

There is also being placed in the record a letter received from Dr. Witte, transmitting certain supplemental statements to the Report of the Advisory Council to the Committee on Economic Security.

COMMITTEE ON ECONOMIC SECURITY,
Washington, February 5, 1935.

HON. PAT HARRISON,
Chairman Senate Finance Committee, United States Seattle,
Washington, D. C.

DEAR SENATOR HARRISON: While testifying on the pending economic security bill, I was asked to file a list of the principal studies and reports prepared for or presented to the Committee on Economic Security; also, the report of the Advisory Council on Economic Security.

Complying with this instruction, I am submitting herewith a list of the principal studies and reports prepared for or presented to our committee. All of these are available only in typewritten or mimeographed form but if any of them are desired by your committee, we will be glad to submit the same.

The general report of the Advisory Council has already been filed with the clerk of your committee. In addition, three supplemental statements presenting the views of various members of the Council were submitted subsequent to the filing of the general report. These supplemental statements are also sent you herewith, together with another copy of the general report.

At this time we also submit the two reports filed by the other principal advisory group to our committee, the technical board on economic security.

If other reports prepared for or presented to the Committee on Economic Security are desired, we will be glad to have you so advise us.

Very truly yours,

COMMITTEE ON ECONOMIC SECURITY,
EDWIN E. WITTE, *Executive Director*.

PRINCIPAL STUDIES AND REPORTS PREPARED FOR OR PRESENTED TO THE COMMITTEE ON ECONOMIC SECURITY

GENERAL

Advisory Council on Economic Security: General Report, with three supplementary statements by various members of the Council.

Technical Board on Economic Security: Preliminary Report. Social Security. By President Roosevelt and others. (Principal addresses at the National Conference on Economic Security.)

FACTUAL BACKGROUND

The Need for Economic Security. By the editorial staff of the committee. (Charts.)

The Need for Additional Measures to Afford Economic Security to Individuals. By Edwin E. Witte.

OLD-AGE SECURITY

Old Age Security: Final report, by the Old Age Security Staff.

British Old Age Pensions and Old Age Insurance. By Olga S. Halsey.

Government Annuities in Canada. By Walter F. Eade.

Why the Townsend Old Age Revolving Pension Plan is Impossible. By Edwin E. Witte.

UNEMPLOYMENT COMPENSATION

Unemployment Insurance. By Bryce M. Stewart and staff.

Administration of Unemployment Reserve Funds. By O. S. Powell and Alan R. Sweezy.

Unemployment Insurance Estimates. By the actuarial and statistical staff of the Committee on Economic Security.

Brief in Support of the Economic and Legal Basis of Compulsory Unemployment Insurance. By James Harrington Boyd.

Major Issues in Unemployment Compensation. By Edwin E. Witte.

Limitation and Value of Unemployment Insurance. By Edwin E. Witte.

The Stabilization of Employment and Unemployment Compensation. By Constance A. Kiehel.

- The Dismissal Wage. By G. Reginald Crosby.
 Administration of Unemployment Insurance in Great Britain. By Maud B. Patten.
 Unemployment Insurance in Germany. By Jeanne C. Barber.
 Unemployment Insurance in Switzerland. By Wilbur J. Cohen.
 Suitability of Employment. Involving separation from home and heavy traveling expenses. By Olga S. Halsey.
 Appeal Procedure in the British Act and in American Proposals. By Olga S. Halsey.
 Some Popular Misconceptions Regarding Unemployment Insurance. By Alexander Holtzoff, member of the technical board.

SECURITY FOR CHILDREN

- Security for Children. By Katharine F. Lenroot and Dr. Martha Eliot of the U. S. Children's Bureau, in cooperation with the Advisory Committee on Child Welfare.

ECONOMIC RISKS ARISING OUT OF ILLNESS

- Risks to Economic Security Arising out of Illness. By Edgar L. Sydenstricker and Dr. I. S. Falk.
 Estimates of the Wage Loss and Medical Costs of Illness. By Edgar L. Sydenstricker and Dr. I. S. Falk.

EMPLOYMENT ASSURANCE AND RELIEF

- Planned Opportunity for the Extension of Employment Opportunity and Economic Security. By Meredith B. Givens.
 A Permanent Program for Public Employment and Relief. By Emerson Ross.
 Who Are the Unemployed? By Gladys L. Palmer.
 Significant Phases of Foreign Experience. By Eveline M. Burns.
 A Program of Government Work for the Unemployed: An Appraisal of Philadelphia Experience. By Ewan Clague.

SOCIAL INSURANCE, GENERAL AND MISCELLANEOUS

- Economic Security for Farmers and Agricultural Laborers. By Dr. Louis H. Bean and associates. U. S. Department of Agriculture.
 American and European Provisions for Survivors. By Olga S. Halsey.
 Invalidity Insurance: American and British Experience. By Olga S. Halsey.
 Analysis of American Data Showing Invalidity Below 65. By Olga S. Halsey.
 Workmen's Compensation. By S. Kjaer, U. S. Bureau of Labor Statistics.
 The Possibilities of a Unified System of Insurance Against Loss of Earnings. By Mrs. Barbara Nachtrieb Armstrong.
 Federal-State Relationships in Relation to a Program of Economic Security. By Jane Perry Clark.

SUPPLEMENTAL STATEMENTS TO THE REPORT OF THE ADVISORY COUNCIL TO THE COMMITTEE ON ECONOMIC SECURITY

WASHINGTON, D. C.,
 December 15, 1934.

HON. FRANCES PERKINS,
 Secretary of Labor, Washington, D. C.

