

# Administering Unemployment Insurance

By A. J. Altmeyer\*

TO MANY PERSONS it seems strange that there are a million and three-quarters jobless workers who are claiming unemployment insurance benefits at the very same time that thousands of jobs are "going begging." This situation has led some people to question the basic purpose of unemployment insurance. For many years before the passage of unemployment insurance laws in this country, we who advocated unemployment insurance faced the argument that it would discourage thrift, encourage idleness, and interfere with the free movement of workers from depressed areas. Little did we think, however, that 10 years after the passage of unemployment insurance laws these ideas could still be so readily accepted.

## The Function of Unemployment Insurance

Administrators of unemployment insurance have a solemn obligation to dispel these erroneous ideas. If they continue to prevail and grow in strength they cannot help but defeat the fundamental purpose of the laws which we are sworn to uphold and administer to the best of our ability.

The best way to dispel these erroneous ideas is to present the facts to the public as we know them. There is no advantage in arguing in the abstract. Those who believe that people generally are inherently lazy and would rather be paid for loafing than for working will never be convinced. Others who, like myself, believe that most people want to work, want to support themselves and their families, want to exercise their highest skills and aptitudes, and want to make a significant contribution to the life of their community and their Nation, do not need to be convinced.

The seeming paradox of unemployed workers and jobs going begging existed long before the advent of unemployment insurance, as the old files of the public employment offices clearly show. Workers are not like checkers which can be moved from one square to another in the twinkling

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of an eye. They are not interchangeable parts that can fit into any job, anywhere, any time. They are human beings with widely varying skills and experience and personal situations. Every study of a local labor market has disclosed this fact.

Even taking totals we find, for example, that in one community where there are 4,000 women and 2,000 men registered for benefits, the number of employer orders on file calls for 1,922 women and 2,745 men. Without breaking down the characteristics of the jobless men and women and the job specifications of the employers, it is evident that there are no jobs available for 2,000 women. If you go a step further you may find that these 2,745 job orders for men could by no means provide work for the 2,000 men who were unemployed.

For a dramatic example of the hurdles that may arise in matching jobs and men, take the situation that arose when a wartime ruling suddenly closed night clubs and threw many musicians and waiters out of work. Then employers were calling loudly for more and more men, but where were most of the jobs? On the docks and the railroads, in the foundries and mines, in shipyards and lumber camps. A man who is accustomed to handling a fiddle or a tray is usually not equipped to earn his living with a crowbar or saw or ax. Even when he is ready to try that kind of a job, most employers will not hire him readily.

It is the function of the public employment offices to facilitate the re-employment of unemployed workers through telling workers about suitable job openings and telling employers about suitable applicants. It is the function of unemployment insurance to give workers some protection against loss of income during the interval between jobs. There is no conflict between these two functions. Each supplements and strengthens the other. By providing the jobless worker with benefits, we enable him to maintain himself. We give him a reasonable opportunity to locate a job which utilizes his highest skills, and we also make it possible for the public employment office to do a better job of placement.

Everyone benefits when a worker is placed in a job which utilizes his highest skills and is not forced by dire necessity to take the first job that comes his way, no matter how unsuitable it may be. The worker benefits because he presumably can earn more and get more satisfaction out of the job. The employer benefits because he gets a worker who is fitted for the job and because high employee morale increases efficiency and reduces turn-over. The community and the Nation benefit because utilizing the maximum skills of our people means achieving our maximum productivity, upon which the general welfare depends.

It has been estimated that between 6 and 7 million jobs directly or indirectly related to the war effort were wiped out in the 10 weeks following the surrender of Japan. The fact that only 1.7 million claims for benefits are current indicates in itself that the workers of this country prefer jobs to unemployment insurance. That more than 2 million persons—or about two-thirds of all the workers who filed claims since VJ-day—had already left the claims rolls before the end of November is further proof of that fact. In two cities where studies were made recently it was found that two-thirds of the workers who left the claims rolls took jobs before they drew a single benefit. Unemployment insurance is not putting a brake on reemployment of laid-off workers. On the contrary, it is facilitating it greatly.

