shown in tables 3, 4, and 6. The approximate deflation coefficients are:

Unemployment as percent of labor force	*Coefficient by which hypothetical figures in table 3 should be deflated*
2	1.000
3	.990
4	.975
5	.950
10	.850
15	.800
20	.775
25	.750
30	.755
35	.775
40	.810
45	.850
50	.900

With this correction, table 3 is replaced by table 8 and table 4 by table 9.

In summary, heterogeneity of the labor market reduces significantly the size of compensable unemployment suggested by the extremely simplified model set up at the beginning of this article. The administrative provisions of State unemployment insurance laws, especially the method of measuring duration of benefits, benefit disallowances, and disqualifications, act in the same direction. The impact of these factors on the size of compensable unemployment will be discussed in the next article.

Reorganization Plan No. 1 of 1948: Legislative History and Background

By Gladys R. Friedman*

Because of the considerable amount of interest in the relationship between the employment service and the unemployment insurance program at the Federal level, the Bulletin believes that this brief outline of the legislative background of Reorganization Plan No. 1 of 1948 will be of aid to persons who wish to study this phase of employment security developments.

ON MARCH 16, 1948, the Senate, following action by the House, approved House Concurrent Resolution 131, which provided for the disapproval of the President's Reorganization Plan No. 1 of 1948. This plan would have transferred Federal unemployment insurance functions to the Department of Labor and kept the United States Employment Service permanently in that Department. The Social Security Administration, in the Federal Security Agency, thus retains the Federal unemployment insurance functions that it has had since the passage of the Social Security Act, and 6 months after the official termination of the war the U. S. Employment Service is scheduled to revert to the Federal Security Agency, where it was lodged from July 1939 to September 1942.

Prewar Congressional Consideration

The Federal Government's first attempt at permanent provision for handling the problem of unemployment was the establishment of a national system of public employment offices where workers could go to find suitable jobs and employers could obtain needed labor. This Federal legislation preceded by 2 years the enactment of the Social Security Act.

The Wagner-Peyser Act,[1] enacted in June 1933, set up a national system of public employment offices to be administered by the States with the financial assistance of the Federal Government. The United States Employment Service was created as a separate Bureau in the Department of Labor; $1.5 million was appropriated for the first year of operation and $4 million for each of the next 4 fiscal years, $3 million of which was to be used to match State appropriations for State services and $1 million for the operation of the Federal arm, the U. S. Employment Service. At that time there was no question but that the Employment Service should be located in the Department of Labor, which by the Organization Act of 1913[2] had the responsibility "to foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment."

While this action served as a genuine inducement to the States to establish public employment offices, State systems could not be created immediately since State legislative action was required. Meanwhile the inauguration of a Nation-wide program of public works and expansion of work relief projects, which called for the selection and placement of several million unemployed workers, necessitated the establishment of employment offices throughout the country. The National Reemployment Service, financed completely by Federal funds, was therefore established in the Department of Labor to place workers in relief and public works jobs in areas where no State service existed. In June 1935, 2 months before the enactment of the Social Security Act, only 25 State services with 184 local offices had affiliated with the U. S. Employment Service.[3] At the same time the National Reemployment Service was operating 1,769 local offices,[3] and Federal expenditures for the Service amounted to about two-thirds of the total expenditures for all employment service activities in the country.

The Committee on Economic Security, in its report[4] to the President in January 1935, recommended establishing a Federal-State system of unemployment insurance and a Federal system of old-age benefits to be administered by a Social Insurance Board in the Department of Labor. The Economic Security Bill, as introduced in both Houses on January 17, 1935 (S. 1130, H. R. 4120 and 4142), embodied those recommendations. The House Ways and Means Committee, after conducting public hearings, reported out a new bill, H. R. 7260, the Social Security Act, in which administrative responsibility was lodged in an independent Social Security Board.

* Bureau of Employment Security, Program Division.

[1] 48 Stat. 113.

[2] 37 Stat. 736, approved Mar. 4, 1913.