DEAR MADAM SECRETARY: In accordance with your invitation given at the opening of the Advisory Council on Economic Security, indicating that you would be glad to consider views expressed by a minority or individuals, we desire to submit the following:

Our sympathy for the objective expressed by the President concerning greater social security and the removal of fear of unemployment from the worker's mind moves us to the belief that certain of the recommendations of the Advisory Council should be emphasized:

1. The first objective that should be encouraged is stabilization of employment, or assurance of employment, and this is along the line of the President's pronouncement that, if this could be accomplished, the worker would be able to look forward to at least a minimum amount for an annual wage on which to plan his family's support. This should produce better work at lower cost, reflected in lower selling prices and a consequent increase in consumption on the part of the community. No one knows how much can be done along the line of stabilization

of employment, and therefore every effort should be made to encourage experiments in this direction by individual companies, who will give adequate indemnities in the shape of Government bonds or otherwise to see that their guarantees of minimum annual employment will be carried out. To show that much more can be done along this line, we quote from an article in the *New Republic* of December 5, entitled "Security for Americans", by Elizabeth Brandeis:

"Although benefits do not begin generally under the law until reserves have been built up for 1 year, 70 companies have already guaranteed their 3,000 Wisconsin worker two-thirds of full-time work and wages for at least 42 weeks of the current year. Many other workers are now employed on a year's salary contract, as a direct result of the act, even before it is fully operative."

The assurance given to these 3,000 Wisconsin workers is equivalent to almost 54 percent of normal annual work or pay. If this is the result after the Wisconsin law has been in effect for only a few months and in one State, surely there must be a great opportunity for stabilization of employment and assurance of a large part of an annual wage throughout the United States. The law that should be enacted should recognize this as a desirable result of the legislation and should stimulate to the greatest extent such efforts of individual companies.

2. We would call your attention to the second principal objective mentioned on the first page of the Council's report:

"The plan should serve as an incentive to employers to provide steady work and to prevent unemployment."

We feel that considerable progress can be made toward this objective if companies or industries are permitted to set up separate accounts, with the safeguard provided in the Council's report.

If a plant or industry can reduce unemployment, after a certain reserve has been built up, their contribution to the reserve becomes less, which means their cost of production is less and that the selling price to the public may be reduced. Management will be encouraged to strive for greater efficiency in plant operation, and the cost of the less regular industries will be borne by such industries, which is in line with the philosophy of the workmen's compensation acts generally adopted in this country; i. e., that the cost of the more hazardous or less efficiently managed industries is reflected in the cost of production and therefore in higher selling prices to the public, and these increased costs are not borne by the industries which are less hazardous or more efficiently managed. If the community needs the products of such more hazardous or less efficiently managed industries, the increased cost thereof should be borne by the community. Miss Brandeis, in the article previously referred to, says:

"Under a pooled unemployment-insurance fund (as in Europe) this subsidy comes in large part from competitors who operate more steadily; namely, other concerns in the same industry or other industries that compete for the consumer's dollar. For instance, coal mines run irregularly, while oil refineries or water-power plants employ their workers more nearly the year round. Now, if idle coal miners were supported in part by insurance contributions from oil refineries and water-power plants, could anyone tell which is really the cheapest fuel? If the shoe factory or automobile plant which runs the year round had to subsidize the competing factory or plant which does not, there would arise a species of unfair competition that might even force out of business the truly low-cost concern."

In Ohio, where a pooled plan has been recommended, differences in hazards are recognized and varying rates may in time be determined for the different industries.

3. Because there is such a wide difference of opinion and so little actual experience, we cordially endorse the President's view that there should be the widest opportunity for experimentation and encouragement should be given to companies and industries, whether intrastate or interstate, to experiment with standards not less favorable than those approved by a governmental administrative body.

Respectfully yours,

M. B. FOLSOM.
M. E. LEEDS.
S. LEWISOHN.
RAYMOND MOLEY.
GERARD SWOPE.
W. C. TEAGLE.

WASHINGTON, D. C., December 15, 1934.

Hon. FRANCES PERKINS,
Secretary of Labor, Washington, D. C.

DEAR MADAM SECRETARY: The Advisory Council has gone on record as not approving in principle employee contributions. We feel very strongly on this subject, and therefore beg leave to submit this, our position, to you for your consideration.

Employee contributions are in effect in every system of unemployment insurance in Europe, with the single exception of Russia. Experts and actuaries have worked on this problem and many have made recommendations through various State commissions for employee contributions. To mention only a few, the Minnesota commission recommended 50 percent from the employee and 50 percent from the employer; in Ohio, two-thirds from the employer and one-third from the employee (total 3 percent, although in this instance the actuary recommended 50 percent from the employer and 50 percent from the employee, 2 percent each); and in New Hampshire, 2½ percent from the employer and 1 percent from the employee. With employee contributions, the total fund can be increased over that provided merely by employer contributions, which therefore increases the amount and lengthens the period of benefits; and, even more important, employee contributions provide more effective administration and a clearer conception on the part of workers of their responsibilities as self-respecting citizens, the worker then regarding the plan as partly his own to which he has contributed, and not looking upon it as something given to him as a gratuity.

