and nature suited to the needs of those suffering from long-term, structural or chronic unemployment. Of course, the solution for the unemployed is the creation of sufficient private sector jobs to absorb them into the work force.

For many years the business community has supported the unemployment compensation program. We are concerned that adding temporary and emergency extensions of benefit periods will weaken the system which has worked so successfully for 40 years. This would occur at a time when employers are faced with substantial cost increases just to provide funds for the permanent programs, plus increased costs for wages, Social Security payroll taxes and other employee benefit programs.

This problem of continually extending benefits and still labeling it as unemployment compensation emphasizes the need for a National Study Commission. As a preliminary step we urge the Committee to require that adequate studies be made by the Department of Labor of the current recipients of existing long-term unemployment compensation programs. Information on what kinds of people are drawing benefits, their work history, household income (wages, welfare, food stamps, housing supplements, etc.), individual and family need for income support, and access to or use of other manpower services should be included as a mandate in any legislation adopted. The availability of such data to a study commission and the Congress will be invaluable to the formulation of sound income support policies and programs for the long-term unemployed.

We appreciate your consideration of our views and request that they be made a part of the hearings record.

Cordially,

HILTON DAVIS,
General Manager,
Legislative Action.

POLICY POSITION OF THE GOVERNMENT OPERATIONS TASK FORCE

Adopted by the Intergovernmental Relations Committee, National Conference of State Legislatures, Late-Spring Meeting, Washington, D.C., June 5-6, 1975

UNEMPLOYMENT BENEFITS

The Intergovernmental Relations Committee of the National Conference of State Legislatures urges Congress to immediately pass H.R. 6900 which extends federal support for unemployment benefits up to a maximum of 65 weeks through June 30, 1976.

The Intergovernmental Relations Committee wishes to draw special attention to the need for section 202(b) which would clarify the eligibility of educational employees for unemployment benefits between academic years.

The Intergovernmental Relations Committee further pledges its cooperation to Congress in a review of existing federal-state benefit programs for the unemployed. Such cooperation between the legislative branches is essential if the benefits programs are to have maximum effectiveness in assisting persons who are temporarily unemployed.

STATEMENT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

The National Association of Manufacturers, on behalf of its more than 13,000 member companies, appreciates this opportunity to comment on H.R. 6900.

The continuing high rate of unemployment has placed heavy demands on our unemployment compensation system. Long lines at the unemployment office and delays in benefit payment have been much publicized. But, looking beyond such administrative problems, the underlying system has served the nation's unemployment demands exceedingly well. Substantive deficiencies clearly exist however; indeed as unemployment increases, the need for reform becomes at once more apparent, and in some cases urgent.

However, in responding to the immediacy of the unemployment problem, we must not lose sight of other ramifications of emergency legislative enactments.

Our present unemployment insurance system was originally intended to protect workers against the financial impact of involuntary unemployment by providing them a degree of wage loss compensation for a reasonable time while they seek new employment. The payroll tax levied on employers attempted to distribute the costs of financing the program among those who theoretically caused the unemployment.

In most states the maximum duration of employer responsibility was set at approximately 26 weeks. Unemployment beyond that point was deemed more likely attributable to employee-related causes (e.g. lack of diligence in seeking new work). However, in light of recent economic conditions, Congress has several times extended in 13 week increments, the definition of "reasonable" period for seeking re-employment.

Such extensions, however, have been made without careful investigation as to what is a reasonable time in view of current conditions. Is 65 weeks "reasonable" or should we extend duration to 78 weeks? two years? three? or indefinitely? Fundamentally, the issue reduces to a determination of how long we are going to provide compensation to the unemployed simply because at one time they *were* employed. Clearly, the original purpose of the unemployment compensation system was not to serve as a permanent income maintenance program for the formerly employed. With repeated extensions of duration maximums, the system resembles such a program increasingly.

In addition to benefit duration, it must also be determined whether the employer's responsibility should be co-extensive with benefit duration. Clearly, the employer cannot bear indefinitely the burden of financial support of former employees. In view of the fact that weeks 40-65 were added to the system in specific response to declining economic conditions it becomes difficult to justify further burdening the employer with these costs. These additional weeks of benefits have effectively been appended to the unemployment compensation system, without regard to financing equities, simply because the system existed. Apparently, if the employer can be required to fund compensation for unemployment for which he theoretically is responsible, he can be required to finance compensation for unemployment for which he is not responsible—i.e. unemployment perpetuated by general economic conditions.

Industry urges the Committee in the deliberations on H.R. 6900 and future unemployment insurance legislation as well, to consider the distortive effects of repeated ad hoc additions to the system. The program was not designed to serve conditions such as exist today. It cannot be transformed in increments to serve in periods of high and protracted unemployment by simple extension of benefit duration. Once it is determined how long benefits should endure, *adequate* and *equitable* provision must be made for financing such benefits, as well.

While some unemployment insurance issues should be dealt with immediately (e.g., extended coverage, interim financing reform) others (including permanent fundings, duration, benefit adequacy) are essentially policy determinations. These require more extensive evaluation of the system's past experience and appraisal of its present objectives, and cannot therefore be dealt with so readily. For this reason, the Federal Advisory Council on Unemployment Compensation has unanimously recommended, and industry fully supports, the establishment of a national study commission on unemployment compensation. Such a commission would represent the long-awaited rational approach to fundamental questions of unemployment insurance, which have virtually, since the inception of the program, been dealt with on an intuitive basis.

Fundamental changes in the system is needed, but fundamental change cannot be achieved through a series of temporary measures added on to one another and extended indefinitely. Until such fundamental change is effected, interim improvements are needed. But, an alternation which improves one facet and impairs another is clearly no improvement at all. Unemployment compensation is a complex, interrelated system and no one element of the system may be treated without affecting others.

An increase in benefit duration can produce the desired result of lessening the financial difficulties of the unemployed, but so too can it decrease incentive to return to work. And further it will result in a greater financial burden on employers, who too suffer the effects of the present economy. Indeed, financial difficulties are increasingly the cause of the unemployment initially.

Examination of the effects of H.R. 6900 must not cease upon determination that it is advantageous to the unemployed. Industry urges consideration of the bill's total implications before there can be further action on it.

STATEMENT OF THE AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

This statement is submitted in support of legislation to provide additional weeks of unemployment benefits under the Temporary Federal Supplemental Benefits Program without the use of triggers based on unemployment rates.

The most recent official unemployment rate was 9.2 percent. But taking account of the 1.1 million additional workers too discouraged to even look for jobs, the actual unemployment rate was 10.3 percent.

This situation is not expected to improve in the near future. To the contrary, most observers agree that the unemployment rate will continue to increase in the months ahead and remain at high levels for the next few years. Therefore, temporary stop-gap, 13-week extensions of unemployment compensation benefits triggered "on" and "off" by statistical formulas totally unrelated to actual unemployment levels will not solve the problems the nation faces today.

The Labor Department has recently announced that the number of major labor market areas with substantial unemployment—6 percent or more—has swelled to a record 127. This is an all-time record since the present classification system started in May 1955. One year ago, the number of labor market areas classified in the substantial unemployment category was 43.

Thus, widespread substantial unemployment at present levels is a national problem affecting millions of workers and their families throughout the country. Attempts to develop local unemployment compensation triggers, as the Administration has recommended, will certainly fail just as the national and State triggers, which have required Congressional revision ten times in the past five years, have been a dismal failure.

On May 21, 1975, by the overwhelming vote of 381 to 8, the House of Representatives passed H.R. 6900 which would continue until June 30, 1976, the maximum 65-week benefit entitlement for regularly covered workers under State unemployment insurance laws. Frankly, we see no reason to limit this extension

to mid-1976. In the face of the scope, impact and probable duration of the present emergency, the AFL-CIO urges this Committee to report legislation that would provide at least 65 weeks of benefit entitlement as long as the present unemployment crisis lasts. This benefit entitlement should be available as long as unemployment remains at present high levels.

We sincerely hope that the Congress will consider action on permanent reform of the program later this year. At that time, this Committee could recommend a further temporary extension of benefit entitlement beyond the 65-week maximum if unemployment levels have failed to decline substantially. But at this time, the AFL-CIO urges you to report a bill that will provide benefit entitlement for every jobless worker for 26 weeks of regular benefits and at least 39 weeks of extended benefits, or a total of 65 weeks. Benefits after 39 weeks should be Federally financed.

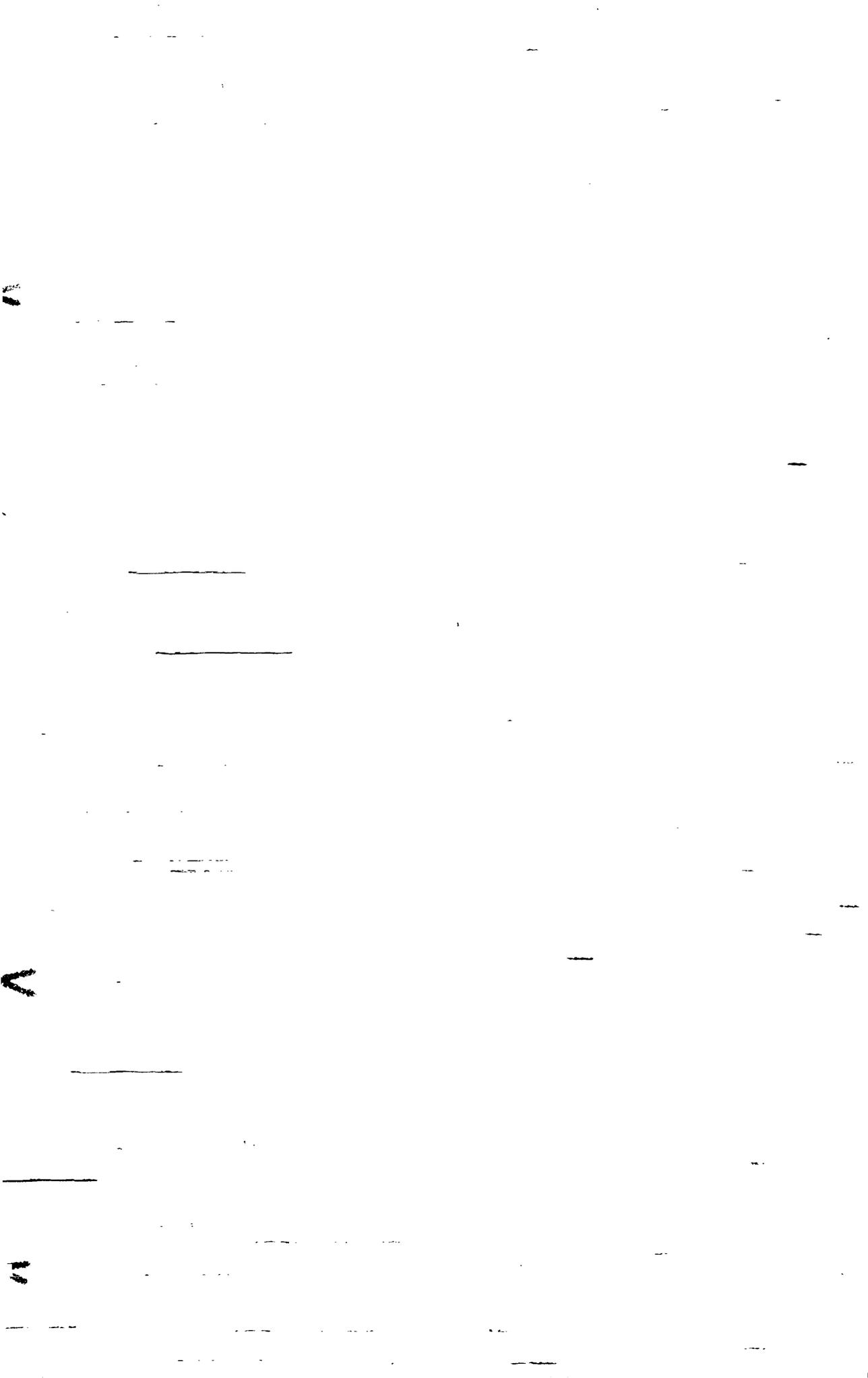
The AFL-CIO also urges that emergency extended benefits be made available to workers who exhausted their benefit rights prior to passage of the Emergency Unemployment Compensation Act of 1974. The workers to whom this legislation would apply are being denied emergency extended benefits and the extended benefits provided by the recently enacted Tax Reduction Act of 1975 only because they exhausted their benefit entitlement prior to passage of the emergency legislation.

A worker who exhausted all his benefit entitlement in December, 1974, and whose benefit year expired on January 15, 1975, is ineligible for emergency benefits. If this same worker had a benefit year that expired one week later—January 22, 1975—he would be eligible for the full protection of the emergency legislation. This is a gross inequity and it should be remedied immediately. If workers who exhausted all benefit entitlement after June 30, 1974 are made eligible for emergency extended benefits, it would remedy a glaring inequity in the existing emergency program.