[3] *Annual Report of the Secretary of Labor, Fiscal Year Ended June 30, 1935*, p. 33.

[4] Published also as H. Doc. 81, 74th Cong., 1st sess.

H. R. 7260, as reported by the Senate Finance Committee [5] and as passed by the Senate, called for administration by the Social Security Board but placed it in the Department of Labor. In conference the Senate yielded, and the final act lodged administration of both the social insurance and the public assistance programs [6] in an independent Social Security Board.

The passage of the Social Security Act in 1935 and the enactment of State unemployment insurance laws added to our statutes the second permanent provision for handling the problem of unemployment. The administrative expenses of the State unemployment insurance laws were to be met wholly from Federal grants derived indirectly from the proceeds of the 0.3-percent Federal unemployment tax collected by the Federal Government.

Administration of the unemployment insurance provisions of the Social Security Act had a tremendous effect in expanding and strengthening the public employment services. Titles III and IX of the Social Security Act specified that, to be approved by the Board for administrative grants and tax-offset credit, a State unemployment insurance law had to provide that all compensation is to be paid through public employment offices or such other agencies as the Board may approve. The Social Security Board therefore had to decide immediately whether the State agencies could use other agencies in addition to public employment offices in administering their unemployment insurance laws. To strengthen the Nation-wide system of public employment offices, which the Board felt was imperative if the unemployment insurance program was to function effectively and unemployment benefits were to be paid only when suitable jobs were not available, the Board took the position that unemployment benefits should be paid only through public employment offices. As a result, every unemployment insurance law enacted by the States provided for establishing a system of public employment offices as an integral part of the program.

[5] S. Rept. 628, 74th Cong., 1st sess.

[6] Except grants-in-aid for maternal and child welfare services, which were to be administered by the Children's Bureau, then in the Department of Labor.

Many States during 1933–35 had placed administration of their public employment offices in the State labor department. They now amended their laws to place these offices in the same State agency that administered the unemployment insurance program, because the division of authority, especially at the local employment office servicing both programs, was creating confusion and inefficiency. It soon became apparent that available Wagner-Peyser funds could not adequately finance the expanded system of public employment offices made necessary by the unemployment insurance program. As long as funds were available, however, the Board required that the States appropriate money to match Wagner - Peyser grants before they could receive funds under title III of the Social Security Act for the expansion of their employment services. As each State established a public employment service, the National Reemployment Service passed out of existence in that area and, eventually, disappeared completely.

During the fiscal years 1936, 1937, and 1938, both the Social Security Board and the Department of Labor made Federal funds available for the operation of State public employment services. The fact that two Federal agencies administered two separate Federal laws affecting a single State agency hampered administration of the State systems and the smooth operation of the employment security program. To avoid duplication, an agreement for coordination of the Federal functions was made on March 30, 1937, between the Department of Labor and the Social Security Board. Despite these efforts, however, the lack of integration at the Federal level became a matter of public concern. A study of the structure and function of the Federal Government, published in 1937 [7] by the President's Committee on Administrative Management, proposed that the Department of Labor should "administer employment offices and the Federal aspects of Federal-State programs of social security where right rather than need is the basis of payment to beneficiaries."

[7] *Administrative Management in the Government of the United States*, January 1937, p. 32.

A contrary view, however, was taken in the preliminary report of the Senate Special Committee to Investigate Unemployment and Relief, of which Senator James F. Byrnes was chairman. That report [8] stated:

"One of the greatest sources of complaint regarding the new system of unemployment compensation is the fact that the all-important employment service which is to a large extent responsible for the administration of unemployment compensation in most States is under the control, not of the Social Security Board, which has general supervision over State unemployment compensation, but of the Federal Department of Labor . . . The Committee recommends in the interest of efficiency and economy that the employment service now in the Department of Labor be transferred to the Social Security Board in order that its work may be coordinated with the work of the Unemployment Compensation Division of the Board."

