

PROMOTING JOB SECURITY

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We now have in the United States a Nation-wide Federal-State system designed to promote the job security of workers. Its purpose is to furnish work opportunity and work protection. Its interlocking parts are public employment service and unemployment compensation. Our present system helps workers, through public employment service, to get jobs; and, through unemployment insurance, to bridge the gaps between jobs. But the objective of this system as a whole, and of its two component parts, is one and the same—to assure wage earners a reasonable chance of security.

This attack upon the employment-unemployment problem did not come overnight, nor did the intricate industrial organization which necessitates Government action in the worker's behalf. Our present program and our present problems can be understood only if they are seen in perspective against their past development, which goes back 20 years and more.

Federal activity in the employment field started during the World War, though the national concern, manifested in the panic year of 1907, cast before it at least a faint shadow of what was to come. The first actual, but tentative, steps toward a Federal employment service were the byproduct of the world-shattering events of 1914. War in Europe reduced immigration almost to the vanishing point. Thus cut off from its ordinary functions, the Federal Bureau of Immigration, acting under its legal authority to "direct workers to opportunities for profitable employment," transformed itself in fact, if not in name, into an employment service. This transformation was further justified by the fact that, with the falling off of trans-Atlantic trade in the early war years, American workers were up against serious unemployment.

In 1917, when the United States entered the war, the shoe was on the other foot. Unemployment vanished, and the problem was not to find jobs for workers but workers for jobs. Under this impetus, Federal interest in the employment field was officially recognized for the first time,

and in January 1918 the United States Employment Service came into being as a unit of the Department of Labor. In its first year, with more than 10 million requests for workers and approximately 5 million workers referred to jobs, this service saw a peak which has not been reached subsequently. It was regarded, however, strictly as a war measure; though not formally abandoned after the Armistice, its funds were drastically reduced and its activities correspondingly limited.

This experience, not wholly satisfactory in itself, had at least the effect of emphasizing the need for a permanent and effective national employment service. In 1919 a group of State and Federal employment officers, labor leaders, and others recommended the establishment of a thorough and comprehensive public employment service, on the basis of Federal-State cooperation. Their recommendations, embodied in the Kenyon-Nolan bill, were presented to Congress but failed of passage.

With the post-war depression, the problem of unemployment again came to the fore. At the suggestion of Herbert Hoover, then Secretary of Commerce, President Harding called a Conference on Unemployment in 1921. This Conference, of which Mr. Hoover was chairman, also urged that an active and effective national employment service be organized to replace the skeletonized remains of the war-time agency. In commenting on the need for such a service, Secretary Hoover said, "One of the causes of ill will that weighs heavily upon the community is the whole problem of unemployment. I know of nothing [more important] than the necessity to develop further remedy, first, for the vast calamities of unemployment in the cyclic periods of depression, and, second, some assurance to the individual of reasonable economic security—to remove the fear of total family disaster in loss of the job. * * * I am not one who regards these matters as incalculable. * * * There is a solution somewhere and its working out will be the greatest blessing yet given to our economic system, both to the employer and the employee."

That was what was thought and said in 1921. But the fact remains that nothing was done then

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or in the next 10 years either to find this "not in-calculable" solution for unemployment, or to make Nation-wide employment service a reality. During the rest of the 1920's, prosperity persuaded most Americans that these needs and these problems were dreams—old, bad dreams that they were done with. The only development in the Federal employment service in these years was the placement work for veterans, leading to the special Veterans' Placement Service established in 1930. By that time the depression was in full swing; and, with it, the old idea of a Nation-wide Federal-State employment service, never quite dead, was again resuscitated. In 1931 the Wagner Bill, embodying provisions for a cooperative Federal-State employment service substantially like those proposed in 1919, passed both House and Senate.

This bill was vetoed, however, and a federally administered employment office plan was established throughout the country. The intent of this plan seemed to be to cooperate with State and local employment services; what actually happened was, in effect, that the Federal offices tended to compete with, rather than to complement, the other services in the communities where they were set up.

As a result of these ill-starred developments, the United States had to wait until 1933 for the Wagner-Peyser Act to place Federal activity in the employment field upon an effective basis. This law authorizes the Federal Government to cooperate with the States, through the familiar grant-in-aid principle, in establishing and maintaining public employment services.

But important as this step was and hard as its supporters had worked for it, the struggle was only half won in 1933. We still had no unemployment insurance. Not that the need had gone unrecognized. Beginning with the pioneer efforts of Massachusetts in 1916, not less than 180 unemployment compensation proposals had been introduced into 28 State legislatures by the end of 1934. Yet Wisconsin was the only State which actually succeeded in passing such a law prior to congressional consideration of the social security bill. Unemployment compensation, as finally embodied in the Social Security Act, is the direct outgrowth of all this past effort and past experience.