In summary, the AFL-CIO urges that this Committee report a bill to the Senate as quickly as possible providing for the present 65-week benefit entitlement to remain in effect until the nation is no longer plagued by large-scale unemployment.

Appendix B

Staff Data and Materials on Unemployment Compensation



94th Congress }
1st Session }

COMMITTEE PRINT

STAFF DATA AND MATERIALS ON
**UNEMPLOYMENT
COMPENSATION**

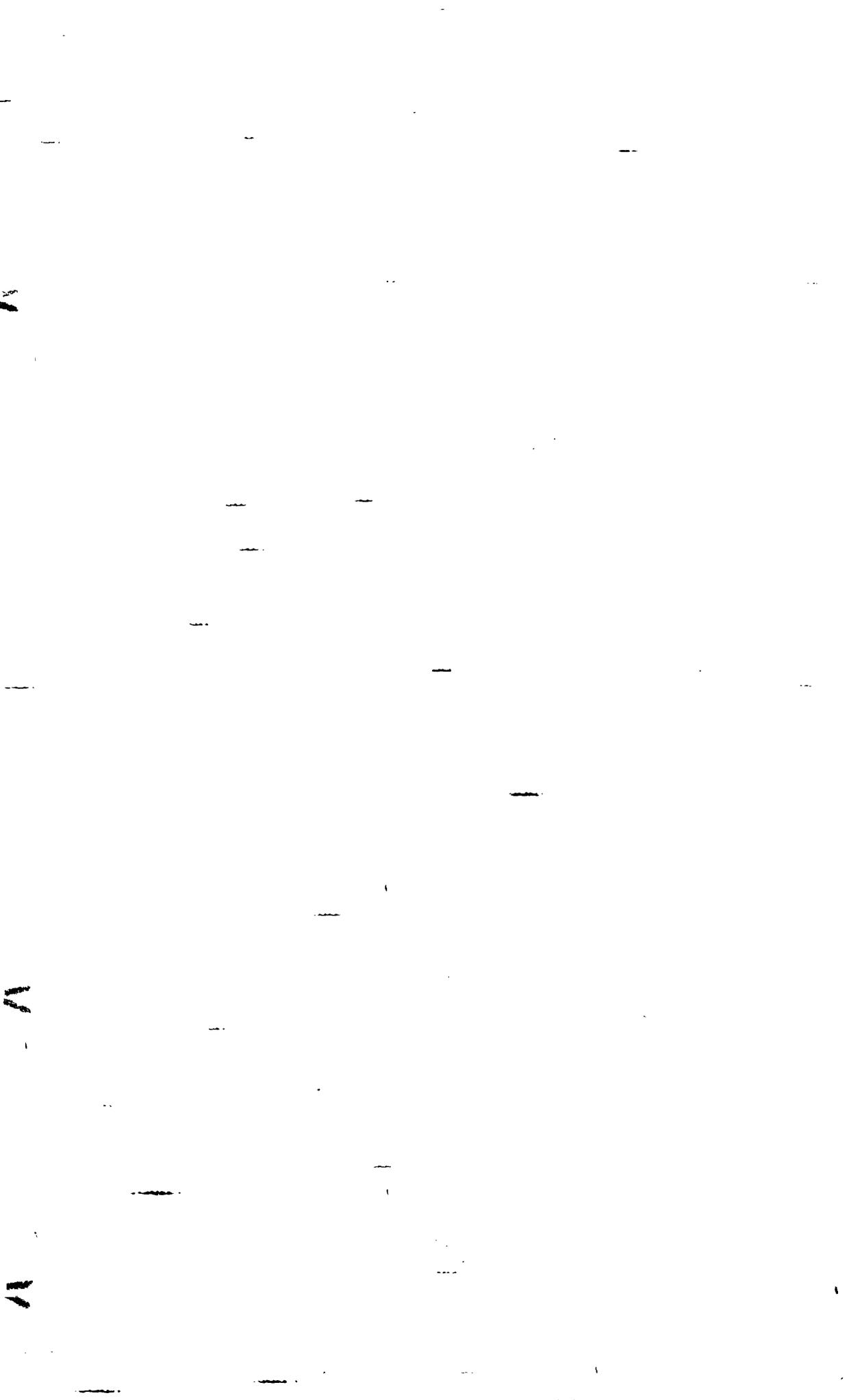
COMMITTEE ON FINANCE
UNITED STATES SENATE

RUSSELL B. LONG, *Chairman*



JUNE 6, 1975

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1975



CONTENTS

	Page
Major characteristics of existing unemployment compensation programs (table).....	1
Introduction.....	2
Federal-State Extended Unemployment Compensation Act of 1970.....	3
National "on" indicator.....	3
State "on" indicator.....	3
Extended benefit period.....	3
Benefits.....	3
Results of the trigger requirements of the 1970 act.....	3
National trigger.....	4
National insured unemployment rate (table).....	4
State trigger.....	5
State indicators for extended benefits (April 1, 1973) (table).....	5
Legislation suspending trigger requirements.....	6
Emergency Unemployment Compensation Act of 1971.....	6
State "emergency on" indicator.....	6
State "emergency off" indicator.....	7
Emergency Unemployment Compensation Act of 1974.....	7
Tax Reduction Act of 1975.....	8
House-passed legislation (H.R. 6900).....	9

TABLES AND STATISTICAL MATERIAL

Employment covered under State unemployment compensation programs.....	13
General rule.....	13
Special categories.....	13
State and local.....	13
Major exclusions.....	13
Employment covered under State unemployment compensation programs (definition of employer) (table).....	14
Unemployment compensation benefits.....	15
Eligibility.....	15
Benefit amounts.....	16
Maximum benefits.....	16
Partial unemployment.....	16
Weekly State unemployment compensation benefits for total unemployment (table).....	16
Duration of regular unemployment benefits.....	18
Maximum potential duration.....	18
Minimum potential duration.....	18
Duration (in weeks) of regular unemployment benefits (table).....	19
State indicators for Federal-State extended unemployment compensation.....	20
State indicators for Federal-State Extended Unemployment Compensation Act (as of May 17, 1975) (table).....	21
Unemployment: 1960-74 (table).....	23
Exhaustion of regular unemployment benefits: 1960-74 (table).....	24
Experience under the Federal-State Extended Unemployment Compensation Act (State UI) (table).....	25
Exhaustions of benefits under regular unemployment insurance (UI) programs and under the Emergency Unemployment Compensation Act of 1974 (table).....	27
Unemployment insurance: Selected data on benefit duration of claimants and exhaustees (preliminary data) (table).....	28
Advances to States from the Federal unemployment account (table).....	30
Unemployment benefits paid—or projected to be paid (current law) (chart).....	31
Flow of FUTA funds under existing Federal statutes (chart).....	32

APPENDIX A

Federal-State Extended Unemployment Compensation Act and Amendments.....

Page
35

APPENDIX B

Emergency Unemployment Compensation Act of 1974.....

47

IV

UNEMPLOYMENT COMPENSATION

Introduction

State unemployment compensation programs generally provide up to 26 weeks of benefits in a year to unemployed workers who are covered under these programs. A few State programs provide for a somewhat longer maximum benefit duration, and most State programs limit the duration of benefits to less than 26 weeks in the case of certain workers who do not have a history of recent steady employment.

Provisions have been made for extending the duration of benefits in times of high unemployment, beyond what is provided under the regular provisions of State programs to take account of the fact that, during such times, it is more difficult for unemployed workers to find new jobs. These programs were temporary until 1970, when a program to provide such extended benefits was made a permanent part of Federal law through the enactment of the Federal-State Extended Unemployment Compensation Act.

Provision has also been made from time to time to take account of unemployment arising from certain specific unusual circumstances. Examples of this type of legislation are the unemployment assistance provisions of the Disaster Relief Act and the trade readjustment allowances under the Trade Act. These provisions make special types of unemployment benefits available to persons whose jobs are adversely affected by natural disasters or by increased imports which result from Federal Trade policy.

Until this year, the mechanisms in permanent law for triggering extended unemployment benefits have not operated to make these extended benefits available in many States which have experienced continuing high unemployment. As a result, Congress has found it necessary six times since the extended benefit program was enacted to pass temporary legislation permitting extended benefits to be paid even though the triggering requirements of permanent law were not met.

This pamphlet outlines the provisions of the Federal-State Extended Unemployment Compensation Act as enacted in 1970, and the subsequent enactments which have been passed to supplement or make more readily available the benefits provided under that Act. The pamphlet also includes selected background materials and statistical data relating to the unemployment compensation programs.

The major features of the unemployment compensation programs which are now in effect are summarized in the chart below. More detailed descriptions of the provisions of these programs are presented in the text which follows.

MAJOR CHARACTERISTICS OF EXISTING UNEMPLOYMENT COMPENSATION PROGRAMS

Program	Benefit duration ¹	Funding ²	When in effect
Regular State programs.....	1st to 26th week of unemployment.	100 percent from State unemployment accounts.	No special requirements.
Federal-State extended benefits.	27th to 39th week of unemployment.	50 percent from State/50 percent from Federal unemployment accounts.	High level of insured unemployment—nationally or in specific State.
Emergency unemployment benefits.	(a) 40th to 52d week of unemployment.	(a) 100 percent from Federal unemployment accounts.	(a) Temporary program: expires Dec. 31, 1976; effective only when extended program in effect.
	(b) 53d to 65th week of unemployment.	(b) 100 percent from Federal unemployment accounts.	(b) Same as (a) but effective only through June 30, 1975.

¹ Based on maximum duration of benefits (26 weeks in most States for regular program). Persons with less substantial work history may qualify for shorter durations.

² Repayable loans from general revenues are available to cover shortages in these accounts.

Federal-State Extended Unemployment Compensation Act of 1970

The Employment Security Amendments of 1970 (Public Law 91-373) established a permanent program to pay extended benefits during periods of high unemployment to workers who exhaust their basic entitlement to regular State unemployment compensation. As a condition of Federal approval of the State's unemployment insurance program, States were required to establish the new program by January 1, 1972, and all States have done so. The Federal Government and the States each pay 50 percent of the cost of benefits under this program.

These extended benefits are paid to workers only during an "extended benefit" period. Such a period can exist either on a national or State basis by the triggering of either the national or the State "on" indicator.

National "On" Indicator.—There is a national "on" indicator when the seasonally adjusted rate of insured unemployment for the whole Nation equals or exceeds 4.5 percent in each of the three most recent calendar months.

State "On" Indicator.—There is a State "on" indicator when the rate of insured unemployment for the State is at least 4 percent but only if it equals or exceeds, during a moving 13-week period, 120 percent of the average rate for the corresponding 13-week period in the preceding two calendar years.

Extended Benefit Period.—An extended benefit period in a State begins after there is either a State or national "on" indicator, and continues, until the trigger conditions are no longer met, but the minimum period is 13 weeks.

Benefits.—During either a national or State extended benefit period, the State is required to provide each eligible claimant with extended compensation at the individual's regular weekly benefit amount. Benefits under the Federal-State program are limited to not more than 13 weeks per individual.

Results of the Trigger Requirements of the 1970 Act

Before extended unemployment benefits are payable under the permanent provisions of the 1970 act, either a single national trigger requirement must be met or else, for benefits to be payable to unemployed people in a specific State, two State trigger requirements must *both* be met. After the program was enacted, the national trigger requirement was in effect for only 3 months, and the State trigger requirements were frequently not met by a number of States with relatively high levels of unemployment. Although the unemployment rate in these States was high, it was not 120 percent higher than the rate for the corresponding periods in the two preceding years. As a result, Congress acted several times to permit States to waive the 120 percent requirement in the State trigger.

National Trigger.—Public Law 91-373 provided that extended benefits on the basis of the national trigger requirement—4.5 percent insured unemployment—could be payable no earlier than January 1, 1972, and the national trigger was, in fact, "on" as of that date since the national rate of insured unemployment had reached 4.5 percent

in the months September, October, and November of 1971. An extended benefit period based on the national trigger ends, however, when the national insured unemployment rate is less than 4.5 percent for three consecutive months. Since the national rate dropped to 4.3 percent in December 1971 and remained below 4.5 percent in January and February of 1972, the national trigger was "off" beginning with the week of March 5. The national trigger was "on" with respect to the week beginning February 2, 1975, (and was "on" earlier—for the week beginning January 5, 1975,—for those States which elected to change the national trigger from 4.5 percent to 4.0 percent, as permitted under legislation described in the following section of this print) and has remained "on" since that date.

The table below shows the national insured unemployment rates for purposes of the national trigger under the Federal-State Extended Unemployment Compensation Act of 1970.

