

borne by the individual citizens of this country. A sound social security program makes these costs more bearable by distributing them more systematically and equitably.

Because only a minimum basic security would be provided, there would be every inducement to the individual to provide still better security for himself and his family through individual savings and private insurance. This development has already occurred in connection with Federal old-age and survivors insurance. The amount of group annuity business written since the Social Security Act was passed is many times the amount written in all the previous years. As you may have noticed from advertisements and the radio, several large life insurance companies are basing their sales promotions largely on the feasibility and desirability of additional insurance to supplement the basic insurance protection provided by the Government system. I am confident that insurance companies generally believe that this Government system educates and induces the public to obtain additional protection through private insurance.

Let us also not forget that under a contributory social insurance system the financial base is automatically provided. The workers of this country and their employers pay for the benefits that are received. It is not a plan for giving everybody something for nothing but a plan for organized thrift. As former Prime Minister Churchill said, the essence of social insurance is "bringing the magic of averages to the rescue of the millions."

The program I have outlined will not usher in Utopia. Even so, there are some who believe that providing a minimum basic security is unnecessary and unwise. They believe that destitution, by and large, is due to personal inadequacy and derelictions rather than to impersonal social forces. They are therefore convinced that any government action aggravates rather than relieves the problem.

I think we must agree that social security does substitute hopes for fears. It really comes down to a question of just how much faith we have in the common man and in democratic government. Putting it bluntly, we must decide whether the common

man must be driven to exert himself by the fear of starvation or whether it is hope of reward that leads to high endeavor.

If the common man needs to be driven by fear of starvation there can be very little hope for the success of democratic government. In a democracy the will of the common man is the law of the land, and the common man will not vote for starvation. In-

deed, to my mind, reliance on fear of starvation as a motive force is worthy of a slave nation, not a free nation. The greatest war in history has just been fought to make certain that free people shall inherit this earth. We can be absolutely certain that, as the forces of democracy advance, the postwar world is bound to be one of greater social security and less individual insecurity.

Two Programs for Employment Security

By Arthur W. Motley*

Legislation enacted in July 1946 directed the Secretary of Labor to transfer to State operation on November 15 the public employment offices which were transferred by the States to the Federal Government in January 1942 to centralize and unify the mobilization of the labor force for war production. This article discusses the coordination and development of the employment services and the unemployment insurance systems as part of a single program of employment security serving business, labor, and the community.

THE OBJECTIVES of unemployment insurance and of employment service are identical. Both are directed toward the employment security of the worker. The functions of each are so closely interlocked that, from the standpoint of the public, the employer, and the worker, both programs serve the same ends—to help a worker find a job when he is unemployed and to help him bridge the gap in income between jobs. Because both programs are parts of a single plan, the separate functions of one complement and strengthen the functions of the other. The job-finding operation of the employment service is a necessary adjunct to the determination of eligibility for unemployment insurance. Unemployment insurance, on the other hand, helps to channel workers through the employment service, thereby providing a central place where employers can look for workers.

Complementary Programs

This mutual support that the programs give each other, especially the support that unemployment insurance brings, is often overlooked or mini-

mized. More persons hold jobs in the United States today than ever before in the peacetime history of our country. More persons are covered today under our State unemployment insurance laws than ever before in any peacetime period. Broad, Nationwide machinery has thus been established whereby a large percentage of workers who change industrial employment automatically pass through the employment service facilities in order to participate in unemployment insurance.

Before the passage of unemployment insurance laws, employment service offices were on the fringe of the labor market insofar as the labor supply was concerned. With the establishment of unemployment insurance, the employment service gained stature. It became an important and integral part of the movement of workers in the labor market. Today the flow of workers through the process of claiming unemployment benefits not only gives the employment service an opportunity to help workers find jobs; it also places the employment office in a much better position to serve employers.

Since the workers, to be eligible for unemployment insurance, must register for a job, every unemployed claimant must go through the employ-

*Assistant Director, Bureau of Employment Security. Based on a speech delivered August 15, 1946, before the Interstate Conference, Regions XI and XII, Mt. Rainier, Washington.

ment service. Employers should recognize that this is an excellent device for centralizing the source of labor in a community. They should use the facilities of the employment service for their labor needs. Of course, employers have an interest in unemployment insurance and in employment service as stabilizing influences in our economy and they are interested in the effects of experience rating on their individual accounts. I believe, however, that employers are or can become interested also in dealing with an agency that has first-hand contact with the greater part of the labor supply of the community.