In 1939 the need for unification at the Federal level was stressed in much of the testimony at the hearings of the House Ways and Means Committee, then considering changes in the Social Security Act, as well as at the hearings of the Senate Special Committee to Investigate Unemployment and Relief. Finally, under President Roosevelt's Reorganization Plan No. 1, effective July 1, 1939, the U. S. Employment Service was transferred from the Department of Labor to the Social Security Board and the Board was transferred to the newly created Federal Security Agency. In his message [9] transmitting his first plan on Government reorganization, President Roosevelt said:

"I find it necessary and desirable to group in a Federal Security Agency those agencies of the Government, the major purposes of which are to promote social and economic security, educational opportunity, and the health of the citizens of the Nation . . . The Social Security Board is placed under the Federal Security

[8] S. Rept. 1625, 75th Cong., 3d sess., Apr. 20, 1938, p. 10.

[9] H. Doc. 262, 76th Cong., 1st sess. These paragraphs also appear in *Issues in Social Security*, a report to the House Committee on Ways and Means by the Committee's Social Security Technical Staff, 1946, p. 683.

Agency and at the same time the United States Employment Service is transferred from the Department of Labor and consolidated with the unemployment compensation funtcions of the Social Security Board in order that their similar and related functions of social and economic security may be placed under a single head and their internal operations simplified and integrated.

"The unemployment compensation functions of the Social Security Board and the employment service of the Department of Labor are concerned with the same problem, that of the employment, or the unemployment, of the individual worker.

"Therefore, they deal necessarily with the same individual. These particular services to the particular individual also are bound up with the public assistance activities of the Social Security Board. Not only will these similar functions be more efficiently and economically administered at the Federal level by such grouping and consolidation, but this transfer and merger also will be to the advantage of the administration of State social security programs and result in considerable saving of money in the administrative costs of the governments of the 48 States as well as those of the United States. In addition to this saving of money there will be a considerable saving of time and energy not only on the part of administrative officials concerned with this program in both Federal and State Governments, but also on the part of employers and workers, permitting through the simplification of procedures a reduction in the number of reports required and the elimination of unnecessary duplication in contacts with workers and with employers."

From July 1, 1939, to September 1942, the U. S. Employment Service was administered by the Social Security Board. To reflect the expanded activities of job placement as well as benefit payments, the name of the Board's Bureau that was responsible for both the unemployment insurance and employment service functions was changed from Bureau of Unemployment Compensation to Bureau of Employment Security.

The War and Immediate Postwar Period

The period of administration of both the U. S. Employment Service and the unemployment insurance functions by the Social Security Board was interrupted by the war. Twelve days after Pearl Harbor, President Roosevelt [10] asked the States to transfer voluntarily their employment services to Federal operation for the duration of the war. All States complied with the President's request.

On January 1, 1942, when the States turned over the operation of their State employment services to the Federal Government, the Wagner-Peyser Act with its matching grant provisions became inoperative, and the service was financed by direct Federal appropriations. It remained federally operated by the Social Security Board until September 17, 1942, when by Executive Order No. 9247 [11] under title I of the First War Powers Act it was transferred to the newly created War Manpower Commission; it remained there until September 19, 1945, when again by Executive order (9617) [12] under title I of the First War Powers Act the War Manpower Commission was abolished and the United States Employment Service was transferred to the Department of Labor. The Service continued to function as a federally operated organization until November 16, 1946. At that time, under the terms of the 1947 Labor-Federal Security Appropriation Act,[13] the field operations were returned to the States. The same legislation also provided for a separate Federal appropriation to meet 100 percent of the expenses of the State services and specified that a State need not make any appropriation to match Wagner-Peyser grants until after July 1, 1948.

Meanwhile, on July 16, 1946, pursuant to the Reorganization Act of 1945, President Truman's Reorganization Plan No. 2 of 1946 became effective. Among its provisions the plan transferred the maternal and child welfare functions of the Children's Bureau from the Department of Labor to the Federal Security Agency and abolished the Social Security Board. Thus, all the grant-in-aid functions of the Social Security Act were consolidated in the Federal Security Agency.