NATIONAL INSURED UNEMPLOYMENT RATE

[In percent]

Month	1971	1972	1973	1974	1975
January		4.09	2.87	3.18	5.96
February		4.25	2.91	3.38	6.68
March		4.32	2.94	3.59	7.30
April		3.98	2.79	3.69	7.83
May		4.00	2.81	3.69	
June		3.92	2.81	3.65	
July		3.91	2.72	3.58	
August		3.52	2.75	3.51	
September	4.85	3.54	2.78	3.72	
October	4.85	3.37	2.74	4.00	
November	4.64	3.34	2.83	4.52	
December	4.30	3.23	2.95	5.26	

State Trigger.—Extended benefits are payable in any State, under the permanent provisions of the extended benefits program, if the 13-week insured unemployment rate in the State is at least 4 percent and if that rate is equal to 120 percent of the rate in the comparable 13-week period of the 2 prior years. In most States, it is the second part of the State trigger which has proven most difficult to meet.

If a State has a sustained high rate of unemployment, it will eventually trigger "off," and not be able to provide extended benefits which qualify for 50 percent Federal funding unless its insured unemployment rate is not only high but is actually continuing to rise so that it remains 20 percent higher than it was in the 2 previous years. When unemployment in a State remains at a high level for more than a year, this requirement becomes difficult to meet since the high unemployment level then becomes a part of the base to which the 20 percent increase measure is applied. In Alaska, for example, extended benefits were payable on the basis of the State trigger starting at the

end of January, 1971. Alaska, however, had to stop paying extended benefits at the end of November 1971 even though it had a 6.8 percent rate of insured unemployment. This was well above the required 4.0 rate of insured unemployment but did not meet the requirement of a 20 percent increase over the 2 prior years. In the first three months of 1972, the national trigger was "on" so that extended benefits were again payable in Alaska as in other States. When the national extended benefit period ended after March, 1972, thirty-eight States had insured unemployment rates in excess of 4 percent but nine of these States (including Alaska with a 14.46 percent rate) could not meet the requirement of a 20 percent increase over the prior 2 years. As is shown below, all of these 9 States had insured unemployment rates above 6.5 percent.

STATE INDICATORS FOR EXTENDED BENEFITS (APR. 1, 1972)

State	Insured unemployment rate	
	13-week rate	As percent of 2 prior years
Alaska.....	14.46	106
California.....	6.65	99
Idaho.....	6.73	112
Michigan.....	6.74	104
Montana.....	7.79	116
North Dakota.....	7.65	118
Oregon.....	7.07	96
Rhode Island.....	7.81	117
Washington.....	11.46	98

Under legislation described in the following section of this print, the mandatory application of the 120-percent trigger has been suspended under various temporary enactments since October of 1972. The most recent "trigger report" which is reproduced as table 4 on page 21 shows that there are only two States (Texas and Wyoming) which do not meet the 4-percent trigger and only 3 States (Alaska, Hawaii, and North Dakota) which do not meet the requirement of having an insured unemployment rate equal to at least 120 percent of the rate prevailing in the two prior years.

Legislation Suspending Trigger Requirements

Starting with Public Law 92-599 (enacted October 27, 1972), Congress has acted 6 times to modify the trigger requirements of the permanent extended benefits act for temporary periods. Under Public Law 92-599, the 120-percent requirement in the State "off" trigger could be disregarded by a State provided the State law permitted it to do so. This provision was to expire in June, 1973. However, Public Law 93-53 (enacted July 1, 1973) extended the expiration date through December, 1973 and in addition permitted a State to

ignore the 120-percent requirement for the "on" trigger as well as for the "off" trigger. However, under these 2 temporary provisions an extended benefit period could begin only if the rate of insured unemployment in the State was 4.5 percent, rather than 4 percent as required under permanent law.

On December 31, 1973, a temporary provision was enacted as part of Public Law 93-233 permitting a State to pay benefits on the basis of a 4 percent insured unemployment rate without regard to the 120 percent requirement. This provision was scheduled to expire on March 31, 1974. However, it was extended through June 1974 under Public Law 93-256 (enacted March 28, 1974). The permission to waive the 120 percent requirement was subsequently extended by Public Laws 93-329, 93-368, and 93-572. This provision is scheduled to expire on December 31, 1976.

Emergency Unemployment Compensation Act of 1971

In December, 1971, the Congress enacted Public Law 92-224 which established a program to pay "emergency unemployment compensation benefits" for up to 13 weeks to persons who had exhausted their entitlement to regular and (if applicable) extended unemployment compensation benefits. The program was temporary, with no persons eligible to receive benefits for the first time after June 30, 1972.

State "Emergency On" Indicator.—The additional 13 weeks of benefits were payable beginning the third week after there was an "emergency on" indicator in the State. An "emergency on" indicator occurred in any State when the insured unemployment rate for the State plus the average rate of those exhausting regular benefits exceeded 6.5 percent over a 13-week period and when one of the following criteria was met:

(1) There was a State or national "on" indicator for extended benefits (that is, the national rate of insured unemployment exceeded 4.5 percent in the 3 most recent months, or the State insured unemployment rate exceeded 4 percent in the previous 13 weeks and was at least 120 percent of the insured unemployment rate during the corresponding periods of the previous 2 years), or

(2) There had been such an indicator at some time during the previous year and the State met all the criteria of the State "on" indicator for extended benefits except for the 120-percent requirement.

State "Emergency Off" Indicator.—When the rate of insured unemployment plus the average rate of those exhausting regular benefits in a State dropped below 6.5 percent for a 13-week period, there was a State "emergency off" indicator. An emergency extended benefit period in a State ended with the third week after the "emergency off" indicator except that the benefit period could not have been less than at least 26 weeks.

The original legislation, which was to be in effect only during the first six months of 1972, provided for 100 percent Federal financing with payments being made out of the Federal extended benefit account. Under this legislation, repayable advances could be made to the account, as needed, from general funds. Advances to the extended

benefit account were to be repaid only if and when there was an excess of funds in the Federal Unemployment Trust Fund. On June 30, 1972, the Emergency Unemployment Compensation Act was extended (P.L. 92-329) through December 31, 1972. Along with extending the life of the emergency program, the law changed the financing by providing an increase in the Federal unemployment tax equal to 0.08 percent of taxable payrolls in 1973. This additional income was used to finance the benefits paid under the Emergency Unemployment Compensation Act for weeks ending after June 30, 1972. However, no provision was made for financing the benefits payable earlier.

Emergency Unemployment Compensation Act of 1974

Public Law 93-572 (The Emergency Unemployment Compensation Act of 1974) created a new temporary Emergency Unemployment Compensation Program modeled after the Emergency Unemployment Compensation Act of 1971.

The emergency unemployment compensation program augments existing unemployment compensation programs by providing additional weeks of benefits in a period of high unemployment to people who exhausted their benefit rights under the unemployment compensation laws, including the Federal-State Extended Unemployment Compensation program.

The new program provides a third tier of protection for workers in States that are paying benefits under the permanent extended benefit program, provided the State entered into an agreement with the Secretary of Labor to participate in the temporary emergency benefit program.

Compensation under the program is payable in a State having an agreement with the Secretary and experiencing the required unemployment levels, for weeks of unemployment beginning in 1975. Once triggered, the emergency benefit period (the period during which emergency compensation can be paid in the State) will remain in effect for at least 26 weeks, but no new claim may be filed after 1976. The cost of the emergency benefits payments will be met by repayable advances from Federal general revenues to the extended unemployment compensation account in the Federal Unemployment Trust Fund.

To be eligible for compensation under the new Emergency Unemployment Compensation Act, an individual must have exhausted all rights to regular unemployment insurance benefits and to extended benefits. An eligible individual is entitled potentially to emergency benefits for up to one-half of the number of weeks of his total regular benefit entitlement, but not more than 13 weeks (26 weeks through June 1975). The weekly benefit amount is the same as for State regular and Federal-State extended compensation.

The emergency unemployment compensation program goes into effect in a State only when extended unemployment benefits are also payable in the State. Under the Federal-State Extended Unemployment Compensation Act of 1970, States must pay extended benefits when the insured unemployment rate in the State is 4 percent and at least 120 percent of the rate for the corresponding period in the preceding two years. Under the new law a State is given the option of

paying extended benefits (and emergency benefits) when the insured unemployment rate is 4 percent, without regard to the 120 percent factor for the two year period ending December 1976.

Under prior law, extended benefits are payable in all States after the seasonally adjusted National insured unemployment rate for three consecutive months is 4.5 percent. P.L. 93-572 permits the States to pay extended benefits when the National rate of insured unemployment is 4 percent, rather than 4.5 percent. Therefore, both the extended unemployment compensation program and the emergency unemployment compensation program went into effect in those States that elected the 4 percent figure when the National seasonally adjusted insured unemployment rate reached 4 percent and stayed at least that high for three consecutive months. The national optional 4 percent trigger went "on" for the week beginning January 5, 1975 and the national mandatory 4.5 trigger went "on" for the week beginning February 2, 1975. It is anticipated that the rate will continue to increase for some months. Thus, both the extended benefits programs and the new emergency program will be in effect in all States for most of 1975 without regard to the provisions of the new law permitting the States to pay extended benefits when the national trigger is 4 percent but below 4.5 percent. Any additional extended benefits that were payable as the result of a State electing to put the extended unemployment compensation program into effect when the national rate is 4 percent rather than 4.5 percent are paid in full (rather than 50 percent) out of the Federal unemployment account.

In effect, P.L. 93-572 provides the States with the following options as to the time when an extended benefit period and an emergency benefits period would go into effect:

(1) when the insured unemployment rate in the State under the State extended benefit trigger is 4.0 percent; or

(2) when the national insured unemployment rate under the national extended benefit trigger is 4.0 percent.

And the States would be required to start an extended benefit period and an emergency benefit period:

(1) when the insured unemployment rate in the State under the State extended benefit trigger is 4.0 percent and 120 percent of the rate for the comparable period in the preceding two years; and

(2) when the national insured unemployment rate under the national extended benefit trigger is 4.5 percent.

Tax Reduction Act of 1975

As part of the Tax Reduction Act of 1975 (Public Law 94-12) Congress increased the maximum period for which Emergency Unemployment Compensation could be paid from 13 weeks (as provided by Public Law 93-572) to 26 weeks. The provision is temporary and is in effect through June 30, 1975 only.

House-Passed Legislation (H.R. 6900)

Title I of the bill would extend through June 30, 1976 the amendment to the Emergency Unemployment Program which was added by Public Law 94-12. As a result a total of 65 weeks of unemployment compensation would be possible through June 30, 1976 and the 52 week maximum which would otherwise go into effect in July 1975 will be delayed until July 1976.

This change would have an estimated cost of \$850 million—\$400 million in 1975 and \$450 million in 1976.

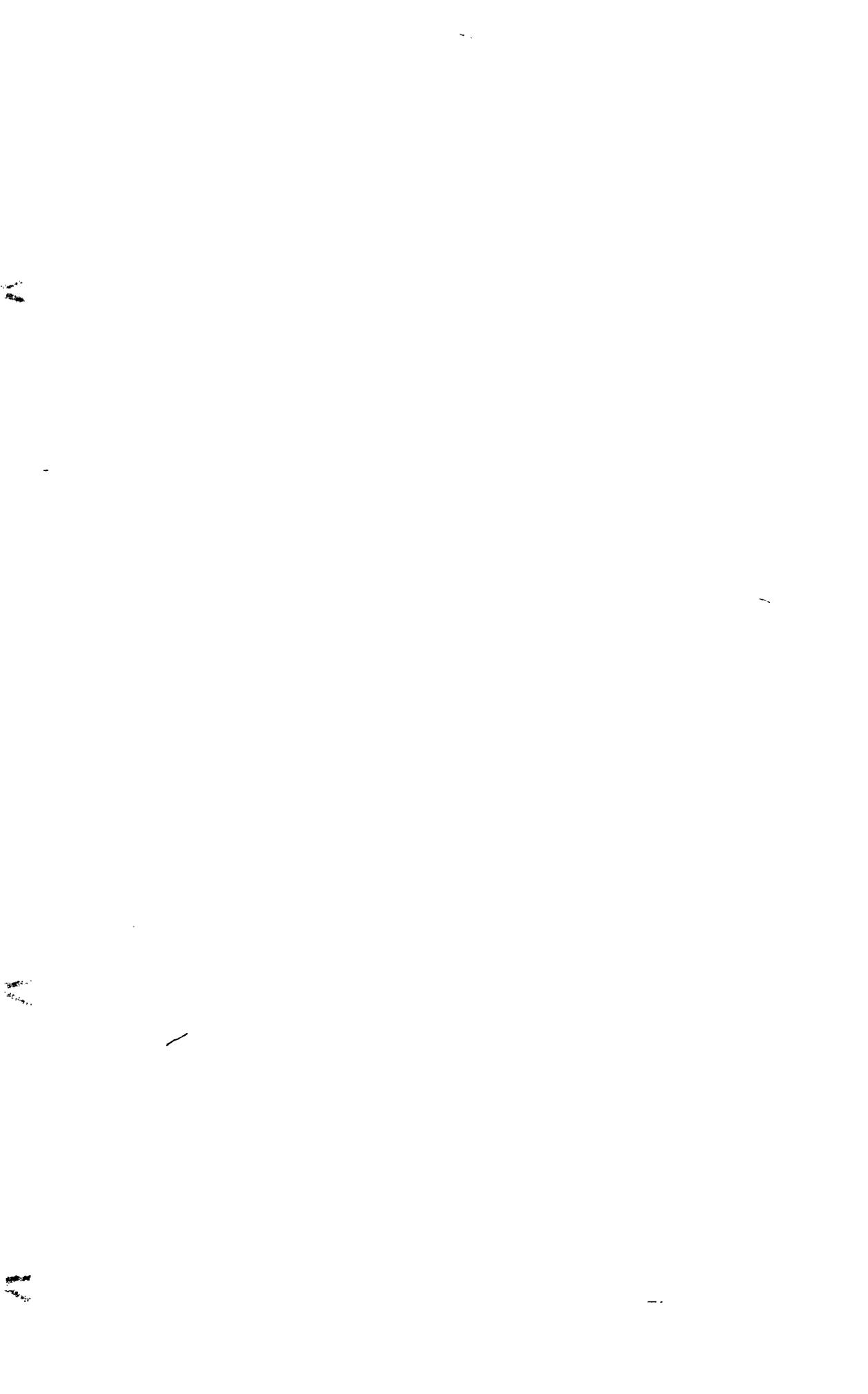
Title II of the bill would extend through Dec. 31, 1976, the time in which Special Unemployment Assistance payments (payable to unemployed people who do not qualify for unemployment compensation) may be paid. It would also provide that through June 30, 1976, 39 rather than 26 weeks of benefits may be paid under that program.