In the discussion in the Council, many held that, while unemployment insurance was a burden that should be rightly carried by the employer alone, old-age pensions were not properly a burden on industry, but that old age is an incident in everyone's life. The Council voted, however, that the burden of old-age pensions should be borne equally by employer and employee, not because it was either scientifically correct or just, but principally because this was the simplest way of accomplishing the results. Therefore, possibly by combining unemployment insurance and old-age pensions something can be done to meet these divergent views and which will give a larger fund for unemployment insurance than that recommended by the Council and make both plans effective at an earlier date than the recommendations of the Council call for. In the recommendations of the Council, both plans will be in full force and effect in 1956. Enclosed is a table and a chart which will bring both plans into full force and effect in 1952, will give a larger amount for unemployment insurance, and will make the imposition of the burden on the employer more gradual and easier to bear without unduly increasing the burden on the employee. In considering this table and chart, we appreciate, of course, that different combinations can be made as to rates and time when such rates become effective.

Respectfully yours,

M. B. FOLSOM.
S. LEWISOHN.
RAYMOND MOLEY.
GERARD SWOPE.
W. C. TEAGLE.

UNEMPLOYMENT INSURANCE

	Employer	Employee	Total
	Percent	Percent	Percent
1936-37 (1 year)	1		1
1937-38 (1 year)	1½		1½
1938-39 (1 year)	2	½	2½
1939-40 (1 year)	2½	½	3
1940-43 (3 years)	3	½	3½
1943-46 (3 years)	3	½	3½
1946-49 (3 years)	3	½	3½
1949-52 (3 years)	3	½	3½
1952	3	½	3½

PENSIONS

1936-40 (4 years)	½	½	1
1940-43 (3 years)	½	1	1½
1943-46 (3 years)	1	1½	2½
1946-49 (3 years)	1½	2	3½
1949-52 (3 years)	2	2½	4½
1952	2	3	5

TOTALS

	Employer	Employee	Total
	Percent	Percent	Percent
1936-37 (1 year).....	1½	¾	2
1937-38 (1 year).....	2	¾	2½
1938-39 (1 year).....	2½	1	3½
1939-40 (1 year).....	3	1	4
1940-43 (3 years).....	3½	1½	5
1943-46 (3 years).....	4	2	6
1946-49 (3 years).....	4½	2½	7
1949-52 (3 years).....	5	3	8
1952.....	5	3½	8½

PRELIMINARY REPORT OF THE TECHNICAL BOARD TO THE COMMITTEE ON
ECONOMIC SECURITY

We have devoted considerable time to a detailed study of the preliminary report of the staff and find this report very illuminating. We congratulate Mr. Witte and the staff upon the progress of the studies. We feel, however, that further study by the staff and ourselves is required before we can make any definite or final recommendations.

As preliminary recommendations we submit the following observations:

1. The final scope of the program, as well as the rate at which it can be adopted, must be formulated in the light of business and fiscal conditions. The comprehensive program for economic security outlined in the preliminary report, would cost between 3 and 4 billion dollars per year and even more, depending on the scope of the public employment provided. The parts of the program financed exclusively or mainly by contributions of (taxes on) the employers and employees will involve approximately the following percentages of the included pay rolls (assuming as liberal benefits as outlined in the preliminary report): Unemployment insurance, 4½ percent; contributory old-age insurance, 4 percent; health insurance, 3 to 5 percent (depending upon the scope). The parts involving subsidies from the Treasury would cost the following annual estimated totals per year: Noncontributory old-age pensions, \$100,000,000; mothers' pensions, \$50,000,000-\$75,000,000; contributory old-age insurance, \$500,000,000, for 35 to 40 years (with some offset, however, for the first two of these subsidies, in reduced relief costs). These costs must be borne in mind in all considerations of this program, particularly its timing.

2. With in the neighborhood of 9,000,000 persons unemployed, and above 80 percent of the 4,000,000 families and 700,000 individuals who are dependent upon the public for support on relief list because of unemployment, unemployment now constitutes the most acute economic insecurity and it must be recognized that it is likely to remain a serious problem for some time to come. Under these circumstances, the most necessary measure for economic security is the continuance of provision for relief to the full extent that is financially possible.

3. A comprehensive program affording economic security to the individual in all major hazards contains many features which cannot possibly be put into effect for several years, but the place of each in the complete program and the important matter of priorities should be set forth in the final report of the committee and, if possible, also in the legislation to be recommended to the next Congress. The legislation recommended should include an administrative set-up under which not only will there be a continuing study of all phases of the problem but the several parts of a unified economic security program may be brought into operation when conditions permit, without necessity of extensive further legislation.

4. A comprehensive, long-time program for economic security should probably include as its major elements:

A. COMPULSORY UNEMPLOYMENT INSURANCE

On this subject the present trend of thought (subject to change) of the Board runs along the following lines:

(a) Unemployment insurance is an essential measure for the economic security of the most stable part of our industrial populations, but is not a complete, all-sufficient solution of the problem.

(b) Unemployment insurance should be strictly contractual, divorced from any means test. Unemployment insurance funds should not be used for relief or any other purposes other than the payment of ordinary benefits.

(c) Unemployment insurance should be supported by contributions from the employers and probably also from the employees. There should be no public contributions.

(d) All contributions should at the outset be pooled in a single fund but there should be further exploration of the advisability of permitting "contracting out" by separate industrial and house funds under restrictions adequately safeguarding the employees.

(e) Benefits should be paid in cash for a limited period only, in proportion to the claimant's period of employment, and should be sufficient to support the family while being paid.

(f) If constitutional, a nationally administered system of unemployment insurance is to be preferred to a State system, but the committee should be satisfied that a nationally administered system is constitutional before commitments in favor of such a system are made to the public.

(g) If unemployment insurance is to be developed under a system of State administration or if industrial or house funds are permitted, a portion of all contributions should be set aside in a national reinsurance fund to guarantee payment of the contractual benefits from the separate funds.