Reorganization Plan No. 2 of 1947

Under the terms of existing law, the U. S. Employment Service was scheduled to revert to the Federal Security Agency 6 months after the official termination of the war. On May 1, 1947, the President sent to Congress Reorganization Plan No. 2 of 1947, pursuant to the provisions of the Reorganization Act of 1945 approved December 20, 1945. This plan placed the U. S. Employment Service permanently in the Department of Labor, where it had been located temporarily by Executive order under the First War Powers Act. The plan thus provided for permanent separation of the employment service and unemployment insurance at the Federal level. In his message [14] to Congress transmitting the plan, the President declared that he was deeply interested in the continued development of the Department of Labor, and he went on to say:

"The provision of a system of public employment offices is directly related to the major purpose of the Department of Labor. Through the activities of the employment office system the Government has a wide and continuous relationship with workers and employers concerning the basic question of employment. To a rapidly increasing degree, the employment office system has become the central exchange for workers and jobs and the primary national source of information on labor market conditions. In the calendar year 1946 it filled 7,140,000 jobs, and millions of workers used its counsel on employment opportunities and on the choice of occupations.

"The Labor Department obviously should continue to play a leading role in the development of the labor market and to participate in the most basic of all labor activities—assisting workers to get jobs and employers to obtain labor. Policies and operations of the

[10] See *Issues in Social Security*, pp. 693–694, for text of the President's telegram of December 19, 1941, to the Governors.

[11] Ibid., pp. 694–695, for text of Executive order.

[12] Ibid., pp. 695–697.

[13] Public, 549, 79th Cong., 2d sess. (H. R. 6739).

[14] H. Doc. 231, 80th Cong., 1st sess.

Employment Service must be determined in relation to over-all labor standards, labor statistics, labor training, and labor law—on all of which the Labor Department is the center of specialized knowledge in the Government. Accordingly, the reorganization plan transfers the United States Employment Service to the Department of Labor."

The House Committee on Expenditures in the Executive Departments held hearings on the plan from May 21 to 27. Mr. Hoffman, for the Committee, reported favorably on House Concurrent Resolution 49, "that the Congress does not favor Reorganization Plan No. 2 . . .," on the ground that the reorganization plan would provide for separation of employment service and unemployment insurance at the Federal level and that turning down the plan would mean that the employment service would eventually revert to the Federal Security Agency, where it should be lodged. The report[15] stated:

"1. The Bureau of the Budget, while favoring the recommendation of the President, indicated that its professional staff differed as to the solution of this organization problem.

"2. The Department of Labor's representatives favored the consolidation of the two functions in one agency and expressed the opinion that the Department of Labor could administer more efficiently the two functions than any other agency of the Government because of the related programs having to do with labor statistics and other labor laws.

"3. The representatives of the Federal Security Agency believed that the administration of the unemployment compensation laws should remain, as at present, related to the administration of social security laws.

"4. The representatives of the State bodies administering these two programs expressed the belief that more efficiency and economy would be obtained by consolidating the two functions. . . .

"The chief argument of the Federal officials urging the permanent transfer to the Department of Labor was the fear that, in the Federal Security Agency, the job-placement function would be subordinated to the payment of unemployment benefits.

"No other witnesses concurred in this fear. The fact of the matter is that such subordination would have to take place at the operating level—in the States—in any event.

"The great weight of the evidence is to the effect that social security activities, which concern all the people—employers, employees, and generally the public—should be consolidated in one neutral agency. The committee believes it would be as great a mistake to place the Employment Service under the jurisdiction of the Department of Labor as to place it under the Department of Commerce."

On June 10, after a 3-hour debate, the House upheld the concurrent resolution disapproving the President's reorganization plan.