In addition, title III of the bill would authorize the Secretary of Labor to make loans to the Virgin Islands, similar to the loans made to the States, to enable the Virgin Islands to continue payments under its unemployment compensation program when regular unemployment compensation funds are exhausted.

While the Virgin Islands has an unemployment compensation program, it is not part of the Federal-State system because the Virgin Islands, unlike Puerto Rico, is not included in the definition of "State" in the law.

The Department of Labor estimates that in the 12-month period ending June 30, 1976, the Virgin Islands program will have an operating deficit of between \$600,000 and \$3.1 million. In order to enable the program to continue paying benefits, H.R. 6900 would authorize the Secretary of Labor to advance to the island's government the amounts necessary to continue operation of its unemployment compensation program for the period July 1975-June 1976. The total amount of the loans could not exceed \$5 million and would have to be repaid (without interest) not later than January 1, 1978.

In its report on H.R. 6900, the House committee indicates that if subsequent legislation should include the Virgin Islands in the Federal-State system, any outstanding loans under title III of the bill, should be considered as loans from the Federal unemployment account. (In 1972 the Virgin Islands government requested that the Federal-State program be extended to the Islands.)



Tables and Statistical Material

(99)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

Employment Covered Under State Unemployment Compensation Programs

General Rule.—In general, persons working for private employers meeting certain minimum requirements are covered under State unemployment compensation programs. In 34 States, any employer with one employee in 20 or more weeks of the year is subject to the program. Eight States require coverage in the case of employers with at least one employee at any time, and the remaining States base coverage on either a different duration of employment or on the amount of wages paid by the employer.

Special Categories.—Federal employees and members of the armed services, while excluded from coverage under State unemployment insurance programs, are covered under a special Federal program. Federal law does require coverage of individuals who work for non-profit organizations which have 4 or more employees in 20 or more weeks, and 19 States require coverage in the case of non-profit organizations with 1 or more employees.

State and Local.—Except in certain limited cases (e.g. State hospitals), Federal law does not require State coverage of State or local government employees. However, most States provide some form of coverage for at least some State or local government employees. About half of the States provide mandatory coverage for State employees and either require or permit election of coverage by local government subdivisions.

Major Exclusions.—There are certain types of employment which are generally (although not universally) excluded from unemployment insurance coverage. Some of the major exclusions are:

Agricultural employment (covered in D.C., Hawaii, Minnesota, and Puerto Rico);

Domestic service (covered under certain conditions, in Arkansas, D.C., Hawaii, and New York);

Self-employment (partially covered in California).

TABLE 1.—EMPLOYMENT COVERED UNDER STATE UNEMPLOYMENT COMPENSATION PROGRAMS (DEFINITION OF EMPLOYER)

State	1 employee			Alternative payroll conditions (4 States) ¹	Nonprofit employers 1 or more ² (19 States)
	In 20 weeks ¹ (34 States)	At any time (8 States)	Other (10 States)		
Alabama	X				
Alaska		X			
Arizona	X				
Arkansas			10 days		X
California			Over \$100 in qtr.		X
Colorado	X				
Connecticut	X				X
Delaware	X				
District of Columbia		X			X
Florida	X				
Georgia	X				
Hawaii		X ³			X
Idaho	X			\$300 in qtr.	X
Illinois	X				
Indiana	X				
Iowa	X				X
Kansas	X				
Kentucky	X				
Louisiana	X				
Maine	X				
Maryland		X			X
Massachusetts			13 weeks ¹		X
Michigan	X			\$1,000 in yr.	X
Minnesota	X ³				X
Mississippi	X				
Missouri	X				
Montana			Over \$500 in yr.		X
Nebraska	X				
Nevada			\$225 in qtr.		
New Hampshire	X				X
New Jersey			\$1,000 in yr.		X

See footnotes at end of table

TABLE 1.—EMPLOYMENT COVERED UNDER STATE UNEMPLOYMENT COMPENSATION PROGRAMS (DEFINITION OF EMPLOYER)—Continued

State	1 employee			Alternative payroll conditions (4 States) ¹	Nonprofit employers 1 or more ² (19 States)
	In 20 weeks ¹ (34 States)	At any time (8 States)	Other (10 States)		
New Mexico.....	X			\$450 in qtr.	X
New York.....				\$300 in qtr.	
North Carolina..	X				
North Dakota....	X				
Ohio.....	X				
Oklahoma.....	X				
Oregon.....			18 wks.	\$225 in qtr.	X
Pennsylvania.....		X			
Puerto Rico.....		X			X
Rhode Island.....		X			X
South Carolina..	X				
South Dakota....	X				
Tennessee.....	X				
Texas.....	X				
Utah.....				\$140 in qtr.	
Vermont.....	X				
Virginia.....	X				
Washington.....		X			X
West Virginia....	X				
Wisconsin.....	X				
Wyoming.....				\$500 in yr.	

¹ Or a quarterly payroll of \$1,500 during a calendar year or preceding calendar year, except in Idaho, Michigan, New Mexico, Oregon.

² All other States cover nonprofit organizations that employ 4 or more in 20 weeks as required by Federal law.

³ Also covers employers of 20, *Hawaii*, and 4, *Minnesota*, or more agricultural workers in 20 weeks.

Note: Data in table correct as of June 1975.

Unemployment Compensation Benefits

Eligibility.—In order to be eligible to receive any unemployment insurance benefits, unemployed workers must have met certain qualifying requirements during a base year which precedes their benefit year. In some States the qualifying requirement is a certain amount of wages; in other States the requirement is in terms of work during a certain number of weeks or during a certain number of quarters.

And, some States impose both types of requirement. In all but 9 States, the qualifying requirements can be satisfied only by persons with some employment during at least 2 quarters of the base year.

Benefit Amounts.—The amount of benefits paid to an unemployed worker each week varies according to the level of his earnings during the base year or, in most States, during that quarter of the base year in which his earnings were highest. Formulas vary from State to State but the largest number of States pay a benefit equal to about 50 percent of average weekly wages. In 11 States benefits include special allowances based on the number of dependents. For about 40 percent of all beneficiaries, the amount of the weekly benefit is determined by the maximum limit which the State places on weekly benefit amounts rather than by the formula.

Maximum Benefits.—The limit on the maximum amount payable per week in the various States ranges from \$50 to \$156. In 31 States, the maximum weekly benefit payable under the unemployment insurance program is determined as a percentage of average weekly wages in employment covered by that program in the State. The percentage varies from 50 to 66% depending on the State. In Ohio, the maximum is adjusted annually by any percentage increase in the average weekly wage and in the remaining States the maximum is a fixed dollar amount.

Partial Unemployment.—Persons who work less than full-time during a week may qualify for partial unemployment benefits if their earnings are below an amount specified by each State. Benefits are determined in the regular manner but are reduced by the amount of earnings in excess of a specified earnings disregard. (Montana does not provide benefits for partial unemployment, although some partially employed persons can qualify for full benefits in that State.)

TABLE 2—WEEKLY STATE UNEMPLOYMENT COMPENSATION BENEFITS FOR TOTAL UNEMPLOYMENT

State	Weekly benefit amount ¹		Average (calendar year 1974)	Required total earnings in base year ²		Minimum work in base year (weeks) ³
	Minimum	Maximum		For minimum benefit	For maximum benefit	
Alabama.....	\$15	\$90	\$52	\$525	\$2,905	20
Alaska.....	¹ 23	¹ 120	70	750	8,500	20
Arizona.....	15	⁴ 78	57	562	2,906	20
Arkansas.....	15	84	54	450	2,520	20
California.....	25	90	65	750	2,748	—
Colorado.....	25	102	74	750	10,504	—
Connecticut.....	¹ 20	¹ 156	74	600	4,160	20
Delaware.....	10	85	71	360	3,060	—
District of Columbia.....	¹ 13	127	84	450	4,347	20
Florida.....	10	74	68	400	2,920	20

See footnotes at end of table.

TABLE 2—WEEKLY STATE UNEMPLOYMENT COMPENSATION BENEFITS FOR TOTAL UNEMPLOYMENT—Continued

State	Weekly benefit amount ¹		Average (calen- dar year 1974)	Required total earn- ings in base year ²		Mini- mum work in base year (weeks) ³
	Mini- mum	Maxi- mum		For mini- mum benefit	For maxi- mum benefit	
Georgia.....	12	⁴ 70	56	432	2,520	20
Hawaii.....	5	104	72	150	3,120	14
Idaho.....	17	83	61	520	2,665	20
Illinois.....	13	¹ 118	66	1,000	1,991	20
Indiana.....	30	¹ 100	53	500	1,843	20
Iowa.....	10	80	65	300	1,690	20
Kansas.....	19	79	62	570	2,370	20
Kentucky.....	12	74	60	344	2,324	20
Louisiana.....	10	80	56	300	2,400	—
Maine.....	12	65	54	600	1,485	—
Maryland.....	¹ 13	89	64	360	3,204	20
Massachusetts..	¹ 20	¹ 143	69	1,200	2,444	—
Michigan.....	¹ 18	¹ 106	67	350	1,680	14
Minnesota.....	15	85	66	540	3,042	18
Mississippi.....	10	60	41	360	2,160	20
Missouri.....	15	85	56	450	2,550	20
Montana.....	12	⁵ 68	54	455	2,639	20
Nebraska.....	12	⁵ 74	59	600	1,950	20
Nevada.....	16	85	68	528	2,805	—
New Hampshire..	14	80	59	600	6,600	20
New Jersey.....	20	90	72	600	2,670	20
New Mexico.....	15	71	51	455	2,275	20
New York.....	20	95	66	600	3,780	20
North Carolina..	15	90	47	565	3,490	20
North Dakota....	15	⁵ 72	57	600	2,880	20
Ohio.....	¹ 16	¹ 121	73	400	3,240	20
Oklahoma.....	16	78	48	500	3,003	20
Oregon.....	24	88	58	700	7,000	18
Pennsylvania....	¹ 18	¹ 119	72	440	4,360	20
Rhode Island....	¹ 17	¹ 107	66	400	3,163	20
South Carolina..	10	88	55	300	3,393	20
South Dakota....	19	⁵ 67	52	590	2,122	20
Tennessee.....	14	⁵ 70	51	504	2,520	20
Texas.....	15	63	52	500	2,325	20
Utah.....	10	93	63	700	2,512	19

See footnotes at end of table.

TABLE 2—WEEKLY STATE UNEMPLOYMENT COMPENSATION BENEFITS FOR TOTAL UNEMPLOYMENT—Continued

State	Weekly benefit amount ¹		Average (calendar year 1974)	Required total earnings in base year ²		Minimum work in base year (weeks) ³
	Minimum	Maximum		For minimum benefit	For maximum benefit	
Vermont.....	15	86	63	600	3,420	20
Virginia.....	20	87	59	720	3,132	20
Washington.....	17	86	65	1,300	2,137	16
West Virginia....	14	107	48	700	11,000	—
Wisconsin.....	20	108	71	646	3,638	17
Wyoming.....	10	73	57	800	1,800	20
Puerto Rico.....	7	50	37	150	1,500	20

¹ Amounts include dependents' allowances in 11 States which provide such allowances (in the case of minimum benefits the table assumes 1 dependent).