I want to quote part of a radio address made by one State administrator to tell people how unemployment insurance actually works in his State, because even now so many people do not realize what such a system really is.

The law provides that an insured worker shall qualify for payments only when he registers for work. He must have worked in insured employment. Under ordinary working conditions an insured worker could get payments after about 17 weeks of full-time work. His minimum insurance may not exceed a total of \$23 payable over 8 weeks, the maximum \$360 in 20 weeks. He must be out of work through no fault of his own. Misconduct or voluntary quitting stops his insurance. He must be able to work. No sick or disabled person should receive payment. He must be willing to work and available for suitable work.

Many have never understood these conditions. Suitable work is very dif-

difficult to define, especially in the border-line cases. Just common sense and sound reason must apply to each individual case.

The law provides that each insured employer notify the Division of Employment Security when he lays off an employee. The employer is notified each time one of his former employees makes a claim for insurance, and asked to confirm or deny the statements of the claimant. Among the harshest critics are those who fail utterly to fulfill their responsibilities in these cases.

Here are some facts over which this great hue and cry has been raised. About 45,000 in this State have lost their jobs since VE-day; 57,000 have been released from military service. About two percent of those insured . . . have made their first or initial claim after waiting 1 week at least from the date of losing the job. Many find work before receiving a check.

Few people believe that the extremes of war wages will continue. But even fewer would like to see wages return to prewar levels. We must maintain purchasing power. We can return to prewar levels no more safely than spears and hand shields can repel the atomic bomb, or no more successfully than the ox cart can compete with the speed of a jet-propelled plane . . .

The Division of Employment Security is a connecting link between capital and labor. It can serve one best only when it serves both best. The law is our guide and must be followed fearlessly and impartially.

In some instances, we as administrators may have contributed to the misunderstanding and lack of confidence on the part of the public as to just what the situation is. Effective teamwork between the U. S. Employment Service and the State unemployment insurance agency has not always been achieved. When public criticism has arisen because unemployed workers were drawing benefits while job openings were unfilled, there has sometimes been a tendency for local employment offices and local unemployment insurance offices to engage in mutual recrimination, instead of jointly analyzing and presenting the facts or correcting the administrative derelictions, if any. Sometimes each office has charged that the other is to blame. Engaging in recrimination instead of undertaking to develop effective working relations is somewhat like committing hara-kiri. It destroys confidence in both employment service and unemployment insurance.

#### *Administrative Interpretation*

At the heart of our present problems as unemployment insurance administrators is the responsibility for

interpreting the statutes that we have sworn to uphold in applying them to specific situations. John R. Commons, a pioneer in social legislation in this country, was fond of saying that "Administration is the law in action," translating dead words in a statute book into living reality. I know of no type of law which gives the administrator wider latitude in making decisions vitally affecting so many people than does unemployment insurance. No matter how carefully and specifically a State law may be written defining such terms as "able and available for work," "voluntary leaving," "suitable work," and "good cause," it is administration that must put content into these concepts by applying them to individual cases.

In Maryland, for example, the State agency has interpreted its law to permit the payment of benefits to students while they are going to school if they are insured because of previous jobs in covered employment and no suitable job is now open to them. So far as I know, no other State has interpreted its law in this way. The Maryland agency has made a distinct contribution toward effecting the immediate purpose of its law and accomplishing a desirable general social purpose as well. If benefits were paid to insured youngsters only on the condition that they would *not* return to school, they might be deterred from so doing even though there was little possibility of placing them in jobs. Such a situation would be unfortunate from all points of view. I hope that other States will follow Maryland's lead. Where specific language in a State law prevents such an interpretation, I hope there will be a recommendation for amendment.

#### *Suitable Work*

Undoubtedly the most difficult task of unemployment insurance agencies at the present time is in applying the term suitable work in determining what job an unemployed worker must take, if it is offered to him, on penalty of forfeiting benefits he could otherwise receive. Here the State laws confer very wide discretion on each State agency.