The Senate Subcommittee on Labor of the Committee on Labor and Public Welfare held hearings on June 16 and 17 and reported unfavorably on the concurrent resolution on June 20, thus supporting the President's reorganization plan.[16] The Subcommittee based its action on the grounds that the employment service was a labor function and should remain with other such functions in the Department of Labor. Senator Ball for the Committee declared:

"Employment service is a labor function and clearly comes within the basic purposes of the Department of Labor as defined by its organic act. No governmental activity is more directly designed to 'foster, promote, and develop the welfare of the wage earners of the United States and advance their opportunities for profitable employment' than the maintenance of a placement service to assist them in finding jobs and employers in obtaining workers.

"The work of the Employment Service ties in with that of a number of other units of the Labor Department, and there is a two-way flow of technical information and assistance between them. The Division of Labor Standards, the Women's Bureau, and the Bureau of Labor Statistics all perform functions which require cooperation with the Employment Service.

"It is true that at the State level the unemployment compensation and employment services are generally administered by the same personnel in the same office. It is desirable that they do so, for their services are complementary. The worker comes to those offices to secure a job or to obtain compensation while finding work. No such reasons prevail at the Federal level. Congress has provided separate Federal grants for employment service and unemployment compensation, and the costs of the two programs must be segregated to determine grants.

"Obviously, the objective should be to find the unemployed worker a job rather than to pay benefits. With the Employment Service in the Labor Department and solely concerned with the development of placement services, that program is more certain to receive vigorous leadership than if it were supervised by a Federal agency mainly interested in the administration of social insurance. Also, there is less possibility of neglecting the placement needs of the large groups of workers who are not covered by unemployment compensation.

"The State administrators who testified before the committee recommended that the United States Employment Service be permanently placed in the Federal Security Agency. All admitted, however, that there had been excellent cooperation in the working out of uniform regulations between the Department of Labor and the Federal Security Agency, and no complaint with respect to either was advanced."

Three members of the Subcommittee (Senators Ives, Jenner, and Donnell) issued a minority report. The report held that the employment service and unemployment insurance programs should be administered by a single Federal agency, declaring:

"It appears obvious that every purpose would be best served by consolidation of the two services under one head. The chief argument of the Federal officials urging the permanent transfer of United States Employment Service to the Department of Labor was apprehension that in the Federal Security Agency the job-placement function would be subordinated to the payment of unemployment benefits.

[15] H. Rept. 499, 80th Cong., 1st sess., to accompany H. Con. Res. 49.

[16] S. Rept. 320, 80th Cong., 1st sess.

The minority agrees that in any consolidation emphasis should, and could, be placed upon the work of the Employment Service."

After debate, the Senate on June 30 upheld the concurrent resolution and turned down the reorganization plan by the close vote of 42–40.

Congressional consideration of Reorganization Plan No. 2 clearly indicated that it was the intent of Congress that both the unemployment insurance and employment service functions should be lodged in the same Federal agency. It did not settle definitely what Federal agency that should be, although disapproval of the reorganization plan left the U. S. Employment Service scheduled to revert to the Federal Security Agency 6 months after the termination of the war.

Reorganization Plan No. 1 of 1948

President Truman on January 19, 1948, sent to Congress Reorganization Plan No. 1 of 1948. This plan provided that the United States Employment Service be retained permanently in the Department of Labor and that the functions of the Federal Security Administrator in relation to unemployment insurance be transferred to the Secretary of Labor. It also provided for transfer of the Bureau of Employment Security from the Federal Security Agency to the Department of Labor and for integration of the employment service and unemployment insurance programs in one Federal agency. The order went further, however. It called for the creation of the position of Commissioner of Employment, who would be appointed by the Secretary of Labor and perform such of the transferred functions as the Secretary of Labor should designate. It extended the jurisdiction of the Federal Advisory Council created by the Wagner-Peyser Act to cover unemployment insurance matters. It also provided that "in order to coordinate more fully the grant-in-aid programs under the functions transferred by the provisions of this plan the Secretary of Labor shall, insofar as practicable, establish or cause to be established uniform standards and procedures relating to fiscal, personnel, and other requirements common to both such programs and provide for a single Federal review with respect to such requirements."