Proper organization and coordination of the unemployment insurance and employment service programs produce other valuable results for business and the community. Every well-managed local office has information on much more than the volume of unemployment in the community. It has data on the kinds of occupations the unemployed persons held and on their age, sex, length of unemployment, and other facts that can help business, labor, and the community in plans for the future. There is great and serious interest today in maintaining a high level of employment. The information to be found in unemployment insurance claims should help materially in any planning done by local, State, or national groups.

One of the most common criticisms that have been leveled at the employment service is that the majority of unemployed persons do not use the local employment office to find work. True, many persons find jobs through newspaper advertisements, union hiring halls, company hiring offices, and by various other methods. The fact remains, however, that nearly half a million placements were made by the employment service in June 1946. That is the answer to the charge that the employment service is not used. Beyond a doubt it fills a very important role in the job-finding machinery of the Nation.

It is sometimes contended that the regular flow of claimants through the employment office is a hindrance to its work rather than an aid—that it would be easier for the employment office to call people in when they are needed. If this is the situation in a

local office, it seems to me a sign of weakness on the part of the manager. A good manager can set up his office in such a way that volume can be handled efficiently and with speed. Top performance in this area is one of the requirements of a good local office manager. If the local employment service office is efficient, business and industry in the community will look to it for help in solving employment problems.

I believe, moreover, that constructive arrangements can be made by the employment service with labor organizations that have hiring agreements with employers. Unemployment insurance can be an important cog in such arrangements. Good placement techniques are appreciated by labor as well as by management. In working together for employment security, we all have a common interest in seeing that the right man is placed in the right job. A good employment service backed up by unemployment insurance will be an aid even to the labor groups that have special hiring arrangements of their own.

Coordination, Not Subordination

Although unemployment insurance supplements and helps support the employment service, neither one should be subordinated to the other. The functions of unemployment insurance are quite clearly defined; those of the employment service are broader and can be more far reaching. Therefore the employment service should not be made the junior partner in this program. It should have an opportunity to develop policies that will make for better service to people and to the community. All State administrators of unemployment insurance will want to know about the six-point program that has been developed by the employment service and to consider it in all its aspects.

While the two programs are really one, have common objectives, and must be coordinated if they are to serve the community, business, and labor effectively, the peculiarities of each program demand wide latitude in the development of policies that are related to one program alone. Employment service, for example, needs opportunity to develop techniques in

placement, counseling, and job analysis. Unemployment insurance needs elbow room to develop new methods in contributions, wage records, benefit formulas, and decisions. Neither program is the junior partner; both are of equal importance, and should be allowed to develop individually as well as in a team.

When, in 1939, the employment service was transferred to the Social Security Board from the Department of Labor, the Board insisted that certain common functions of the two programs be combined, and it strongly urged coordination of related functions wherever possible. Considerable progress was made by the States in cooperation with the Board in merging the objectives of the two programs into one unified goal. In reviewing some of the organizational problems that will arise this fall as we start in again on November 15, we find ourselves in very much the same position as we were in at the time of the former transfer.

The overhead administrative relationships in the States are much the same as they were 7 years ago. Both unemployment insurance and employment service report to a single State agency, so that the question of jurisdiction within the State is not a problem.

Fiscal problems are common to both programs, and it certainly seems logical to merge the programs in this regard. To keep the fiscal determinations separate would involve innumerable problems in deciding whether and to what extent each person in an agency is devoting his time to employment service or to unemployment insurance. Most of the personnel can be easily tagged as employment service or unemployment insurance, according to the duties they perform, but there are many whose duties lie in both fields. Separate budgeting would be costly and cumbersome. The fact that the States are handling veterans' readjustment allowances, and that the fiscal arrangements for this program are already merged in a single State budget, is an additional argument for merging employment service and unemployment insurance budgets. If further arguments are needed, remember that there will also be budgets for the temporary provision for seamen, that two States have

disability insurance, and that additional States are seriously considering this type of legislation. In one State the unemployment insurance agency handles the retirement system for State employees. A State agency that attempted to keep all these accounts in separate budgets would be living with a Frankenstein. We need simpler, not more complicated, budgeting. The same fiscal standards should prevail for each program.