For a worker with no dependents, the maximum weekly benefits in these States are: Alaska: \$90; Connecticut: \$104; Illinois: \$67; Indiana: \$60; Massachusetts: \$95; Michigan: \$67; Ohio: \$82; Pennsylvania: \$111; and Rhode Island: \$87.

² In some States larger total earnings may be required in order for the benefits to be paid for the maximum number of weeks. See table 3.

³ Number of weeks of work in base year required to qualify for minimum benefits. "20" denotes that State directly or indirectly requires work in at least 2 quarters of the base year.

⁴ Alternative requirement is 600 hours of employment.

⁵ Increases from 50% to 55% of State average weekly wage on July 1, 1975, Montana; to \$80, June 1, 1975, Nebraska; from 55% to 60% effective July 1, 1975 and to 67% effective July 1, 1976, North Dakota; from 56% to 60% effective July 1, 1975, South Dakota; effective July 1, 1975, to \$85, Tennessee.

Note. Data in table correct as of May 1975.

Duration of Regular Unemployment Benefits

Maximum Potential Duration.—In all States, regular unemployment benefits for total unemployment may be paid for no more than a specified number of weeks in an individual's benefit year. This maximum duration is 26 weeks in 42 States. Puerto Rico with a 20 week limit is the only jurisdiction with a smaller maximum. Eight States and the District of Columbia provide more than 26 weeks. Utah has the largest number of weeks allowable—36.

Minimum Potential Duration.—In 9 jurisdictions, any worker who is eligible for any unemployment benefits may, if he continues to be unemployed, receive benefits for up to the maximum number of weeks. In the remaining States, however, individual workers may be subject to an additional restriction which will limit the number of weeks during which they can draw benefits to something less than the maximum. Typically, these restrictions provide that the total amount of benefits paid to a worker cannot exceed some percentage (for example, 33½ percent) of his wages during his base year. Alternatively, some States provide that unemployment benefits cannot be paid for a number of weeks which exceeds some percentage of the number of weeks in which the individual was employed during his base year.

TABLE 3.—DURATION (IN WEEKS) OF REGULAR
UNEMPLOYMENT BENEFITS ¹

State	Minimum potential duration	Maximum potential duration	Earnings in base year required for maximum benefits ²
Alabama.....	11	26	\$5,848
Alaska.....	14	28	8,500
Arizona.....	12	26	6,082
Arkansas.....	10	26	6,549
California.....	12	26	4,678
Colorado.....	7	26	10,504
Connecticut.....	26	26	3,605
Delaware.....	17	26	4,700
District of Columbia.....	17	34	8,634
Florida.....	10	26	7,592
Georgia.....	9	26	7,038
Hawaii.....	26	26	3,120
Idaho.....	10	26	6,929
Illinois.....	10	26	2,975
Indiana.....	4	26	6,240
Iowa.....	10	26	6,240
Kansas.....	10	26	6,159
Kentucky.....	15	26	5,770
Louisiana.....	12	28	5,597
Maine.....	11	26	5,302
Maryland.....	26	26	3,204
Massachusetts.....	9	30	7,913
Michigan.....	11	26	4,200
Minnesota.....	13	26	6,253
Mississippi.....	12	26	4,677
Missouri.....	8	26	5,226
Montana.....	13	26	2,939
Nebraska.....	17	26	5,716
Nevada.....	11	26	6,627
New Hampshire.....	26	26	6,600
New Jersey.....	15	26	4,672
New Mexico.....	18	30	3,548
New York.....	26	26	3,780
North Carolina.....	13	26	6,844
North Dakota.....	18	26	5,040

See footnotes at end of table.

TABLE 3.—DURATION (IN WEEKS) OF REGULAR
UNEMPLOYMENT BENEFITS ¹—Continued

State	Minimum potential duration	Maximum potential duration	Earnings in base year required for maximum benefits ²
Ohio.....	20	26	4,212
Oklahoma.....	10	26	6,081
Oregon.....	10	26	7,000
Pennsylvania.....	30	30	4,360
Rhode Island.....	12	26	6,643
South Carolina.....	10	26	6,861
South Dakota.....	10	26	5,223
Tennessee.....	12	26	5,457
Texas.....	9	26	6,063
Utah.....	10	36	7,893
Vermont.....	26	26	3,420
Virginia.....	12	26	6,786
Washington.....	8	30	7,738
West Virginia.....	26	26	11,000
Wisconsin.....	1	34	9,202
Wyoming.....	11	26	6,083
Puerto Rico.....	20	20	1,500

¹ Based on benefits for total unemployment. Amounts payable can be stretched out over a longer period in the case of partial unemployment.

² Based on maximum weekly benefit amount paid for maximum number of weeks.

Note: Data in table correct as of May 1975.

State Indicators for Federal-State Extended Unemployment Compensation

An additional 13 weeks of extended unemployment benefits with 50 percent Federal funding are payable to those who have exhausted their regular benefits under State unemployment compensation programs under the provisions of the Federal-State Extended Unemployment Compensation Act if certain trigger requirements are met. The State trigger is met if the State insured unemployment rate over a 13 week period is 4 percent and if that rate also equals 120 percent of the insured unemployment rate in the comparable period of the 2 prior years. Table 4 shows that all but two States meet the first part of the requirement as of May 10, 1975 and all but three States meet the second part of the requirement.

TABLE 4.—STATE INDICATORS FOR FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION ACT (AS OF MAY 17, 1975)

National Indicator Insured Unemployment Rate for Most Recent Available 3 Months: (Seasonally Adjusted) February 6.68 Percent, March 7.30 Percent, April 7.83 Percent

	Public Law 91-373 extended benefit indicators ¹	
	13-week IUR	Percent of prior 2 years
Alabama.....	8.67	368
Alaska.....	10.71	94
Arizona.....	8.80	-329
Arkansas.....	11.10	359
California ²	(8.73)	(178)
Colorado ³	(4.68)	(290)
Connecticut.....	9.16	250
Delaware ²	(8.19)	(291)
District of Columbia ²	(4.06)	(194)
Florida.....	6.79	435
Georgia.....	7.59	514
Hawaii ²	(4.97)	(117)
Idaho.....	7.54	182
Illinois.....	6.81	184
Indiana.....	8.37	375
Iowa.....	5.04	275
Kansas.....	4.59	214
Kentucky ²	(8.16)	(266)
Louisiana.....	5.03	151
Maine.....	12.07	208
Maryland.....	7.26	272
Massachusetts.....	10.41	175
Michigan ⁴	(14.52)	(252)
Minnesota.....	6.90	180
Mississippi.....	7.59	433
Missouri.....	8.08	267
Montana.....	9.01	189
Nebraska.....	5.33	260
Nevada.....	9.79	194
New Hampshire ²	(8.43)	(345)

See footnotes at end of table.

TABLE 4.—STATE INDICATORS FOR FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION ACT (AS OF MAY 17, 1975)

National Indicator Insured Unemployment Rate for Most Recent Available 3 Months: (Seasonally Adjusted) February 6.68 Percent, March 7.30 Percent, April 7.83 Percent—Continued

	Public Law 91-373 extended benefit indicators ¹	
	13-week IUR	Percent of prior 2 years
New Jersey ²	(11.39)	(171)
New Mexico.....	7.50	187
New York.....	8.82	195
North Carolina.....	9.99	696
North Dakota.....	5.24	117
Ohio.....	7.05	327
Oklahoma.....	5.20	207
Oregon.....	9.72	193
Pennsylvania.....	9.03	230
Puerto Rico.....	17.70	172
Rhode Island.....	13.53	232
South Carolina.....	10.98	665
South Dakota.....	4.34	189
Tennessee.....	8.47	370
Texas.....	3.16	278
Utah ²	(6.54)	(179)
Vermont.....	10.54	184
Virginia.....	5.52	546
Washington.....	11.09	139
West Virginia.....	7.26	198
Wisconsin.....	7.92	260
Wyoming.....	3.30	184

¹ All States currently paying extended benefits under Public Law 91-373. National 4.5 percent trigger began for unemployment for week beginning Feb. 23, 1975.

² Trigger indicator as of May 10, 1975.

³ Trigger indicator as of May 3, 1975.

⁴ Trigger indicator as of Apr. 19, 1975.

TABLE 5.—UNEMPLOYMENT: 1960-74

[Rates in percent]

Year	National unemployment rate		Number of States ¹ with insured unemployment of at least—	
	Total	Insured	4 percent	4.5 percent
1960.....	5.5	4.7	33	26
1961.....	6.7	5.7	43	39
1962.....	5.5	4.3	29	24
1963.....	5.7	4.3	27	24
1964.....	5.2	3.7	20	13
1965.....	4.5	2.9	7	5
1966.....	3.8	2.2	4	2
1967.....	3.8	2.5	5	3
1968.....	3.6	2.2	2	2
1969.....	3.5	2.1	3	2
1970.....	4.9	3.5	12	9
1971.....	5.9	4.1	19	16
1972.....	5.6	3.3	18	14
1973.....	4.9	2.8	10	6
1974.....	5.6	3.6	(²)	(²)

¹ Includes Puerto Rico for years 1961-72; Puerto Rico's rate of insured unemployment exceeded 4.5 percent in each of these years.

² Not available.

Note: The insured unemployment rate represents the average weekly number of insured unemployed as a percentage of the average number of persons in covered employment.

TABLE 6.—EXHAUSTION OF REGULAR UNEMPLOYMENT
BENEFITS: 1960-74

Year	Total exhaustions ¹ (millions)	Exhaustions as percent of all beneficiaries
1960.....	1.6	26.1
1961.....	2.4	30.4
1962.....	1.6	27.4
1963.....	1.6	25.3
1964.....	1.4	23.8
1965.....	1.1	21.5
1966.....	.8	18.0
1967.....	.9	19.3
1968.....	.8	19.6
1969.....	.8	19.8
1970.....	1.3	24.4
1971.....	2.0	30.5
1972.....	1.8	28.9
1973.....	1.5	27.6
1974.....	1.9	30.9

¹ Number of persons who were unemployed for a sufficiently long period that they received all of the benefits for which they were eligible under the regular State unemployment program.

TABLE 7.—EXPERIENCE UNDER THE FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION ACT (STATE UI)

	IUR ¹ (percent)	Beneficiaries ² (thousands)	Benefits ³ (millions)
1970:			
August.....	3.74		
September.....	4.07		
October.....	4.44	24.7	\$3.3
November.....	4.58	40.1	12.2
December.....	4.22	33.3	18.8
1971:			
January.....	4.12	160.4	32.8
February.....	4.29	116.3	55.1
March.....	4.49	149.5	76.9
April.....	4.54	136.9	72.5
May.....	4.77	109.5	58.7
June.....	4.86	118.1	68.0
July.....	4.50	109.5	60.3
August.....	4.63	108.8	57.7
September.....	4.85	104.3	58.7
October.....	4.85	98.4	53.8
November.....	4.64	104.9	53.0
December.....	4.30	103.2	54.9
1972:			
January.....	4.09	178.2	64.8
February.....	4.25	194.6	81.4
March.....	4.32	193.0	97.1
April.....	3.98	146.1	67.1
May.....	4.00	96.8	49.3
June.....	3.92	75.9	38.5
July.....	3.91	54.0	27.1
August.....	3.52	26.9	14.2
September.....	3.54	13.7	6.5
October.....	3.37	10.9	6.0
November.....	3.34	54.0	12.6
December.....	3.23	44.8	21.2

See footnotes at end of table.

TABLE 7.—EXPERIENCE UNDER THE FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION ACT (STATE UI)—Continued

	IUR ¹ (percent)	Beneficiaries ² (thousands)	Benefits ³ (millions)
1973:			
January.....	2.87	27.9	18.5
February.....	2.91	23.0	12.8
March.....	2.94	22.8	13.6
April.....	2.79	22.2	12.3
May.....	2.81	22.8	13.0
June.....	2.81	20.6	11.6
July.....	2.72	13.0	11.6
August.....	2.75	13.2	11.9
September.....	2.78	19.1	11.4
October.....	2.74	19.5	12.9
November.....	2.83	20.5	13.8
December.....	2.95	19.9	13.6
1974:			
January.....	3.18	25.1	14.5
February.....	3.38	34.9	14.1
March.....	3.59	66.1	24.9
April.....	3.69	145.3	53.0
May.....	3.69	99.6	65.1
June.....	3.65	94.3	59.5
July.....	3.58	85.8	49.1
August.....	3.51	85.1	49.9
September.....	3.72	75.1	50.4
October.....	4.00	63.8	53.1
November.....	4.52	64.9	50.7
December.....	5.26	75.3	59.2
		915.3	543.5
1975:			
January.....	5.96	⁴ 119.3	⁴ 64.5
February.....	6.68	⁴ 196.6	⁴ 91.4
March.....	7.30	NA	NA
April.....	7.83	NA	NA
Total benefits paid through 1974.....			1,923.4

¹ National insured unemployment rates (seasonally adjusted).