In his message [17] transmitting the plan, President Truman said:

"This plan will place the administration of the employment service and unemployment compensation functions of the Federal Government in the most appropriate location within the executive establishment and will provide for their proper coordination. . . .

"Both the Employment Service and the unemployment compensation system are concerned with the worker as a member of the labor force. Both are concerned with shortening the periods of unemployment and with promoting continuity of employment. When the worker becomes unemployed, the alternatives are either to assist him in obtaining new employment or to pay him benefits. The proper emphasis is on employment rather than on benefit payments. This emphasis can best be achieved by having the two programs administered in the agency most concerned with the employment process—the Labor Department."

The following day, January 20, Representative Hoffman introduced House Concurrent Resolution 131 turning down the reorganization plan. It was referred to the Committee on Expenditures in the Executive Departments, which held hearings on the plan on February 5–7. On February 9 the Committee reported favorably on the concurrent resolution—in other words, disapproving the reorganization plan. Its report,[18] signed by 15 Committee members, stated:

"Because the Department of Labor was created to and must, of necessity, be an advocate of labor, and because a nonpartisan commission, on which the public, the executive departments, and the legislative departments are adequately and competently represented, is now engaged in spending almost a million dollars in a study involving the same subject outlined in Reorganization Plan No. 1 of 1948, that plan should be rejected. The Congress should await the report of the Commission on Organization of the Executive Branch of the Government."

Eight members of the Committee issued a minority report holding that the proper place to lodge both functions is in the Department of Labor because other functions of that Department are closely related to employment service and unemployment insurance functions. The report stated:

"Both the majority and the minority agree that both these programs should be together in the same department of Government. They further agree that finding an unemployed worker a job is more important than to pay him unemployment benefits. No one questions that the job-finding function is a proper responsibility of the Department of Labor. In fact, the basic legislation creating the United States Department of Labor states that 'the purposes of the Department of Labor shall be . . . to advance their [workers'] opportunities for profitable employment.'

"It should be perfectly apparent to everyone that the Department of Labor cannot effectively carry out its statutory obligation without some responsibility for the only Nation-wide agency established specifically for the purpose of bringing workers and jobs together. There was not the slightest shred of evidence presented in the hearings to refute the well-substantiated fact that both the unemployment compensation and the employment service programs are directly related to other functions conducted by the United States Department of Labor, such as the programs of Apprentice Training Service, the Division of Labor Standards, the Women's Bureau, and the Bureau of Labor Statistics. The minority fails to find any relationship whatsoever between either the unemployment compensation or the United States Employment Service program and education, public health, cancer control, public assistance, infant and child care, food and drug administration, St. Elizabeths Hospital, and similar programs administered by the Federal Security Agency. . . .

"The view has been expressed by members of the majority that no ac-

[17] H. Doc. 499, 80th Cong., 2d sess. Reprinted in *Hearings Before the House Committee on Expenditures in the Executive Departments*, 80th Cong., 2d sess., on H. Con. Res. 131, pp. 1–2 (1948).

[18] H. Rept. 1368, 80th Cong., 2d sess.

tion should be taken on the reorganization of Government agencies until such time as the report of the Hoover Commission becomes available. It was stated that the President's reorganization plan is a usurpation by the Executive of legislative responsibilities. Such a view fails to take account of the fact that the President's reorganization plan conforms with the obligations specifically placed upon him by the action of the Congress in the Reorganization Act of 1945. And, furthermore, it is significant to note, as was pointed out in the testimony on the Reorganization Plan No. 2, of last year, that in 1937 there was a President's Committee of Administrative Management, comparable to the Hoover Commission, which studied the functions and proper organization of the Federal Government. That committee in its report drew a sharp distinction between governmental functions based upon needs and those concerned with rights. That committee stated that programs based upon rights, such as unemployment compensation and the employment service, properly belong in the Department of Labor, while programs dealing with need, such as old-age pensions, public relief, child care, and public health properly belong in a department of welfare. . . .