C. OLD-AGE SECURITY

As we now see the problem of the aged, a long-time program for economic security should include:

(a) State-administered noncontributory old-age pensions based on a revised means test, with Federal subsidies conditioned upon compliance with standards which will liberalize the restrictive-resident and other provisions of the existing State laws.

(b) A contributory old-age insurance system which should, if at all possible, be administered by the Federal Government. This system should be based on reserve principles, but should grant a limited credit for workers who reach retirement age before enough of a reserve has been created to give them a reasonable pension. The Federal Government should assume the liability for this credit, but the cost should be spread over a considerable period of time. No pensions should be paid until after the system has been in operation for at least five years. The system should be compulsory for all employed workers (with some exceptions) and optional for other classes of the population. The benefits should be computed on a basis which will be self-sustaining from the contributions of employers and employees aside from the accrued credits to present employees now of middle age or older.

D. MEDICAL CARE

To provide completely for the loss resulting through sickness among the people in the lowest income groups, there should be, as we now see it:

(a) Improved provisions for public-health services, stimulated through Federal subsidies.

(b) A State-administered system of health insurance which should be compulsory for people in the lowest income groups and optional for people of somewhat higher income level. Ideally such health insurance system should cover the costs of general practitioners' and special medical services, hospital, clinical, nursing, and dental care, and should apply not merely to the wage earners but to all members of their families as well.

(c) A system of insurance against loss of wages resulting from illness. This should be administered through the same agencies as unemployment insurance, but the fund should be kept distinct from unemployment insurance.

E. SECURITY FOR CHILDREN

There is need for special measures for the security of children along the two following lines:

(a) Federal subsidies should be given to strengthen the existing State mothers' pension laws, for the support of widowed and deserted young families.

(b) Federal subsidies should be given for health work for mothers and children, particularly in rural areas, along the general lines of the former Sheppard-Towner Act.

F. ACCIDENT INSURANCE

On accident insurance it is the present thought:

- (a) Workmen's compensation should remain a State function, but the Federal Government should actively interest itself in securing greater uniformity in the State laws and raising their standards.
- (b) Economic loss resulting from nonindustrial accidents can best be met as a part of health and invalidity insurance.

G. SURVIVORS INSURANCE

Some provision must necessarily be made in connection with old-age insurance for surviving widows in the older age groups of pensioners who die after their insurance rights have matured. A more general form of survivors insurance may be desirable, but cannot be considered immediately feasible.

H. INVALIDITY INSURANCE

Ideally the risks of invalidity should be covered through a social insurance system. Statistics should be gathered for the computation of costs but it now seems that this should be the last part of a complete social insurance system to be put into operation.

I. RELIEF

There will always be a residual group for whom relief must be provided, on a means test basis. Plus this, there is a large problem in the care of the traditionally "dependent and defective" classes. Care of these classes should be regarded as a State and local responsibility, as should be relief, except in periods of great emergencies.

REPORT OF THE TECHNICAL BOARD ON THE MAJOR ALTERNATIVE PLANS FOR THE ADMINISTRATION OF UNEMPLOYMENT INSURANCE

(Presented to the Committee on Economic Security, Nov. 9, 1934)

I. Three major alternative plans for the administration of unemployment insurance are worthy of consideration:

(1) *An exclusively Federal system.*—Under such a system the Federal Government would levy a tax on employers and possibly also on employees, the proceeds of which would be appropriated for unemployment insurance purposes. In this act it would set up a complete system for the administration of unemployment insurance specifying all conditions for benefits. The Federal Government would directly administer these benefits through the Employment Service and Federal record offices, which would probably be set up on a regional basis.

(2) *A cooperative Federal-State system on the subsidy plan.*—Under such a system the Federal Government would, likewise, levy and collect a pay-roll tax on employers and possibly also on employees. It would provide further for subsidies to States which enact unemployment insurance laws satisfying standards specified in the Federal act. These subsidies would be a stated percentage of the tax actually collected from the respective States, which would be set up as a credit in the Federal Reserve banks to the account of the State. A specified percentage (say, 20 percent) might be appropriated to the supervisory Federal department and used to finance the Employment Service, to create a reinsurance fund and/or a fund for payment of benefits to employees who lose their jobs soon after they have migrated into a new State after still having unused credits in another State. Under this system the States would likewise have to pass unemployment insurance laws which would have to satisfy the standards prescribed by Federal law, but might vary in other respects from the laws of other States. All funds would be held at all times by the Federal Government but the benefits would be administered by the States, presumably through the employment offices and central record offices.

(3) *A cooperative Federal-State system on the Wagner-Lewis principle.*—Under this system the Federal Government would impose an excise tax on employers against which there would be allowed as a credit (up to the full amount of the tax or any stated percentage thereof) the amounts paid by such employers into unemployment insurance or reserve funds established pursuant to State laws meeting standards prescribed in the Federal law. The cooperating States would collect the contributions from employers (and, if they so determined also from

employees) and deposit these in the Federal Reserve banks to be held to their credit and to be invested and liquidated under regulations to be made by the Federal Reserve Board. Under this plan, as well as under the subsidy plan, a percentage of the amounts collected by the States might be withheld by the Federal Government to be used as a reinsurance fund. The administration of benefits under this plan would be a State responsibility, but could be controlled to some (probably a limited) extent by Federal legislation.