² Beneficiaries (1st checks paid).

³ Gross amount benefits paid.

⁴ Preliminary.

TABLE 8.—EXHAUSTIONS OF BENEFITS UNDER REGULAR UNEMPLOYMENT INSURANCE (UI) PROGRAMS AND UNDER THE EMERGENCY UNEMPLOYMENT COMPENSATION ACT OF 1974

	Regular UI	Extended benefits	Emergency benefits 1 ¹	Emergency benefits 2 ¹
ACTUAL				
January-March 1973	428,000	69,000		
April-June.....	398,000	40,000		
July-September.....	343,000	32,000		
October-December..	340,000	37,000		
January-				
March 1974.....	426,000	36,000		
April-June.....	504,000	149,000		
July-September.....	507,000	143,000		
October-December..	496,000	138,000		
ESTIMATED ²				
January-March 1975	700,000	300,000	100,000	
April-June.....	900,000	400,000	300,000	50,000
July-September.....	1,000,000	550,000	350,000	150,000
October-December..	1,000,000	600,000	400,000	200,000
January-March 1976	1,100,000	600,000	400,000	200,000
April-June.....	1,000,000	600,000	400,000	200,000
July-September.....	900,000	550,000	350,000	200,000
October-December..	900,000	450,000	250,000	200,000

¹ Emergency benefits 1 & 2 refer to exhaustion of emergency unemployment compensation benefits for covered workers, weeks 40-52 and 53-65, respectively.

² Estimated exhaustion for calendar year 1976 based on assumption of no change in emergency benefits trigger mechanisms from present law.

TABLE 9.—UNEMPLOYMENT INSURANCE: SELECTED DATA ON BENEFIT DURATION OF CLAIMANTS AND EXHAUSTEES (PRELIMINARY DATA)

State	Statutory provisions maximum number of weeks of duration January 1974	Percent insured claimants eligible for 26 or more weeks 1974	Percent of beneficiaries who exhausted their benefit rights 1974	Percent of exhaustees who received 26 or more weeks of benefits 1974 ¹	Percent of exhaustees who received less than 20 weeks of benefits 1974 ¹
Total		71	31	54	27
Alabama	26	67	26	43	36
Alaska	28	93	24	87	5
Arizona	26	65	34	36	38
Arkansas	26	56	27	36	45
California	² 26	72	31	59	27
Colorado	26	48	30	34	46
Connecticut	² 26	100	22	98	0
Delaware	26	80	23	71	11
District of Columbia	34	80	42	71	10
Florida	26	27	48	14	64
Georgia	26	25	41	17	54
Hawaii	^{2 3} 26	100	33	100	0
Idaho	26	26	23	12	70
Illinois	26	81	30	49	31
Indiana	26	40	35	13	76
Iowa	26	42	25	16	65
Kansas	26	59	25	53	32
Kentucky	26	58	21	33	47
Louisiana	28	62	38	49	33
Maine	26	43	32	20	63
Maryland	³ 26	100	21	100	0
Massachusetts	30	72	42	60	20
Michigan	26	73	33	34	44
Minnesota	26	60	38	26	38
Mississippi	26	65	21	49	33
Missouri	26	64	24	49	32
Montana	26	61	33	44	31
Nebraska	26	57	35	26	49
Nevada	26	53	34	42	39
New Hampshire	³ 26	100	4	93	6

See footnotes at end of table.

TABLE 9.—UNEMPLOYMENT INSURANCE: SELECTED DATA ON BENEFIT DURATION OF CLAIMANTS AND EXHAUSTEES (PRELIMINARY DATA)—Continued

State	Statutory provisions maximum number of weeks of duration January 1974	Percent insured claimants eligible for 26 or more weeks 1974	Percent of beneficiaries who exhausted their benefit rights 1974	Percent of exhaustees who received 26 or more weeks of benefits 1974 ¹	Percent of exhaustees who received less than 20 weeks of benefits 1974 ¹
New Jersey.....	26	67	41	56	31
New Mexico.....	30	91	30	72	4
New York.....	³ 26	100	33	100	0
North Carolina....	³ 26	87	15	70	11
North Dakota.....	26	61	26	43	33
Ohio.....	26	90	19	81	0
Oklahoma.....	26	38	39	34	34
Oregon.....	26	96	23	88	6
Pennsylvania.....	³ 30	100	19	100	0
Puerto Rico.....	^{2 3} 20-52	0	54	0	0
Rhode Island.....	26	55	37	42	41
South Carolina....	26	66	34	36	37
South Dakota.....	26	47	23	29	48
Tennessee.....	26	66	24	46	32
Texas.....	26	38	40	17	56
Utah.....	36	41	28	23	57
Vermont.....	³ 26	100	28	100	0
Virginia.....	26	59	25	39	43
Washington.....	30	60	39	39	41
West Virginia.....	³ 26	100	16	74	0
Wisconsin.....	34	63	22	41	35
Wyoming.....	26	52	20	29	43

¹ Data in some States reflect reduction in weeks allowed due to disqualification.

² States where additional weeks of benefits may be paid when special unemployment conditions exist as specified by State law.

³ States that have uniform duration of regular benefits for all claimants.

Source: Department of Labor.

TABLE 10.—ADVANCES TO STATES FROM THE FEDERAL
UNEMPLOYMENT ACCOUNT

[In millions]

State	1972	1973	1974	Through May 15, 1975	Total
Connecticut.....	\$31.8	\$21.7	\$8.5	\$106.0	¹ \$168.0
Washington.....	34.7	6.0	3.4	42.4	86.5
Vermont.....			5.3	14.2	19.5
New Jersey.....				235.1	235.1
Rhode Island.....				34.3	34.3
Michigan.....				30.0	30.0
Massachusetts.....				25.0	25.0
Puerto Rico.....				10.0	10.0
Total.....	66.5	27.7	17.2	497.0	608.4

¹ Not reduced for any additional Federal taxes collected in 1975 on 1974 wages because of reduction of the 2.7 percent credit due to the loans outstanding as of Nov. 10, 1974.

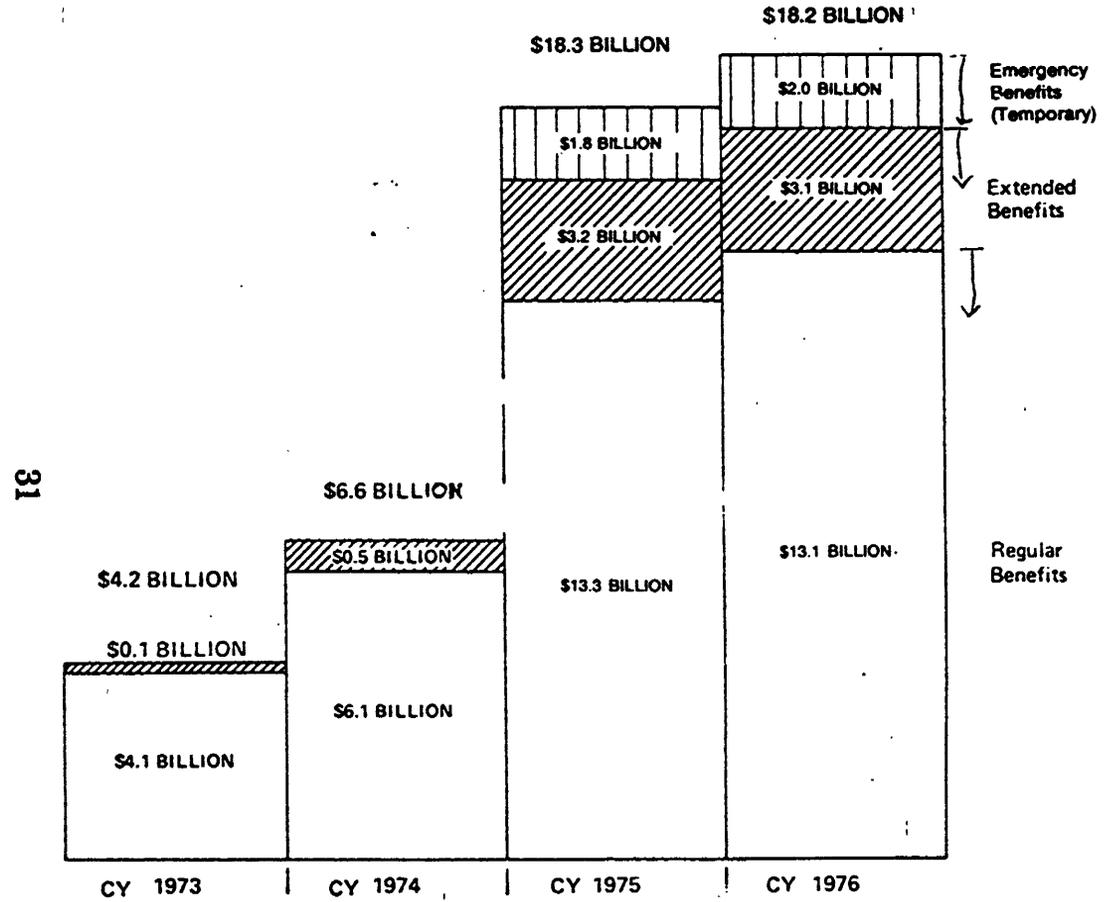
Note.—Balance remaining in Federal unemployment account \$48,000,000 as of May 15, 1975.

Projections for June:

Income to Federal Unemployment Account:

Federal tax increase collected from Connecticut to be transferred to account.....	\$12.1
1st quarter interest.....	6.7
Balance in account after income.....	66.8
Requests received for advances for June:	
Connecticut.....	12.0
Michigan.....	51.0
Total.....	63.0
Balance in account after advances now requested..	3.8

UNEMPLOYMENT BENEFITS PAID—OR PROJECTED TO BE PAID (Current Law)



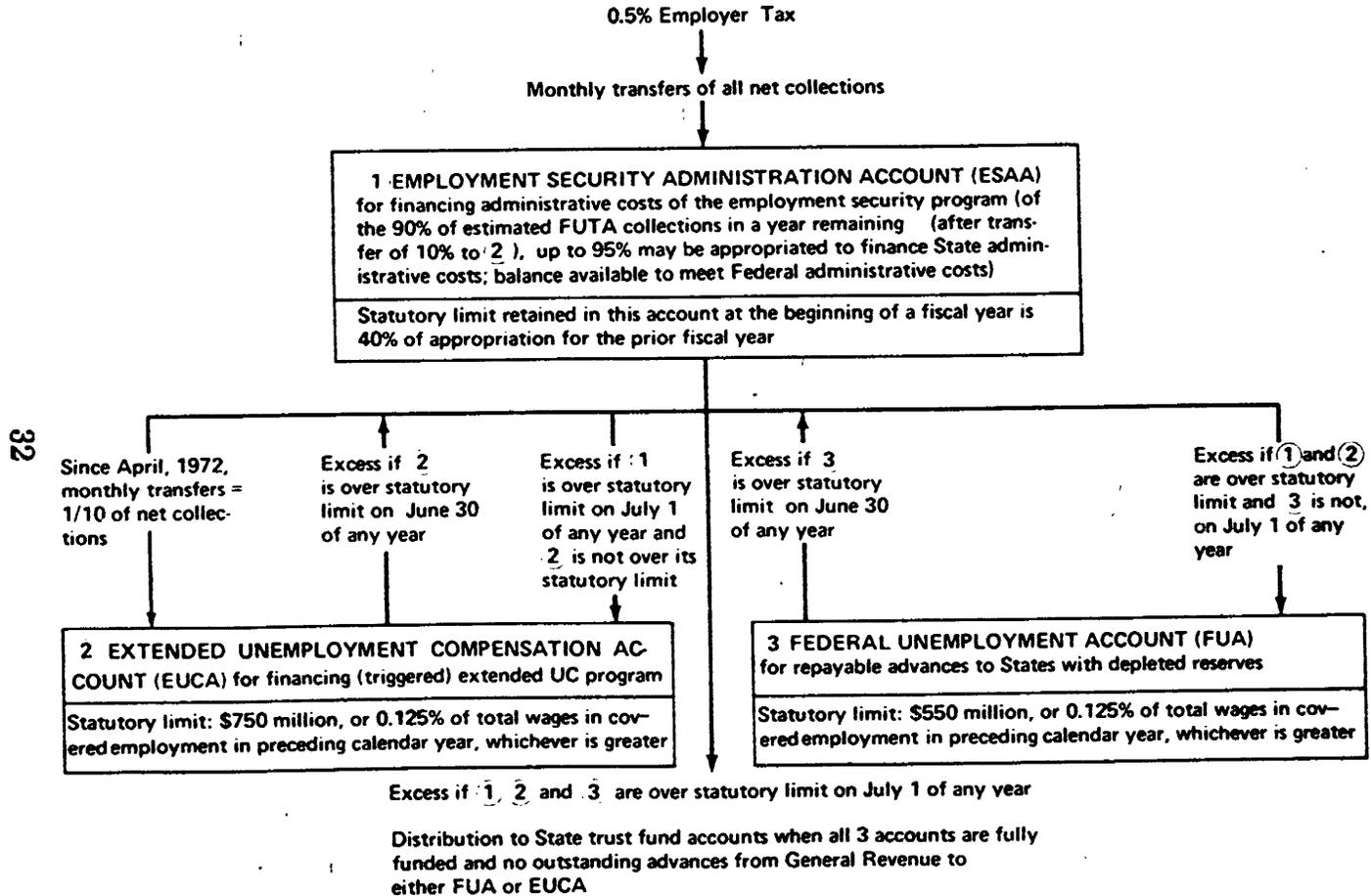
Based on 8/1/75 Unemployment Assumptions.