It seems clear also that the same merit-system standards should prevail for personnel in both programs. In States where there is a State-wide civil-service system, this question is answered, and in other States a single set of standards governing the employment of workers in both programs would be advisable.

A single informational program would help eliminate contradictory publicity, such as has sometimes appeared. Much of the public misunderstanding of the functions of unemployment insurance and employment service has been caused by a lack of coordination in issuing press releases about the volume of placements and the volume of unemployment insurance claimants. Because insufficient explanation was given with the figures, the public often received the impression that jobs were not being filled while persons qualified to fill those jobs were collecting benefits. Analysis of the figures showed that the people collecting benefits either did not fit the requirements of the jobs, or else the jobs were not "suitable" work for the claimants. We badly need an aggressive informational program that will place our operations squarely before the public and explain our purposes clearly. We cannot go down separate roads; our efforts must be integrated.

In the field of research and statistics, coordination is likewise desirable. This is an area in which unemployment insurance makes one of its greatest contributions. No other government agency in the employment and wage area, either State or Federal, has such a wealth of economic and labor data. The statistical information is accurate and can be kept up to date. Valuable information from the employment service combines well with unemployment

data to give a complete picture. To continue to operate research and statistics programs separately would be costly and would cause employers much hardship in making out reports. I cannot say definitely what kind of arrangements should be developed within a State, but all logic points to close integration of arrangements for research and statistics.

A Community Service

There should be considerable flexibility in the type of organization that stems from the top level in the State agency to the functions that are performed in the local office. Each State will wish to consider the type of organization that, in view of the State's industrial composition, size, and other characteristics, will provide the most efficient employment service and effective unemployment insurance. While much has been said in the past few years about the merits of a Federal employment service and the merits of a State employment service, from an operational standpoint these programs are neither State nor Federal, but local.

The type of local office required to serve a community area must be developed according to the needs of the area; a standard, fixed pattern should not be used for every local office in the State. In this developmental

work, representatives of employers in the area to be served should be asked for their opinion as to the kind of service they will require from the two programs. Labor organizations can likewise provide important information and should be consulted. This would be an excellent opportunity to use the techniques of labor-management organization which proved so useful to the employment service in wartime.

Our programs must be sold to communities not as Federal programs or State programs, but as a community service performing the following functions: placement service for workers seeking employment; counseling service for those who need such help; provision for financial aid to workers when they are unemployed and qualify for unemployment benefits; support of purchasing power in the community through the benefits paid to unemployed workers; analysis of job requirements; and a wealth of labor-market information. If this whole program is thoroughly understood by the community, our administrative problems will be eased considerably. These are just a few of the functions that can be coordinated and developed to give workers real employment security when both unemployment insurance and employment service are again State-operated.

Experience Rating: Operations in 1945 and Future Trends*

Operations in 1945

CONTRIBUTIONS to the unemployment trust fund on 1945 wages are estimated at \$1.05 billion,¹ or about 11 percent below the previous year's total of \$1.17 billion. Although the end of the war in August 1945 caused taxable wages for 1945 to decline from

the 1944 total, the major cause of the decrease in contributions was the drop in the average employer-employee tax rate from 1.93 percent to approximately 1.8 percent.

Of the \$1.05 billion contributed on 1945 wages, \$970 million came from employers and \$80 million from employees. Experience rating caused a decline in revenue from the preceding year of about \$630 million, or 38 percent.

Employers in the 45 States with experience rating paid contributions on 1945 wages at an estimated average rate of 1.6 percent. As a result of the reduced tax rates, employer contributions in these States were approximately 41 percent below what they would have been at the standard

*Prepared in the Program Division, Bureau of Employment Security.

¹ Except for the discussion on page 16, the effect of war-risk provisions (including the special postwar reserve tax of 0.5 percent in Wisconsin) is excluded from all figures shown in this summary. In 1945, 12 States had war-risk provisions in operation (Alabama, Florida, Georgia, Illinois, Iowa, Kansas, Maryland, Minnesota, Missouri, Ohio, Oklahoma, and Wisconsin). See the *Bulletin*, September 1946, pp. 9-15.