II. Which of these three plans should be adopted should be decided primarily on practical and fundamental policy considerations, rather than on the issue of constitutionality. All three of these proposals are new and some arguments can be made both in favor and opposed to the constitutionality of each of them. What the Supreme Court might hold is largely conjecture and is likely to depend upon the detailed development of these respective plans. Among the people consulted there seems to be a quite general impression that the Federal-State subsidy plan is the least likely to be overthrown on constitutional grounds, but there are some uncertainties even as to this plan, depending upon how it is worked out in detail.

Fundamental in a decision between these plans is the question of the desirable extent of national control in this field. The exclusively national system would insure uniformity throughout the country, not only with regard to contributions but also benefits. It would ignore State lines and, thus, make it a relatively simple matter to protect the benefit rights of employees when they move from State to State. It would also make possible a pooled fund for the entire country and thereby automatically meet the problem presented by unusual unemployment in particular industries and States, without necessity for any reinsurance fund. It would also have the advantage of whatever degree of increased efficiency there may be in Federal as compared with State administration. It would be put into operation more quickly than any Federal-State plan and would come into effect at one and the same time throughout the entire country.

The major considerations on the other side concern the same fundamental question of the desirable extent of national control. An exclusively national system would necessitate decisions at the very outset on all points which could not be left to administrative discretion, such as employee contributions, industrial and plant funds, incentives to regularization, etc. Even among the people who strongly believe in unemployment insurance and who have given the most thought to this subject there are wide differences of opinion on many of the most fundamental questions arising in the preparation of an actual bill. Under a national system no experimentation on a relatively small scale would be possible and mistakes made initially would have much more serious consequences than under State system. Moreover, "all the eggs would be in one basket", with the result that if the national law should be held unconstitutional, there would be no State unemployment insurance laws which remained intact.

III. As between a Federal-State system on a subsidy plan and a Federal-State system along the lines of the Wagner-Lewis bill, the only absolutely necessary difference is that under the former all taxes (contributions) levied on industry would be collected by the Federal Government, while under the latter the contributions under the State unemployment insurance laws would be collected by the States. In practice, however, it seems almost certain that a greater degree of national control will be developed under the former than in the latter system.

The subsidy system provides a simpler method for the collection of contributions (pay-roll taxes) than the Wagner-Lewis device. It would have at least some tendency toward higher standards of administration—a most important matter. It probably would facilitate the setting up of reinsurance and transfer funds. From the point of view of expediency it has the advantage of being a brand-new proposal. Clearly it is superior to the Wagner-Lewis plan if extensive national control is desired at this time in unemployment insurance.

The Wagner-Lewis plan has the advantage over the subsidy plan that it will make it unnecessary to reach decisions under the Federal act on the most controversial questions in connection with unemployment insurance: Whether plant funds shall be permitted and whether employees shall be required to contribute. It may be that these questions could be left to the decisions of the States even under the subsidy plan but certainly not as easily as under the Wagner-Lewis device. Another important consideration is that under this plan there would be no pressure on Congress to use sources of revenue other than contributions for unemployment insurance purposes, which is likely to become very strong under both the straight national and (Federal-State) subsidy plans. Finally, under the Wagner-Lewis bill, many States would doubtless pass unemployment insurance laws before the Federal tax became effective and could be litigated. In the event

that the Federal law should then be held unconstitutional, the State laws would continue to operate. Under the subsidy plan, in contrast, while the States would also be required to pass legislation, their laws would include no revenue-raising features, so that they would become inoperative if the Federal act should for any reason be held invalid or if the Federal appropriation is discontinued.

IV. After extended consideration of these three major alternative plans for the administration of unemployment insurance, the executive committee board finds that it is divided regarding which of these systems is to be preferred. The unemployment insurance committee of the technical board, as well as the executive director, believe that the exclusively national system should be definitely rejected. Many of the members of the staff, on the other hand, favor a national system.

The unemployment insurance committee also holds the view that of the two alternative cooperative Federal-State systems the Wagner-Lewis plan is distinctly preferable to the subsidy system.

In view of the differences of opinion on the respective merits of the three major alternative systems of administration, a decision between these systems must be made by the Committee on Economic Security. An early decision is not only vital to the work of the staff but to the entire development of unemployment insurance legislation in this country. At this time unemployment insurance study commissions are functioning in nine states, charged with the duty of making recommendations on this subject to the incoming legislatures. In several other States unemployment insurance legislation was pledged in the platform of the party which won the recent election or has been promised by the successful candidate for Governor. And not only in these but many other States there is wide-spread interest in unemployment insurance legislation with good prospects for its enactment in the coming winter, when 43 State legislatures will be in session. In all States, however, there is at present great uncertainty as to what the Federal Government is going to do, which is holding up all plans for State legislation.

Whether the Committee on Economic Security believes that an exclusively national system is or is not desirable, announcement of its decision upon this point at the forthcoming national conference on economic security would be most appropriate and valuable. The States would then know whether they are to be in the picture and could make their plans accordingly. In view of the near approach of the sessions of Congress and the State legislatures, an early decision on the issue of an exclusively national versus a cooperative State-Federal system would seem imperative.

A decision regarding the type of a cooperative Federal-State system which is desired (if such a system is preferred over an exclusively national system) is less urgent. If the committee, however, has decided preferences as between the subsidy plan and the Wagner-Lewis plan, it will facilitate the work of the staff and the technical board if this question also is promptly decided.

Submitted in behalf of the executive committee.