U. S. Department of Labor
 Manpower Administration
 May 28, 1975

31

119

Flow of FUTA Funds Under Existing Federal Statutes



32

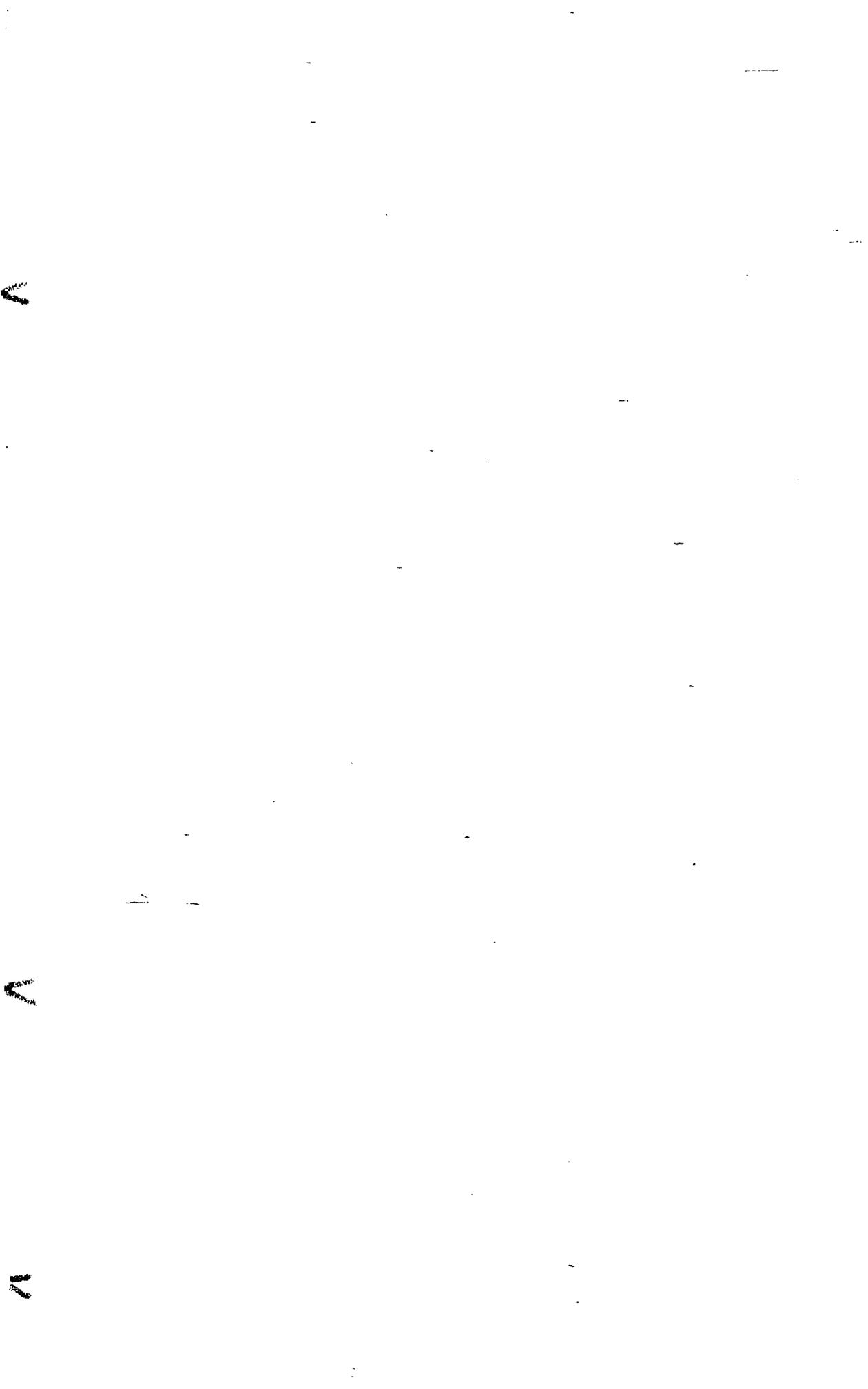
120

Appendix A

**Federal-State Extended Unemployment Compensation Act and
Amendments**

(33)

(121)



**Federal-State Extended Unemployment Compensation Act and
Amendments**

EXCERPT FROM PUBLIC LAW 91-373, AUGUST 10, 1970

* * * * *

**TITLE II—FEDERAL-STATE EXTENDED UNEMPLOYMENT
COMPENSATION PROGRAM**

SHORT TITLE

SEC. 201. This title may be cited as the "Federal-State Extended Unemployment Compensation Act of 1970".

PAYMENT OF EXTENDED COMPENSATION

State Law Requirements

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

(2) Except where inconsistent with the provisions of this title, the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall apply to claims for extended compensation and to the payment thereof.

Individuals' Compensation Accounts

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

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

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

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

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

(2) For purposes of paragraph (1), an individual's weekly benefit amount for a week is the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for such week for total unemployment.

EXTENDED BENEFIT PERIOD

Beginning and Ending

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

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

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

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

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

Special Rules

(b) In the case of any State—

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

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

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

Eligibility Period

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

National "On" and "Off" Indicators

(d) For purposes of this section—

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

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

State "On" and "Off" Indicators

(e) For purposes of this section—

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

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

(B) equaled or exceeded 4 per centum.

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

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

Rate of Insured Unemployment; Covered Employment

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

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

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

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

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

PAYMENTS TO STATES

Amount Payable

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

- (A) the sharable extended compensation, and
 - (B) the sharable regular compensation,
- paid to individuals under the State law.

(2) No payment shall be made to any State under this subsection in respect to compensation for which the State is entitled to reimbursement under the provisions of any Federal law other than this Act.

Sharable Extended Compensation

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

Sharable Regular Compensation

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

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

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

Payment on Calendar Month Basis

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

Certification

(e) The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section. The Secretary of the Treasury, prior to audit

or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, by transfers from the extended unemployment compensation account to the account of such State in the Unemployment Trust Fund.

DEFINITIONS

SEC. 205. For purposes of this title—

(1) The term "compensation" means cash benefits payable to individuals with respect to their unemployment.

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

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

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

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

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

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

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

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

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

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

APPROVAL OF STATE LAWS

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

"(11) extended compensation shall be payable as provided by the Federal-State Extended Unemployment Compensation Act of 1970;"

EFFECTIVE DATES

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

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

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

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

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

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

(c) Section 3304(a)(11) of the Internal Revenue Code of 1954 (as added by section 206) shall not be a requirement for the State law of any State—

(1) in the case of any State the legislature of which does not meet in a regular session which closes during the calendar year 1971, with respect to any week of unemployment which begins prior to July 1, 1972; or

(2) in the case of any other State, with respect to any week of unemployment which begins prior to January 1, 1972.

* * * * *

SEC. 305. EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT

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

"EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT

"ESTABLISHMENT OF ACCOUNT

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

"TRANSFERS TO ACCOUNT

"(b)(1) Except as provided by paragraph (3), the Secretary of the Treasury shall transfer (as of the close of July 1970, and each month thereafter), from the employment security administration account to the extended unemployment compensation account established by subsection (a), an amount determined by him to be equal, in the case of any month before April 1972, to one-fifth, and in the case of any month after March 1972, to one-tenth, of the amount by which—

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

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

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

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

“(A) \$750,000,000, or

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

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

“TRANSFERS TO STATE ACCOUNTS

“(c) Amounts in the extended unemployment compensation account shall be available for transfer to the accounts of the States in the Unemployment Trust Fund as provided in section 204(e) of the Federal-State Extended Unemployment Compensation Act of 1970.

“ADVANCES TO EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT AND REPAYMENT

“(d) There are hereby authorized to be appropriated, without fiscal year limitation, to the extended unemployment compensation account, as repayable advances (without interest), such sums as may be necessary to carry out the purposes of the Federal-State Extended Unemployment Compensation Act of 1970. Amounts appropriated as repayable advances shall be repaid, without interest, by transfers from the extended unemployment compensation account to the general fund of the Treasury, at such times as the amount in the extended unemployment compensation account is determined by the Secretary of the Treasury, in consultation with the Secretary of Labor, to be adequate for such purpose. Any amount transferred as a repayment under this subsection shall be credited against, and shall operate to reduce, any balance of advances repayable under this subsection.”

(b) Section 903(a)(1) of the Social Security Act is amended to read as follows: “(1) If as of the close of any fiscal year after the fiscal year ending June 30, 1972, the amount in the extended unemployment compensation account has reached the limit provided in section 905 (b)(2) and the amount in the Federal unemployment account has reached the limit provided in section 902(a) and all advances pursuant

to section 905(d) and section 1203 have been repaid, and there remains in the employment security administration account any amount over the amount provided in section 901(f)(3)(A), such excess amount, except as provided in subsection (b), shall be transferred (as of the beginning of the succeeding fiscal year) to the accounts of the States in the Unemployment Trust Fund."

* * * * *

EXCERPT FROM PUBLIC LAW 92-599, OCTOBER 27, 1972

* * * * *

AMENDMENT TO FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION ACT OF 1970

SEC. 501. Section 203(e)(2) of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by adding at the end thereof the following new sentence: "Effective with respect to compensation for weeks of unemployment beginning before July 1, 1973, and beginning after the date of the enactment of this sentence (or, if later, the date established pursuant to State law), the State may by law provide that the determination of whether there has been a State 'off' indicator ending any extended benefit period shall be made under this subsection as if paragraph (1) did not contain subparagraph (A) thereof."

EXCERPT FROM PUBLIC LAW 93-53, JULY 1, 1973

* * * * *

SEC. 5. Section 203(e)(2) of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by adding at the end thereof the following: "Effective with respect to compensation for weeks of unemployment beginning before January 1, 1974, and beginning after the date of the enactment of this sentence (or, if later, the date established pursuant to State law), the State by law may provide that the determination of whether there has been a State 'off' indicator ending any extended benefit period shall be made under this subsection as if paragraph (1) did not contain subparagraph (A) thereof and may provide that the determination of whether there has been a State 'on' indicator beginning any extended benefit period shall be made under this subsection as if (i) paragraph (1) did not contain subparagraph (A) thereof, (ii) the 4 per centum contained in subparagraph (B) thereof were 4.5 per centum, and (iii) paragraph (1) of subsection (b) did not contain subparagraph (B) thereof. In the case of any individual who has a week with respect to which extended compensation was payable pursuant to a State law referred to in the preceding sentence, if the extended benefit period under such law does not expire before January 1, 1974, the eligibility period of such individual for purposes of such law shall end with the thirteenth week which begins after December 31, 1973."

