ECONOMIC SECURITY ACT

WEDNESDAY, FEBRUARY 6, 1935

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

The committee met, pursuant to call, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

Present: Senators Harrison (chairman), King, George, Barkley, Connally, Gore, Costigan, Clark, Byrd, Lonergan, Black, Gerry, Guffey, Couzens, and Capper.

The CHAIRMAN. The committee will come to order. The first witness this morning is Mr. John B. Andrews.

STATEMENT OF JOHN B. ANDREWS, SECRETARY AMERICAN ASSOCIATION FOR LABOR LEGISLATION, NEW YORK CITY

Mr. ANDREWS. I am very glad, Mr. Chairman and gentlemen of the committee, to have the opportunity to come for just a few minutes this morning upon request and speak in favor of the Wagner-Lewis bill. I am particularly glad to do this because I am receiving telegrams at my office from various State capitols, urging me to send by air mail the acceptable draft of a State bill to fit into the Federal-State program. These messages are saying that their legislative sessions are already half over and that they feel that it is highly important that they take action at this session. Most of them are not meeting in regular session again until 1937, and during the recent elections in November, they reinforced the early pledges that they would adopt unemployment and old-age insurance at this period of the administration. They feel this very seriously. Those who are pledged to the legislation are rather uneasy with the passage of time and with the approach of the adjournment of their legislative sessions.

Of course it is impossible to tell them exactly how the State bill can be fitted into the Federal plan until that is enacted by Congress. It is possible to assure them so far as one can that there will be very early action here which will make it possible to develop the State bills into what we hope is acceptable form.

The CHAIRMAN. It is a very good move to have these States that are in session try to work out their plan now if they can with these drafts to be furnished. They can make such changes, of course, as they figure should be made, but it is going to be rather difficult to pass this bill in a day or two, as you know. We have requests here for a large number of witnesses and we hope to finish this hearing this week. If those who appear before the committee will be just a little patient

with the committee and express their views and get them in the record, so that when the bill has passed the House we can then begin the consideration of the drafting and the possible changes in the bill, the matter will be expedited, but it is going to take some time in the discussion of this bill.

Mr. ANDREWS. I appreciate the difficulties perhaps as well as anyone, because I have had committees working on the drafting of social security legislation for years, and for the past 5 years on this unemployment compensation matter alone. I realize that it is impossible to get agreement on all of the details of such complex legislation. The time comes, however, after a matter has been studied for years and has had public discussion and then has had many months of inquiry through technical experts and advisory committees, when decisive action becomes the important thing. We have to pass over many objections and realize that we cannot get agreement upon all of the details.

Senator GEORGE. Have you had any indication from any of the States that they would not participate on the basis of the present bill?

Mr. ANDREWS. Not at all, Senator.

Senator GEORGE. You have not?

Mr. ANDREWS. On the contrary, there appears to be quite extraordinary eagerness to cooperate with the Federal Government in this matter, almost an impatience. I am trying to express it to you that there is almost an impatience in many States that they be able to have before them in specific form an acceptable draft which will enable them to enter whole-heartedly into cooperation with the Federal Government in this matter.

I feel so strongly that reasonably prompt action here at Washington is the very essence of accomplishment in the States that I submerge a number of my own personal preferences with reference to certain details of the measure. I believe that on the whole it is the part of wisdom to give general support to this Federal-State program.

The CHAIRMAN. Let me ask you, Mr. Andrews, in New York State your old-age pension plan is put somewhat on the need basis, is it not? You give to some different amounts than to others?

Mr. ANDREWS. That is true, depending on their need.

The CHAIRMAN. Do you do it through some committee in each county, some board which is set up or individuals, or how? How do you operate?

Mr. ANDREWS. With a local supervision but under the general supervision of the State welfare department at the State capital.

The CHAIRMAN. The State welfare department appoints or the Governor appoints some board in each county?

Mr. ANDREWS. I cannot give you all of the details with reference to the administration of our old-age pension. What I wanted to speak on here this morning particularly was the unemployment compensation.

The CHAIRMAN. I am curious to know because every State has a different problem to solve. There are problems in one county in New York that might not apply to another, and conditions in my State in one county might not apply to another, so that it seems to me that while you have to have a uniform proposition, you have to have some administrative office to apply those conditions in the various places.

Mr. ANDREWS. Unquestionably. And the laws differ from State to State, so it is pretty difficult, unless one is specializing particularly on just one phase of the legislation, to have all of the administrative facts in mind.