EDWIN E. WITTE, *Executive Director.*

SUPPLEMENTARY STATEMENT OF THE ADVISORY COUNCIL ON ECONOMIC SECURITY

To the Honorable FRANCES PERKINS,

*Chairman President's Committee on Economic Security,
Washington, D. C.*

We voted with the majority of the Advisory Council for a 3-percent pay-roll tax on employers; but we regard the revenue therefrom to be thoroughly inadequate as the foundation for benefits under the proposed Federal-State system of unemployment compensation. The actuaries of your Committee on Economic Security set before us the standards which they estimated as possible under such a 3-percent pay-roll tax. These are: First, after a worker is laid off, a 4 weeks, waiting period without benefit; then 15 weeks' benefits at 50 percent of normal wages (but in no case more than \$15); thereafter, except for long-time employees, nothing. Our vote should not be regarded as recommending such meagre coverage.

Rather, to increase the benefits, a considerable minority of the Advisory Council voted for a 5-percent tax on pay rolls; and a larger group tied the vote at 4 percent. As no benefits, under the proposed scheme, are to accrue until 3 years from now, they do not, of course, bear on the present mass unemployment. Our contention is that these standards fall short of any reasonable protection of un-

employed wage earners in normal times, which is the limited objective of the proposed legislation.

The simplest test of coverage is the length of time for which benefits run, compared with the length of time experience shows men and women seek work before they can find it. At our request the technical staff of the Committee on Economic Security drew up calculations on this point from duration tables for 1922-30 prepared by the Committee's actuaries as a basis for projecting a system of unemployment compensation. These went to show that even in "good times" 54 percent of the unemployed wage-earners would fall outside the benefit period provided by a 3-percent base; 26 percent because they would fall in the prolonged waiting period, and 28 percent because they would have been out of a job for more than 4 months. In "bad times" the proportion who would fall outside the benefit period would be as high as 80 percent; in average times, 60 percent.

These statistical estimates, with their known limitations, were brought down to everyday realities, when the results of a field survey were cited, carried out in 1928 for the Senate Committee on Labor, Senator Couzens chairman. This was a unique case study of 750 workers let go the 12 months preceding from 20 groups of industries in Chicago, Baltimore, and Worcester, Mass. It was directed by Dr. Isador Lubin, now Chief of the Bureau of Labor Statistics of the United States Department of Labor. With prosperity at its height, 42 percent of those who had secured jobs, and 55 percent of those who hadn't at the time they were interviewed, were unemployed for more than 4 months.

From another angle, the adequacy of the majority proposal was challenged, by offering tables prepared by the technical staff of the Committee on Economic Security. These compared the protection proposed under a 3-percent plan for the United States and that afforded throughout recent years by the standard benefits of the British system of unemployment insurance which has a combined 4½-percent base. Earning \$2 a day or its equivalent, either American or British worker would lose \$208 in wages if out of work for 4 months. It was pointed out that, if eligible, under the proposed Federal act the American worker would be assured a total of \$80 in unemployment compensation. The British worker, if single, would fare about as well; but if married, with 3 children, the family man would get \$130 in the same period; and if allowance were made for relative purchasing power, he would get \$156 against the American \$80. In the higher wage brackets, the American would come off favorable with the British as long as his compensation lasts, but in any case that is only part of the picture. The general run of American benefits would be cut short at 14 or 15 weeks, while the British standard benefits begin after 1 week's waiting period (against the 4 proposed for the U. S. A.) and run up to 26 weeks (against 15).

An employee with a long work record in America might qualify for half a year; in England, for a full year.

We contend that if the British people could swing such a coverage throughout the post-war depression, and are now liberalizing it, the people of the United States might at least do as well in setting up a system of security in this period of anticipated recovery, when no benefits are to accrue to unemployed workers until 1938—3 years off.

According to actuarial estimates submitted by the technical staff of the Committee on Economic Security, if 1 percent were added to the 3 percent proposed, it would double the length of the benefits. Most of us who advocated longer benefits were for finding this 1 percent by bringing the pay-roll tax on employers up to 4 percent (in the original Wagner-Lewis bill it was 5 percent). Some of us were for calling on the Federal Government to contribute it. All of us broke with the proposition that a worker, who qualifies under our new system and whose savings are exhausted, shall find himself thrown upon public relief at the end of 14 or 15 weeks of unemployment compensation.

We feel so strongly that such benefits cover too short a period that, while we signed the report as a whole, we wish to make our position altogether clear to the Committee on Economic Security. Moreover, we believe it a disservice to the President for us not to point out their inadequacy.

PAUL KELLOGG.
FRANK P. GRAHAM.¹
WILLIAM GREEN.¹
HELEN HALL.¹
HENRY OHL, Jr.¹

¹ Signatures received by wire and mail.

TABLE I.—Calculations as to percent of unemployed falling within 4 weeks' waiting period and 15 weeks' benefit period

[The duration tables—with their known limitations—yet show some data]

DISTRIBUTION OF THE UNEMPLOYED, 1922-30

	3-7 per- cent un- employ- ment	7-11 per- cent un- employ- ment	11-20 per- cent un- employ- ment	20-30 per- cent un- employ- ment	30-43 per- cent un- employ- ment	Comps.
	A	B	C	D	E	F
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Under 4 weeks.....	27	26	21	21	17	21
4 to 19 weeks.....	45	46	47	34	22	40
Over 19 weeks.....	28	28	32	45	61	39

In "good times" (A and B) roughly half of unemployed within benefit period; one-fourth within waiting period; one-fourth beyond benefit period.

In "bad times" (E) 22 percent within benefit period; 17 percent within waiting period; 61 percent beyond benefit period.

In all studies 40 percent within benefit period; 20 percent within waiting period; 40 percent beyond benefit period.

Corrections for cumulative periods for each individual would probably reduce percentage in waiting period, increase percentage beyond benefits, and not much change in benefit percentage.