* * * * *

EXCERPT FROM PUBLIC LAW 93-233, DECEMBER 31, 1973

* * * * *

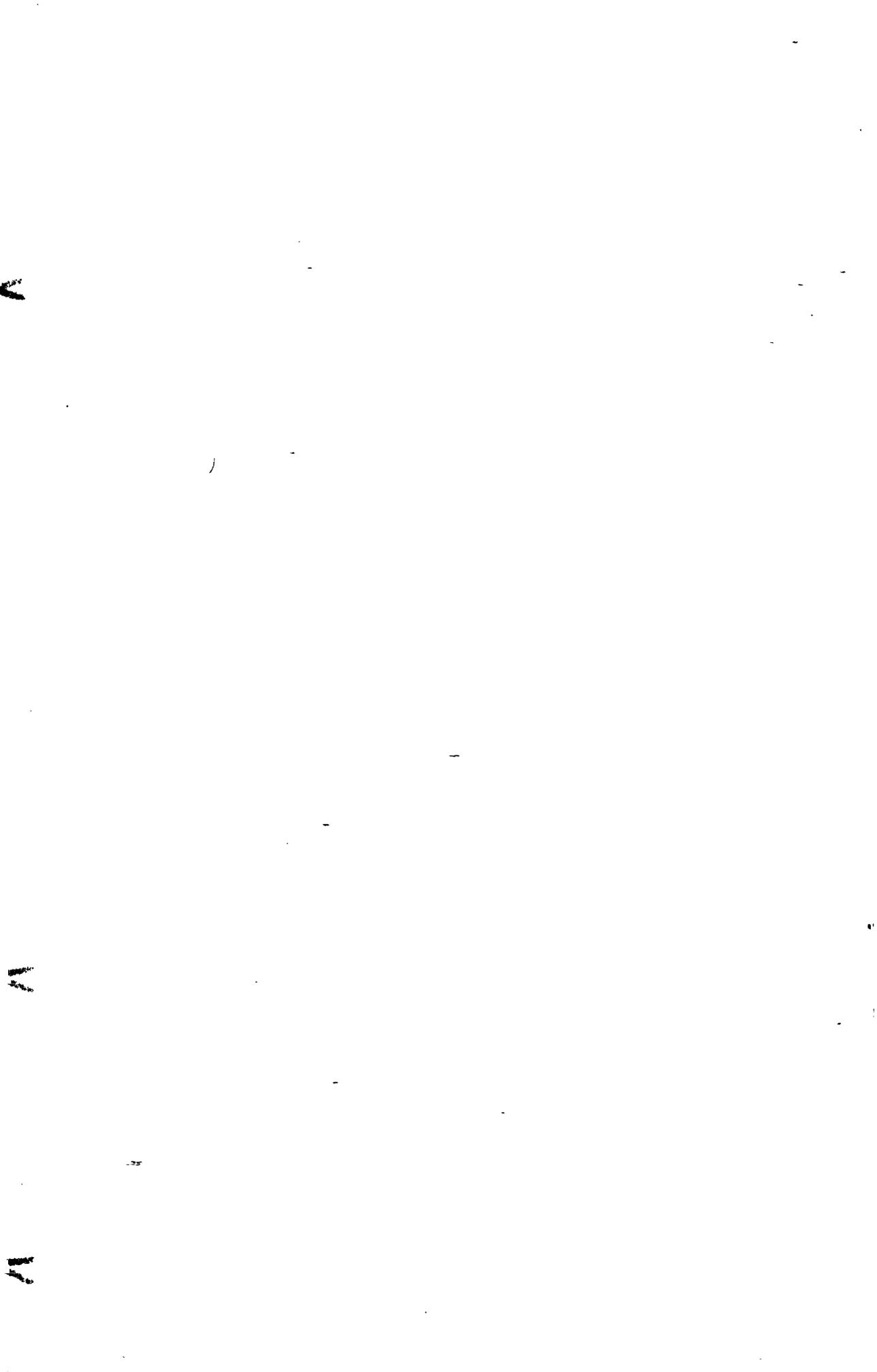
PROVISIONS RELATING TO UNEMPLOYMENT COMPENSATION

SEC. 20. Section 203(2) of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by adding at the end thereof the following new sentence: "Effective with respect to compensation for weeks of unemployment beginning before April 1, 1974, and beginning after December 31, 1973 (or, if later, the date established pursuant to State law), the State may by law provide that the determination of whether there has been a State 'on' or 'off' indicator beginning or ending any extended benefit period shall be made under this subsection as if paragraph (1) did not contain subparagraph (A) thereof."

EXCERPT FROM PUBLIC LAW 93-256, MARCH 28, 1974

* * * * *

SEC. 2. The last sentence of section 203(e)(2) of the Federal-State Extended Unemployment Compensation Act of 1970 (as added by section 20 of Public Law 93-233) is amended by striking out "April" and inserting in lieu thereof "July".



Appendix B

Emergency Unemployment Compensation Act of 1974

(45)

(133)

11

11

11

Emergency Unemployment Compensation Act of 1974

(Public Law 93-572)

AN ACT To provide a program of emergency unemployment compensation

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

Short Title

Section 101. This Act may be cited as the "Emergency Unemployment Compensation Act of 1974".

Federal-State Agreements

Sec. 102. (a) Any State, the State unemployment compensation law of which is approved by the Secretary of Labor (hereinafter in this Act referred to as the "Secretary") under section 3304 of the Internal Revenue Code of 1954 which desires to do so, may enter into and participate in an agreement with the Secretary under this Act, if such State law contains (as of the date such agreement is entered into) a requirement that extended compensation be payable thereunder as provided by the Federal-State Extended Unemployment Compensation Act of 1970. Any State which is a party to an agreement under this Act may, upon providing thirty days' written notice to the Secretary, terminate such agreement.

(b) Any such agreement shall provide that the State agency of the State will make payments of emergency compensation—

(1) to individuals who—

(A) (i) have exhausted all rights to regular compensation under the State law;

(ii) have exhausted all rights to extended compensation, or are not entitled thereto, because of the ending of their eligibility period for extended compensation, in such State;

(B) have no rights to compensation (including both regular compensation and extended compensation) with respect to a week under such law or any other State unemployment compensation law or to compensation under any other Federal law; and

(C) are not receiving compensation with respect to such week under the unemployment compensation law of the Virgin Islands or Canada,

(2) for any week of unemployment which begins in—

(A) an emergency benefit period (as defined in subsection (c) (3)); and

(B) the individual's period of eligibility (as defined in section 105(b)).

(c)(1) For purposes of subsection (b)(1)(A), an individual shall be deemed to have exhausted his rights to regular compensation under a State law when—

(A) no payments of regular compensation can be made under such law because such individual has received all regular compensation available to him based on employment or wages during his base period; or

(B) his rights to such compensation have been terminated by reason of the expiration of the benefit year with respect to which such rights existed.

(2) For purposes of subsection (b)(1)(B), an individual shall be deemed to have exhausted his rights to extended compensation under a State law when no payments of extended compensation under a State law can be made under such law because such individual has received all the extended compensation available to him from his extended compensation account (as established under State law in accordance with section 202(b)(1) of the Federal-State Extended Unemployment Compensation Act of 1970).

(3)(A)(i) For purposes of subsection (b)(2)(A), in the case of any State, an emergency benefit period—

(I) shall begin with the third week after a week for which there is a State "emergency on" indicator; and

(II) shall end with the third week after the first week for which there is a State "emergency off" indicator.

(ii) In the case of any State, no emergency benefit period shall last for a period of less than 26 consecutive weeks.

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

(B)(i) For purposes of subparagraph (A), there is a State "emergency on" indicator for a week if there is a State or National "on" indicator for such week (as determined under subsections (d) and (e) of section 203 of the Federal-State Extended Unemployment Compensation Act of 1970).

(ii) For purposes of subparagraph (A), there is a State "emergency off" indicator for a week if there is both a State and a National "off" indicator for such week (as determined under subsections (d) and (e) of the Federal-State Extended Unemployment Compensation Act of 1970).

(d) For purposes of any agreement under this Act—

(1) the amount of the emergency compensation which shall be payable to any individual for any week of total unemployment shall be equal to the amount of the regular compensation (including dependents' allowances) payable to him during his benefit year under the State law; and

(2) the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall (except where inconsistent with the provisions of this Act or regulations of the Secretary promulgated to carry out this Act) apply to claims for emergency compensation and the payment thereof.

(e) (1) Any agreement under this Act with a State shall provide that the State will establish, for each eligible individual who files an application for emergency compensation, an emergency compensation account.

(2) Except as provided in paragraph (3), the amount established in such account for any individual shall be equal to the lesser of—

(A) 50 per centum of the total amount of regular compensation (including dependents' allowances) payable to him with respect to the benefit year (as determined under the State law) on the basis of which he most recently received regular compensation; or

(B) thirteen times his average weekly benefit amount (as determined for purposes of section 202(b)(1)(C) of the Federal-State Extended Unemployment Compensation Act of 1970) for his benefit year.¹

(3) Effective only with respect to benefits for weeks of unemployment ending before July 1, 1975, the amount established in such account for any individual shall be equal to the lesser of—

(A) 100 per centum of the total amount of regular compensation (including dependents' allowances) payable to him with respect to the benefit year (as determined under the State law) on the basis of which he most recently received regular compensation; or

(B) twenty-six times his average weekly benefit amount (as determined for purposes of section 202(b)(1)(C) of the Federal-State Extended Unemployment Compensation Act of 1970) for his benefit year.²

¹ Paragraph (2) was amended by Public Law 94-12.

² Paragraph (3) was added by Public Law 94-12.

(f) (1) No emergency compensation shall be payable to any individual under an agreement entered into under this Act for any week beginning before whichever of the following is the latest:

(A) the first week which begins after December 31, 1974,

(B) the week following the week in which such agreement is entered into, or

(C) the first week which begins after the date of the enactment of this Act.

(2) No emergency compensation shall be payable to any individual under an agreement entered into under this Act for any week ending after—

(A) December 31, 1976, or

(B) March 31, 1977, in the case of an individual who (for a week ending before January 1, 1977) had a week with respect to which emergency compensation was payable under such agreement.

Payments to States Having Agreements for the Payment of Emergency Compensation

Sec. 103. (a) There shall be paid to each State which has entered into an agreement under this Act an amount equal to 100 per centum of the emergency compensation paid to individuals by the State pursuant to such agreement.

(b) No payment shall be made to any State under this section in respect of compensation for which the State is entitled to reimbursement under the provisions of any Federal law other than this Act.

(c) Sums payable to any State by reason of such State's having an agreement under this Act shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this Act for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which would have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

Financing Provisions

Sec. 104 (a) (1) Funds in the extended unemployment compensation account (as established by section 905 of the Social Security Act) of the Unemployment Trust Fund shall be used for the making of payments to States having agreements entered into under this Act.

(2) The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this Act. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payments to the State in accordance with such certification, by transfers from the extended unemployment compensation account (as established by section 905 of the Social Security Act) to the account of such State in the Unemployment Trust Fund.

(b) There are hereby authorized to be appropriated, without fiscal year limitation, to the extended unemployment compensation account, as repayable advances (without interest), such sums as may be necessary to carry out the purposes of this Act. Amounts appropriated as repayable advances and paid to the States under section 103 shall be repaid, without interest, as provided in section 905(d) of the Social Security Act.

Definitions

Sec. 105. For purposes of this Act—

(1) the terms “compensation”, “regular compensation”, “extended compensation”, “base period”, “benefit year”, “State”, “State agency”, “State law”, and “week” shall have the meanings assigned to them under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970;

(2) the term “period of eligibility” means, in the case of any individual, the weeks in his benefit year which begin in an extended benefit period or an emergency benefit period, and, if his benefit year ends within such extended benefit period, any weeks thereafter which begin in such extended benefit period or in such emergency benefit period; and

(3) the term “extended benefit period” shall have the meaning assigned to such term under section 203 of the Federal-State Extended Unemployment Compensation Act of 1970.

For purposes of any State law which refers to an extension under Federal law of the duration of benefits under the Federal-State Extended Unemployment Compensation Act of 1970, this Act shall be treated as amendatory of such Act.

Extension of Waiver of 120-Percent Requirement for Purposes of Extended Compensation Program

Sec. 106. The last sentence of section 203(e) (2) of the Federal-State Extended Unemployment Compensation Act of 1970, as amended, is amended by striking out “April 30, 1975” and inserting in lieu thereof “December 31, 1976”.

Temporary Reduction in National Trigger

Sec. 107. Section 203(d) of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by adding at the end thereof the following new sentence: "Effective with respect to compensation for weeks of unemployment beginning before December 31, 1976, and beginning after December 31, 1974 (or, if later, the date established pursuant to State law), the State may by law provide that the determination of whether there has been a national 'on' or 'off' indicator beginning or ending any extended benefit period shall be made under this subsection as if the phrase '4.5 per centum', contained in paragraphs (1) and (2), read '4 per centum'."

Provision for Financing Temporary Reduction in National Trigger

Sec. 108. Section 204(a) of the Federal-State Extended Unemployment Compensation Act of 1970 is amended by adding at the end thereof the following new paragraph:

"(3) In the case of compensation which is sharable extended compensation or sharable regular compensation by reason of the provision contained in the last sentence of section 203(d), the first paragraph of this subsection shall be applied as if the words 'one-half of' read '100 per centum of' but only with respect to compensation that would not have been payable if the State law's provisions as to the State 'on' and 'off' indicators omitted the 120 percent factor as provided for by Public Law 93-368 and by section 106 of this Act."