On the one hand, Illinois has developed a 12-page written statement to guide all agency personnel. It permits a minimum adjustment period to give each claimant "a reasonable opportunity to look for the work he desires." During this period he can-

not be disqualified for refusal of work if it is outside his customary occupation or at a wage rate lower than his former rate. The minimum adjustment period is 10 weeks for skilled workers, 8 weeks for semiskilled, and 6 weeks for unskilled workers. In addition the State agency has specifically stated that "the expiration of an adjustment period permitted to a claimant does not necessarily mean that immediately thereafter his refusal of work outside his customary occupation or at lower wages in his customary occupation is without good cause." Economic conditions must be considered in making the determination.

On the other hand, I have been informed that at least one State agency has issued the flat ruling that individuals are to be disqualified if they refuse to accept employment in any of their prewar occupations which pays the prevailing rate, without indicating that any weight should be given to the skills developed during the war years or to any of the other factors that go to make up suitable work. On the face of it, such a ruling is not in keeping with the requirements of title III of the Social Security Act or with the letter or spirit of the State law itself, which includes the following usual definition of suitable work.

In determining whether or not any work is suitable for an individual, the commission shall consider the degree of risk involved to his health, safety, and morals, his physical fitness and prior training, his experience and prior earnings, his length of unemployment and prospects for securing local work in his customary occupation, and the distance of the available work from his residence . . .

#### *Voluntary Leaving and Good Cause*

There is also wide latitude for administrative discretion in interpreting whether an unemployed worker left his or her last job voluntarily and, if so, had good cause for leaving. In some States a woman who marries and leaves or is discharged because of a company policy not to employ married women has been held not to have left work voluntarily. In other States, a contrary policy has been established on the reasoning that the woman knew of the company rule and in getting married she voluntarily brought about her own separation. One State has held that it is good cause for a

woman to leave her work to join her soldier husband, regardless of the permanency of her stay in the new community. Another has held that a woman does not have good cause for such voluntary leaving.

Similar differences exist in determining whether an unemployed worker had good cause to refuse a proffered job. One State has interpreted good cause to permit a woman to refuse a job which left her child unattended at night. That State's Board of Review declared that "this is a sound social policy intended to protect the family life. The growth of juvenile delinquency during this war emphasizes the need for following this policy." In another State, however, a textile worker who refused night-shift employment in her customary occupation because her children needed her at home evenings was held to have refused suitable employment without good cause and to be unavailable for work because she was willing to accept employment during only one-third of the full-time working hours in which employment could be performed.

Good cause for leaving a job should not be limited to causes "attributable to the employer," as it now is in 18 States, but should also include good personal reasons as well. There are many good personal reasons why a worker must sometimes quit his job, such as the fact that the conditions of employment are undermining his health or that he cannot obtain transportation or living quarters near enough to the work. It is basic to our system of free enterprise that workers should be free to exercise their right to move from one job to another in the interests of making the greatest use of their skills and bettering their standard of living and the security of their families.

The distinctive characteristic of workmen's accident compensation is that it sweeps aside the centuries-old doctrine of employer's fault and pays compensation regardless of whether the employer is at fault. Under unemployment insurance, however, we have been moving in exactly the opposite direction. In denying unemployment insurance to workers who are obliged to quit their jobs for causes not attributable to the employer, and in other ways, we have been concerning ourselves too much with the question of fault and too little with the question of paying unemployment

compensation to persons who actually are able and willing to work and available for jobs.

### *Policy and Procedures*

Unemployment insurance inevitably requires difficult judgments on personal situations. We cannot escape this fact. We must consequently make sure that, in the administration of the law, policy and procedures are established which will ensure that all the necessary facts are obtained in an objective way so that decisions may be made fairly and with regard for social consequences. To be fair to workers, a State agency must establish a State-wide policy on these important questions to guide agency personnel. While each case must be judged individually, decisions cannot be equitable and consistent unless there is a State-wide policy. Proper administration requires that individuals in like situations be treated alike. The fact that these issues are controversial is an added reason why the policy of the State agency should be set down in writing. Only in this way can the State fulfill the mandate of "methods of administration reasonably calculated to insure full payment of unemployment compensation when due."