Source: Supplied by members of the technical staff, committee on Economic Security.

TABLE II.—Unemployment history of 754 discharged workers

[From the Absorption of the Unemployed by American Industry by Isador Lubin; Brookings Institution Pamphlet Series, vol. 1, no. 3, p. 5; published July 1, 1929]

1. THOSE WHO FOUND JOBS

Length of time unemployed	Classified by period of unemployment		Cumulated	
	Number	Percent- age	Number	Percent- age
Under 1 month.....	47	11.5	47	11.5
1 to 2 months.....	66	16.1	113	27.6
2 to 3 months.....	66	16.1	179	43.7
3 to 4 months.....	60	14.6	239	58.3
4 to 5 months.....	43	10.5	282	68.8
5 to 6 months.....	30	7.3	312	76.1
6 to 7 months.....	28	6.9	340	83.0
7 to 8 months.....	23	5.6	363	88.6
8 to 9 months.....	18	4.4	381	93.0
9 to 10 months.....	10	2.4	391	95.4
10 to 11 months.....	7	1.7	398	97.1
11 to 12 months.....	3	.7	401	97.8
12 months or over.....	6	1.5	407	99.3
Not stated.....	3	.7	410	100.0
Total.....	410	100.0		

2. THOSE STILL UNEMPLOYED WHEN INTERVIEWED

Under 1 month.....	43	12.5	43	12.5
1 to 2 months.....	40	11.6	83	24.1
2 to 3 months.....	37	10.8	120	34.9
3 to 4 months.....	34	9.9	154	44.8
4 to 5 months.....	26	7.6	180	52.4
5 to 6 months.....	22	6.4	202	58.8
6 to 7 months.....	27	7.9	229	66.7
7 to 8 months.....	18	5.2	247	71.9
8 to 9 months.....	31	9.0	278	80.9
9 to 10 months.....	19	5.5	297	86.4
10 to 11 months.....	7	2.0	304	88.4
11 to 12 months.....	8	2.3	312	90.7
12 months or over.....	29	8.4	341	99.1
Not stated.....	3	.9	344	100.0
Total.....	344	100.0		

TABLE III.—Comparisons of \$2 and \$4 wage levels of benefits under standard British unemployment insurance and the proposed American scheme, based on 3-percent pay-roll tax, 4 weeks' waiting period and 11 weeks' benefit period

[Drawn from tables prepared by the technical staff of the Committee on Economic Security. All benefit stated in dollars]

1. MARRIED MAN WITH THREE CHILDREN

A. Assuming that £1 equals \$5

Unemployed	British			Percent net loss	Proposed American			Percent
	Wages lost	Benefits	Net loss		Wages lost	Benefits	Net loss	
\$2 wage per day:								
1 month.....	\$52	\$20.67	\$25.33	49	\$52	\$2	\$50	96
4 months.....	208	130.67	77.33	37	208	80	128	62
6 months.....	312	200.00	112.00	36	312	84	228	73
\$4 wages per day:								
1 month.....	104	26.67	77.33	74	104	4	100	96
4 months.....	416	130.67	285.33	69	416	100	256	62
6 months.....	624	200.00	424.00	68	624	168	456	73

2. SINGLE MAN

\$2 wage per day:								
1 month.....	\$52	\$14.17	\$37.83	73	\$52	\$2	\$50	96
4 months.....	208	69.43	138.57	67	208	80	128	62
6 months.....	312	106.27	205.73	66	312	84	228	73
\$4 wages per day:								
1 month.....	104	14.17	89.83	86	104	4	100	96
4 months.....	416	69.43	346.57	83	416	160	256	62
6 months.....	624	106.27	517.73	83	624	168	456	73

1. MARRIED MAN WITH THREE CHILDREN

B. Assuming the £ to be equivalent to \$6 on basis of living costs, using wholesale price indices

\$2 wages per day:								
1 month.....	\$52	\$32.00	\$20.00	38	\$52	\$2	\$50	96
4 months.....	208	156.80	51.20	25	208	80	128	62
6 months.....	312	240.00	72.00	23	312	84	228	73
\$4 wage per day:								
1 month.....	104	32.00	72.00	69	104	4	100	96
4 months.....	416	156.80	259.20	62	416	160	256	62
6 months.....	624	240.00	284.00	62	624	168	456	73

2. SINGLE MAN

\$2 wage per day:								
1 month.....	\$52	\$17.00	\$35.00	67	\$52	\$2	\$50	96
4 months.....	208	83.30	124.70	60	208	80	128	62
6 months.....	312	127.50	184.50	59	312	84	228	73
\$4 wage per day:								
1 month.....	104	17.00	87.00	84	104	4	100	96
4 months.....	416	83.30	332.70	80	416	160	256	62
6 months.....	624	127.50	496.50	80	624	168	456	73

ACTUARIAL ESTIMATES OF THE PERIODS FOR WHICH UNEMPLOYMENT INSURANCE BENEFITS CAN BE PAID AT VARYING CONTRIBUTION RATES

[From p. 16, Memorandum 4176, "Major Issues in Unemployment Compensation", by Edwin E. Witte, Executive Director, Committee on Economic Security]

All estimates are based on the assumption that benefits will be one-half the weekly wage but not exceeding \$25 per week and that the unemployment insurance fund should be entirely self-sustaining. All calculations, further, are based on a Nation-wide insurance system, with 1 year of contribution before benefits become payable. The estimates on the left-hand side of the table given below are based on the experience of 1922-30 and those on the right-hand side on the experience of 1922-33, the assumption being that by the end of these periods the entire fund would be exhausted.