"All State administrators who testified were agreed that in the interests of a sound, well-functioning system of public employment offices and unemployment compensation, it is desirable and necessary that the two programs be brought together in the Federal Government without further delay."

After debate in the House on February 25 the concurrent resolution was agreed to and the President's reorganization plan disapproved. The opponents and proponents of the reorganization plan made arguments similar to those incorporated in the report of the Committee.

A subcommittee of the Senate Committee on Labor and Public Welfare, to which House Concurrent Resolution 131 was referred, conducted hearings on it on February 27 and 28. Its report, issued on March 4, was against adoption of the concurrent resolution. It recommended that the reorganization plan pass, on the ground that, since there was agreement that both unemployment compensation and the employment service should be administered by the same Federal agency, they should be lodged in the Department of Labor where they would be more directly related to other labor functions than they would in any other department of Government. In so reporting, the Senate Committee, like the House, followed the same action it had taken the preceding year on Reorganization Plan No. 2 of 1947.

The Committee report[19] made the following points:

"The unemployment compensation and employment service programs are more directly related to other functions of the Department of Labor than to the functions of any other department of the Government. . . .

"In essence, therefore, the principal opposition to the reorganization plan boils down to an expression of fear that the Department of Labor, through the Secretary of Labor, would be biased and prejudiced in its actions. It has also been alleged by opponents of the plan that because of alleged bias of the Department of Labor, employers will not use the public employment offices of the Employment Service. There is no basis of fact to support this position. No testimony before the committee reveals a single instance, or any other concrete evidence, to support the fear that prejudice would govern the actions of the Department of Labor in administration of the subject programs. . . .

"In light of the foregoing considerations, it is the view of the committee that Reorganization Plan No. 1 of 1948 should be approved, and that House Concurrent Resolution 131 should be rejected. In coming to this conclusion, recognition has been given to the existence of the Commission on Organization of the Executive Branch of the Government, established under provisions of Public Law 162, Eightieth Congress, first session. With all due regard to the purposes and program of the Commission, the committee realizes that the Commission's deliberations will not be completed until 1949 and that considerable additional time must necessarily elapse before its recommendations could be implemented. The committee believe it desirable, and it was so testified to by both State and Federal officials, that the employment service and unemployment compensation programs be brought together in the Federal Government without further delay. Finally, the committee would point out that in rejecting Reorganization Plan No. 2 last year, the principal objection to placing the United States Employment Service permanently in the Department of Labor was that the two programs were not placed together in the same department. This position obviously is no longer tenable and the committee finds no basis for further procrastination."

Three members of the Committee (Senators Jenner, Ives, and Taft) dissented, on the ground that both programs should be lodged in a department that has the confidence of employers as well as labor, that the unemployment insurance and employment service functions are more directly related to other activities of the Federal Security Agency than to those of the Department of Labor, and that greater economies would result by location in the Agency. Their minority report declared:

"The Department of Labor was created for the express purpose of fostering, promoting, and developing the interests of labor and, accordingly, is a protagonist of labor. It does not profess to give official recognition or representation of the employer's viewpoint. . . .

"It is the opinion of the minority that the subject programs are related to a larger number of activities currently under the jurisdiction of the Federal Security Agency than is true of their relationship to activities under the Department of Labor. . . .

"Evidence before the committee does not, in the opinion of the minority, indicate that the reorganization plan, if effectuated, would 'reduce expenditures and promote economy to the fullest extent.' . . .

"There is another compelling rea-

[19] S. Rept. 967, 80th Cong., 2d sess.

son why Reorganization Plan No. 1 of 1948 should not be approved at this time. The whole question of the organization of the executive branch of the Government is now being studied by a commission specifically created for that purpose by Public Law 162, of the first session of the Eightieth Congress. . . .