There is evidence that administrative procedures, as well as interpretation, can play an important role in determining the character of the program. During the second quarter of this year, one State denied the equivalent of 70 percent of all allowed new and additional claims on the issue of able and available for work. But in five States there was no denial whatsoever on this issue, and in the important industrial States of New York and Pennsylvania only 2 percent were denied for this reason. In one State, disqualifications for refusal of suitable work were equivalent to 84 percent of all allowed new and additional claims, and in another State, less than 1 percent. With respect to voluntary quitting, the percentage in one State was nearly 80 percent; in New York and California, less than 0.5 percent. On misconduct, in one State the percentage was 9; in California, less than 0.5 percent.

Some of this variation doubtless is due to particular provisions in State laws or special circumstances of the claimants or the character of the labor market. But the very wide range in some of these categories suggests that something more is involved—that

differences in interpretation and procedures are the controlling factor. It is impossible to believe that workers differ in these ways from State to State.

To make the intelligent decisions necessary, an administrative agency must establish procedures to get all the facts when a claim is filed. The appeals process should not be used as a substitute for correcting procedural faults, lack of coordination between the central and local offices, lack of clearly written instructions, or failure to establish a clear State-wide policy on essential and controversial matters.

### *Evaluating Policy and Interpreting Administration*

Problems such as I have mentioned above cannot be solved on the basis of technical knowledge alone. They involve realistic appraisal of complex social and economic factors. They must take into account group attitudes and what Justice Holmes called "the prevailing preponderant public opinion."

### *Representative Advisory Councils*

That is why it is desirable for the State agency to work closely with an advisory council which represents employers, employees, and members of the public, *including* outstanding citizens and persons versed in labor relations, social welfare, and related matters.

During the postwar period there will be need for reevaluating our entire unemployment insurance program. Proposals have been advanced for converting the present tax-offset system of unemployment insurance into a grant-in-aid system; for establishing minimum Federal benefit standards for unemployment insurance and Federal performance standards for the operation of the employment service. Other proposals involve modifications in the present program to include dependents' benefits, travel allowances, and retraining allowances as a part of an effective employment security program; broadening the coverage of unemployment insurance to include agricultural labor, domestic service, nonprofit institutions, State and local employees, and other groups not now included; and basic changes in the amount and duration of benefits and methods of financing unemployment insurance as a part of

a comprehensive social insurance program. None of these problems can be solved without common agreement as to the purposes of unemployment insurance and a common understanding as to its limitations and values and its relationship to other programs. Here is where an advisory council can make an important contribution.

Out of discussion between the technicians of the State agency on the one hand and the advisory groups on the other can come the sound social judgment that is essential to a social program such as unemployment insurance. The experience in most of the States that have used advisory councils has shown that they can be helpful in improving the program and in developing community understanding of the complex issues involved in unemployment insurance. There is great advantage to employers, workers, and the public generally in the administrator's bringing in representatives of interested groups to help him develop equitable and consistent policies that will be understandable to the people throughout the State, to help him develop recommendations to the legislature for improving the law, and to help him in the task of explaining the law and its administration.

### *Representative Appeals Bodies*

I would go even further in introducing representation of interests into the administration of unemployment insurance by having representative appeals bodies at both the local level and the State level. At present, only four States utilize employers and employees in the first stage of appeals.

Obviously it is more difficult to use employer and employee representatives for hearing appeals than to use only agency personnel. People outside the administration must be trained to understand the law and the precedent decisions. It is sometimes argued that if you have a tripartite system of appeals boards you will have a split decision anyway and the administrators will still have to carry the load, so why go through the agony? It is contended that there is greater delay in using that system than in having the appeal heard by one person representing the administrator. But there are enormous intangible values in bringing representatives of employers and employees into the administration at the beginning of the appeals process.

To do so results in educating not only the individuals who serve on these boards but also the members of the groups to which they belong, in spreading knowledge of the law and the agency's efforts to apply that law fairly. That advantage cannot be measured statistically, but in the long run it must result in fewer initial appeals, fewer appeals carried to the second stage, and in better understanding of the law and its administration.