TABLE IV.—*Varying periods of benefit based upon using 1 additional year of contribution*

Experience 1922-30		Experience 1922-33	
Waiting period	Benefit period, weeks	Contribution rate, percent	Benefit period, weeks
weeks.....	15	3	11
	30	4	16
	52	4½	19
weeks.....	52	5	23
	13	3	10
	23	4	15
weeks.....	37	4½	18
	52	5	21
	12	3	9
	19	4	14
	28	4½	16
	43	5	19

THE GRANTS-IN-AID TYPE OF FEDERAL-STATE COOPERATIVE PLAN FOR UNEMPLOYMENT COMPENSATION

By President Frank P. Graham, chairman, Advisory Council

(Not an analysis or comparison, but a summary of some of the larger aspects of the grant-in-aid plan supported by the majority as interpreted by one of them.)

The majority of the Advisory Council on Economic Security by a vote of 9 to 7 favor the grant-in-aid type of Federal-State cooperative plan for unemployment compensation. A number of the majority are for an outright national plan. All would strongly favor the Wagner-Lewis type as against any less meritorious plan. All would present a united front against those who would oppose or delay legislation this winter. Yet the majority are clearly for the grant-in-aid plan.

The fundamental position upheld by the majority is that the grants-in-aid plan is more adaptable to our economic life and to the needs of both industry and the workers. American economic society is national in nature. It is not organized according to geographical or political subdivisions. Industries reach across States, sections, and even the continent. In this economic society labor is mobile. Workers move from industry to industry, from State to State, from an industry in one State to the same industry in another State, and from an industry in one State to a different industry in another State. In a society of fluid capital, migratory industries, shifting labor markets, seasonal, technological, and cyclical forces, unemployment is a social hazard of our dynamic industrial life.

Unemployment is, thus, a problem of industry and the Nation. Its economic and other causes and its social and other incidence involve our whole industrial order. Any Federal-State cooperative plan for unemployment compensation should, therefore, recognize, as far as practicable and wise, our national economic structure. Cooperative Federal-State legislation and administration should recognize the spheres and values of the Federal and State governments, but the States should not be required to attempt to meet situations and serve purposes not in accordance with their situation and nature.

The purpose of the Federal-State cooperation is to stimulate a more intelligent stabilization of industry and to provide more security for the workers. The Wagner-Lewis plan and the grant-in-aid plan are both Federal-State plans directed toward these two ends, with more emphasis on the State approach in the former and with more emphasis on the national nature of unemployment in the latter. The majority hold that the grant-in-aid plan can more adequately meet the needs of American industries and workers with their unemployment problems created by (1) national and interstate industries (2) mobile labor, interstate transfers, and employment records, (3) the need for Federal reinsurance, (4) for national minimum standards. Under the grant-in-aid plan the Federal-State administration can more effectively guard the integrity of the fund, the stabilization of industry, and the best interests of the workers as parts of our national dynamic society.

The collection of the tax by the Federal Government required by the grant-in-aid plan affords a clearer basis for the deposit of the money in the Federal Reserve banks. There can, under this plan, be no basis for pressure on Congress to allow the money to be deposited in local (and in some States political) banks. The value of the nationally wise use of the funds by the Federal Reserve as an aid to stabilization cannot then be jeopardized by either financial short circuits or political misuses.

Furthermore the grant-in-aid would be separate from the tax law. Congress has power to levy this geographically uniform excise tax on pay rolls. Congress also has power to appropriate money as grants-in-aid to States for a public purpose on terms laid down by Congress. Unemployment compensation and the promotion of industrial stabilization and social security constitute a clear public purpose. In the Wagner-Lewis plan the tax and the appropriation are joined in the same act. Under the strain of carrying sufficient national minimum standards and other regulations required by the interstate and national nature of industry and unemployment, such a joint act more seriously raises the question of constitutionality.

The grant-in-aid plan appears not only the stronger constitutionally, but is also a variation and development of Federal grants-in-aid which are an historically established part of our Federal-State structure. This plan also more nearly fits in with some other proposed plans to promote insurance against destitution and could more readily help to unify the collection of the funds involved in a more comprehensive program of social security.

For the purpose of securing early legislation by the States for this progress, Congress could fix a time limit as a condition for a valid acceptance by the States. Moreover, with the interests of industry and 16 million workers involved, it is inconceivable that Congress would ever fail to continue the appropriations.

The grant-in-aid plan, it seems to us, can provide for Federal-State cooperation, and is yet more adaptable. The needs of industry and the workers in our national economic society can secure and maintain Nation-wide minimum standards without as validly raising the question of constitutionality, and provides for experimentation in the interests of stabilization. It leaves open to the States experimentation along the lines of pooled insurance, plant accounts, or a combination of the two. The plan can also provide a clearer basis for experimentation along interstate and even national lines. On the basis of all these experiments, we may develop toward the best plan, whether mainly State, mainly Federal, or wholly national.

Finally, we believe that the grant-in-aid plan can better provide for essential minimum standards in the interests of the fund, the employers, and the employees. Minimum standards for all the States in such a Federal-cooperative plan would furnish the bottom below which there must be no chiseling or exploitation and above which there can be wide experimentation by the States and industries for the purpose of stabilization, increased employment, and more security for the workers of America.

The first witness this morning is Miss Katharine F. Lenroot, Chief of the Children's Bureau, United States Department of Labor.

Just go ahead in your own way, Miss Lenroot; tell us what position you hold and what position you have held. Give us the background for the record, and then proceed in your own way.