"Any loss of economy or efficiency resulting from continued separation of the United States Employment Service and the Bureau of Employment Security for the next few months would be more than offset by the expense and confusion of a later reshuffling of these functions, which would be required should the Commission make any recommendations further affecting the location and operation of these agencies."

On March 16 the Senate debated House Concurrent Resolution 131, approving it by a vote of 58 to 25 and thus defeating the President's Reorganization Plan No. 1. Under existing statute the U. S. Employment Service is scheduled to revert to the Federal Security Agency 6 months after the official termination of the war, when the unemployment insurance and employment service functions will once more be lodged in the Federal Security Agency.

Proposed Changes in Old-Age and Survivors Insurance: Report of the Advisory Council on Social Security to the Senate Finance Committee*

The Advisory Council on Social Security, appointed by the Senate Committee on Finance to make a full and complete investigation of the present social security program, made its first report to the Committee on April 8. The report, the first part of which is reproduced here, deals exclusively with the Council's recommendations for necessary and desirable changes in the present program of old-age and survivors insurance. These proposals, which parallel many of the recommendations made by the Social Security Administration and by its predecessor, the Social Security Board, are designed, the report declares, "to provide a program that will meet the present needs of the people without imposing too heavy a burden on the taxpayers of the future. The Council anticipates that still further revisions in the program will be needed as future events affect family life, the labor force, and the general conditions under which people live."

THE ADVISORY COUNCIL on Social Security was created by the Senate Committee on Finance under the authority of Senate Resolution 141, adopted July 23, 1947. The resolution directed the Committee "to make a full and complete investigation of old-age and survivors insurance and all other aspects of the existing social security program, particularly in respect to coverage, benefits, and taxes related thereto. . ." and authorized an appropriation of $25,000 to be spent for that purpose. An additional $25,000 to finance the work through the current fiscal year was made available by Senate Resolution 202, adopted March 11.

The 17 members of the Advisory Council were appointed on September 17, 1947. Edward R. Stettinius, Jr., rector of the University of Virginia, was named chairman, and Sumner H. Slichter of Harvard University, associate chairman. The other members, drawn from various fields and representing different parts of the country, are: Frank Bane, executive director of the Council of State Governments; J. Douglas Brown, dean of the faculty, Princeton University; Malcolm Bryan of the Trust Company of Georgia; Nelson H. Cruikshank, director of social insurance activities, American Federation of Labor; Mary H. Donlon, chairman of the New York State Workmen's Compensation Board; Adrien J. Falk, president of the S & W Fine Foods, Inc.; Marion B. Folsom, treasurer of the Eastman Kodak Co.; M. Albert Linton, president of the Provident Mutual Life Insurance Co.; John Miller, assistant director of the National Planning Association; William I. Myers, dean of the New York State College of Agriculture; Emil Rieve, president of the Textile Workers' Union and vice president of the Congress of Industrial Organizations; Florence R. Sabin, scientist; S. Abbot Smith, president of the Thomas Strahan Co.; Delos Walker, vice president of R. H. Macy & Co.; and Ernest C. Young, dean of the graduate school of Purdue University.

In the present report the Council presents its recommendations for closing the gaps in the protection now offered by old-age and survivors insurance. Necessary and desirable changes in other parts of the social security program are to be discussed in later reports.

In offering its proposals for strengthening old-age and survivors insurance, the Council "has endeavored to take full account of the interests—both present and future—of all segments of the Nation." Changes that have occurred in the economy since 1939, when the general structure of the present program was adopted, are related to the recommendations, and the report directs particular attention to the problem of financing the program. In shaping the recommendations, the Council was assisted by the studies of its interim committee and its technical staff, as well as by statements and other information received from Federal agencies and from interested groups and individuals. The following material is taken verbatim from the introductory section, which summarizes the recommendations developed at greater length in the body of the report.

Opportunity for the individual to secure protection for himself and his family against the economic hazards of old age and death is essential to the sustained welfare, freedom, and dignity of the American citizen. For some, such protection can be gained

*Committee Print, 80th Cong., 2d sess.