Great Britain has used local representative committees for more than 30 years with great success. The percentage of appeals taken to the umpire is very small. The cases are handled realistically at the local level, with little legalistic "taint." The committee tries simply to get the facts as quickly as possible and then dispose of the case immediately, even before the claimant leaves the room. The labor man on the board is fully as realistic as the employer representative, and he doesn't let the work-shy individual get by. If anything, he is more searching than the employer representative in his examination of the claimant. The chairman of the appeal tribunal, the public member, is a trained person who doesn't always devote his full time to this type of work. He may be a local person who is not professionally engaged in the administration of unemployment insurance but has developed, over a period of years, a facility in understanding the law and established precedents.

### *Decentralizing Administration*

Advisory councils and representative appeals bodies are two ways of developing means of sensitizing administration to the views and needs of the individuals and groups involved in the administration of unemployment compensation.

States are not taking full advantage of their opportunities in making local determination of claims and in making local payment of benefits. In fact only 14 States allow the local offices to make determinations, and in 26 States no determinations whatsoever are made in the local offices. In only 7 States does a claimant receive his benefit payment through the local office. It will be argued that it is not possible to employ local-office personnel competent enough to make determinations, that they have to obtain the data from the central office

anyway, and that the load on the local office would be too heavy. But the States that do make local determinations and local payments have found the results highly satisfactory. The local-office personnel feel a greater sense of responsibility, the claimants feel better satisfied, payments are speeded up, the load in the local office is not increased, and the load on the central office is decreased.

### *The Affirmative Responsibility of Administration*

Good administration encompasses more than the kind of organization and the kind of procedures that are established. The spirit and understanding of those who make up the organization and carry out the procedures also count. Some people have looked on unemployment insurance administrators as mere bookkeepers or bankers. Others would recognize that in addition to such responsibilities the agency has a judicial function. Many people fail to realize, however, that an unemployment insurance agency is in reality a social agency specially designed to carry out the public purpose embodied in the law.

The social purpose of unemployment insurance legislation is expressed in the declaration of public policy contained in the State laws. It is important for us to keep in mind the social purpose affirmed in the State laws:

Economic insecurity due to unemployment is a serious menace to the health, morals, and welfare of the people of this State. Involuntary unemployment is therefore a subject of general interest and concern which requires appropriate action by the legislature to prevent its spread and to lighten its burden which now so often falls with crushing force upon the unemployed worker and his family. The achievement of social security requires protection against this greatest hazard of our economic life. This can be provided by encouraging employers to provide more stable employment and by the systematic accumulation of funds during periods of employment to provide benefits for periods of unemployment, thus maintaining purchasing power and limiting the serious social consequences of poor relief assistance.

Of course an unemployment insurance agency must carry out its responsibilities for collecting contributions, maintaining employer and employee accounts, and keeping records of benefit payments, which represent far more than what outsiders refer to

as bookkeeping and banking. Of course an unemployment insurance agency must perform a judicial role in passing judgment on claims for unemployment compensation. But beyond these functions an unemployment insurance agency must assume the initiative all along the line. It must make certain that chiseling em-

ployers do not avoid their obligations to pay contributions and that chiseling workers do not mulct the fund. It cannot sit back waiting for cases of dereliction to be brought to its attention, nor can it sit back expecting unemployed workers to know their rights and take advantage of them. It must remember at all times that it

has an affirmative obligation to make certain that unemployment insurance is paid promptly and fully to workers involuntarily unemployed and to only such workers. This is a heavy responsibility. It challenges the conscience and ability of all of us. It is a responsibility that we cannot and will not shirk.

## Claimants and Job Openings in Three Cities

By Marvin Bloom and F. Bernard Miller\*

CANCELLATION OF war contracts has terminated more than 5 million war jobs. Unemployment compensation claims jumped from a weekly average of about 300,000 to more than three times that figure in the first week after the Japanese surrender and continued to climb until they reached 1.7 million, where they remained throughout October. Claims leveled off at that figure because each week 200,000 claimants were finding jobs in peacetime pursuits while 200,000 other workers were filing claims for the first time. Ten to fifteen percent of the claimants were leaving the claims rolls each week; the average monthly reemployment rate in October was close to 50 percent.