I want to say with particular reference to the unemployment compensation feature of this bill, that on the whole, as the result of all of the study and all of the conferences that have been held, that with a few perfecting amendments, it is the kind of a measure that ought to be passed and ought to be passed as promptly as possible. One might urge that it go into full effect earlier. I see no reason why it should be necessary to postpone the 3-percent tax beyond January 1, 1936. I believ.e that it would be possible to put that fully into effect January 1, 1936 We did have a formula in the pioneer Wisconsin law which, however, was enacted, you must remember, 3 years ago.

That provided that a certain condition of employment should be reached before the law could go into effect, but that condition was reached a year ago last October. It would be unfortunate to delay the effect of this law as long as 2 years after next January 1, so far as the 3-percent pay roll tax is concerned. I believe it should go into effect in full at that time.

Then I think also in reference to the limitations upon the individual establishment funds, that 15 percent of wage reserve required in the individual establishment fund is needlessly high. I think that could be reduced by one-half easily, and I think also that taking one-third of the 3-percent tax and requiring that that be put into the pool in the case of these individual employer reserves, is also needlessly high. One-half of 1 percent would certainly be sufficient for the purpose, and I believe we should be careful not to discourage efficient management in doing its utmost to improve employment conditions by stabilizing employment. In other words, I think we should take advantage of every device to encourage good management in industry, and those provisions of the 15 percent of the wage reserve and the one-third of the 3 percent to be put into the pool are too high to get the best results.

Finally, with reference to the civil-service provisions, I think those civil-service restrictions ought to apply uniformly upon the Federal and the State groups. It is required that all of the State administrative officers be selected under very careful restrictions, but certain ones of the Federal officials are not so regulated. Uniformity of merit-test provisions for the Federal and the State administrative personnel, I think, might not be a bad thing. I mention that especially because the public employment service legislation, the Wagner-Peyser Act, was amended after it came from committee, so that the director of that service would be authorized to make appointments of assistants without reference to the civil service. Now we discover that when Congress puts in the word "authorize", the President is not in a position by Executive order to cover in those employees. It used to be done, you will remember, under certain earlier administrations where it suited their convenience to put them in and out, but that is no longer possible, and we want to be sure that everyone understands the meaning of that word "authorize" as interpreted by the present Department of Justice.

In conclusion, I have been going to State capitols for many years with carefully worked-out constructive social legislation proposals, and the most insistent objection raised is that this would drive business from the State, that the purpose is good and the plan is

sound, and "We would enthusiastically support this locial legislation if the cost were to fall equally upon all of the States." It gives my more genuine pleasure than you can perhaps imagine to have the opportunity now to support this measure, which wipes out that old "interstate competition" obstacle. This plan gives to the good employer his opportunity to go ahead with the assurance that he will not be undercut unfairly in competition with his competitors in States that otherwise might not take the legislative action.

There will not be a perfect bill on this subject. I have never seen a perfect bill, and I imagine you have not, for I recall that it was the first counsel of the United States Senate who first remarked to me: "Laws are born full-grown about as often as men are."

I urge therefore that this bill in general has had most careful consideration; that we will never get complete agreement upon all of the details of such legislation; and that by perfecting certain details we should be able to get the proper action promptly, which is necessary now in order that the States may enact the fundamental laws on this subject.

The CHAIRMAN. Thank you very much.

Mrs. Beatrice Pitney Lamb, of New York.

STATEMENT OF MRS. BEATRICE PITNEY LAMB, REPRESENTING NATIONAL LEAGUE OF WOMEN VOTERS, NEW YORK, N. Y.

Mrs. LAMB. I represent the National League of Women Voters. The National League of Women Voters favors the passage of the unemployment compensation sections of the economic security bill. Since our reasons for supporting the bill are much the same as the reasons already given by other advocates of the bill, we will not take the time of the committee to go into them.

Instead, I will confine myself to speaking about certain sections of the bill about which we have questions.

First, section 606, under the definition of "an unemployment fund" seems to require that every State law, whether of the pooled fund type or the separate reserves type, must set up a pooled fund with at least 1 percent contribution from employers. The rest of the fund might be of any type desired by the State but there must be in any case this 1 percent pooled fund. This is a valuable provision for it would for example provide some secondary security for workers covered by company reserve funds which had become exhausted. As I say, section 606 seems to require this, but doubts arise in our minds about it, for this provision is hidden away not only in a definition instead of in the main body of the bill, but also in parentheses, as if it were a matter of no consequence at all.

If this requirement is to be binding, it should be taken out of parentheses, taken out of the section 606, and set down definitely as one of the requirements for State laws under sections 407 and 602. Otherwise a court of law might hold that it had slipped into the bill by accident and that it was clearly not the intent of Congress to require the setting up of a 1 percent pooled fund as one of the conditions of receiving administrative allotments or employer credits.

Senator COSTIGAN. Do you refer to the language on page 46 of the bill?