Even though claimants were being reabsorbed rapidly, local employment offices of the U. S. Employment Service in some areas reported large numbers of unfilled job openings side by side with large numbers of claimants. To find out the reasons for this situation, the Bureau of Employment Security of the Social Security Board and the U. S. Employment Service, Department of Labor, surveyed three such areas—Atlanta, Georgia, Columbus, Ohio, and Trenton, New Jersey. The survey covered a 10-percent sample of workers filing claims the week ended October 6, 1945, and a similar sample of claims filed but becoming inactive during the preceding 8 weeks. A 25-percent sample of the job openings in Atlanta and Columbus and all the openings in Trenton were also studied.

\*Bureau of Employment Security. Mr. Bloom is a member of the Program Division and Mr. Miller, of the Administrative Standards Division. This analysis is based on a survey of claimants and job orders in Atlanta, Ga., Columbus, Ohio, and Trenton, N. J., conducted by the Bureau and the U. S. Employment Service.

Claimants, the survey showed, did not closely match job openings. Most of the claimants were women, and most of the jobs listed were for men. The bulk of the claimants had come from skilled or semiskilled jobs, while the bulk of the openings were for unskilled workers. Wages offered were far less than claimants had received on their last job, measured by take-home pay or hourly wage rate.

Despite these facts, claimants were being reabsorbed quickly. In each of the three cities, more than 40 percent of the workers who filed claims since Japan's surrender had left the claimant rolls, most of them without drawing any benefits. Those who remained were seeking jobs which best matched their skills and capabilities.

### Age and Sex of Claimants

Women represented 60 percent of the claimants in Atlanta, 69 percent in Trenton, and 77 percent in Columbus. By contrast, the great bulk of unfilled job orders were open to men only.

City	Percent of claimants		Percent of jobs open to—		
	Women	Men	Women only	Men only	Both sexes
Atlanta.....	60	40	26	65	9
Columbus.....	77	23	19	81	(1)
Trenton.....	69	31	35	53	12

<sup>1</sup> Less than 1 percent.

Relatively few jobs—12 percent in Trenton, 9 percent in Atlanta, and less than 1 percent in Columbus—were open to both sexes. Of the jobs restricted to one sex, from 60 to 81 percent specified "men only." Women claimants, as a whole, outnumbered the jobs open to them by more than 2 to 1; for Columbus and Trenton the ratio was considerably higher.

City	Number of women claimants	Number of jobs open to women
Three cities.....	11,690	4,832
Atlanta.....	2,593	2,411
Columbus.....	3,442	554
Trenton.....	5,655	1,867

At the peak of wartime manpower shortages, the claims rolls included a large proportion of both old and very young workers. In Atlanta and Trenton, at least, this is no longer true. The majority of claimants in these areas now fall in the age groups in which earning power and employment opportunity are not generally restricted by age (table 1). In Atlanta and Trenton, more than half the men were between 30 and 50 years of age; more than three-fourths of the women were between 20 and 45. Only 3 percent of the men in Trenton and 5 percent in Atlanta were aged 65 or over, while 1 and 2 percent of the women in these areas, respectively, were 60 or more.

Older claimants, on the other hand, were rather numerous in Columbus. Here as many as 18 percent of the men had reached 65 years of age, and an additional 34 percent had reached their fiftieth birthday. The average Columbus woman claimant, however, like the women in Atlanta and Trenton, was between 30 and 39 years of age.

Fear that an opportunity to qualify for unemployment benefits would discourage the return of young persons to school is not substantiated by these data. In none of the three areas were as many as 5 percent of the claimants under age 20.

### Most of the Claimants Laid Off From Skilled or Semiskilled Jobs

A large majority of the claimants were last employed in a skilled or semiskilled job. More than a third of the Atlanta claimants last held skilled jobs, while an additional 44 percent had been laid off from semiskilled