The inclusion in the act of a provision requiring that "payment of unemployment compensation [shall be made] solely through public employment

offices in the State or such other agencies as the Social Security Board may approve" recognizes that employment service and unemployment compensation are mutually complementary parts of the same system.

This emphasis on the practical necessity of unification is in line with the experience of other industrial nations which have preceded us in this field. All the Western European countries with compulsory legislation have integrated their unemployment compensation and public employment services. Even where the employment service was developed first, both services were brought together under one agency as soon as unemployment compensation went into operation. The kind of unification toward which the United States is now working thus has precedents in the historical development and administrative experience of social insurance systems elsewhere.

By August 1937—4 years after the passage of the Wagner-Peyser Act and 2 years after the passage of the Social Security Act—every State in the Union, together with the District of Columbia, Hawaii, and Alaska, was cooperating with the Federal Government in both public employment service and unemployment compensation. In 49 of these 51 jurisdictions both services are under the direction of the same overhead State agency. As a result of the expanded employment service activities necessitated by this new joint set-up, the coast-to-coast network of Federal-State labor exchanges has grown enormously; more than 1,600 public employment offices were in actual operation as of June 1.

Another milestone was passed last January, when unemployment compensation benefits became payable in 21 States and the District of Columbia. Up to that time Wisconsin, where benefits became payable in July 1936, was the only State to have reached this stage of full operation. This past April two more States began benefit payments, bringing the total to 25. The remainder will follow suit during the coming months—4 by or before September, 20 next December or January, and the last 2 the following July. On the basis of reports from the States, it is estimated that about 25 million workers are covered by these laws. More than half of these covered workers are in the States where benefits are now being paid. Through April 30, some 2 million unemployed workers in these 25 States received benefits amounting to more than \$100 million.

There has not yet been time to get an accurate measure of the long-term contribution which unemployment compensation will make to our economic security—individual and national. But there can be no question of what it has already contributed in the brief space of 4 months. A hundred million dollars goes a good way toward conserving savings, maintaining buying power, and helping wage earners to remain self-supporting between jobs. This effect has been particularly apparent in small one-industry towns where benefit payments during lay-offs clearly help to keep the whole community—retailers and other businessmen, as well as industrial workers—on a “business as usual” basis.

But unemployment compensation cannot and was never intended to provide for all the want caused by unemployment, either now or in the future. Its purpose is to tide over the average worker—the fellow that has a job most of the time—during temporary periods of unemployment. Because unemployment compensation is an insurance program based on wages, it can provide, and should be expected to provide, only for those who have built up benefit rights within the system. Its beneficiaries are, by definition, wage earners most of the time. Thus the men and women who have received benefits since January are those who, while recently out of jobs, had been at work for some time during the past year in jobs covered by State unemployment compensation laws. Relief is another—and an extremely important—problem. But nothing will be gained for the worker or for the Nation by confusing these two issues. Insofar as unemployment compensation performs the specific function for which it is designed, it plays an essential part in assuring the security of the worker and the stability of business. That—and nothing else—is its proper field and function.

In the performance of this function, it is essential that public employment service and unemployment compensation work as one. Without unemployment compensation, the employment service would be forced, whenever the demand for labor falls below the supply, to stand by helplessly and watch numberless workers go, as it were, off the deep end into destitution. Without an established employment service, unemployment compensation would be at a serious disadvantage, both in preventing unwarranted drains upon its funds and in helping workers to regain their normal

place in industry. Unemployment compensation alone might ward off disaster for a time. But for the American worker that is not enough. What he wants first, last, and all the time is a job. The price of security is work—the individual labor of the individual man. American workers recognize this fact and believe in this principle. They would not welcome any system which failed to put primary and continuing emphasis on the finding of jobs.

This program is of benefit not only to the worker but also to the employer. Because of its connection with unemployment compensation, the employment service now makes contact with more workers than ever before, and with workers who have more kinds of skills. This increase and diversification of applicants makes the labor exchange of greater potential value to employers. As the latter realize that the employment service is better equipped to recommend suitable workers for all kinds of jobs, skilled as well as unskilled, they will undoubtedly utilize it more extensively than in the past. In this connection it is noteworthy that placements in private industry have held up better in those States where, with the inauguration of unemployment benefits, the scope of the employment service has been extended than in States where this point has not yet been reached.

It goes without saying that this new relationship with unemployment compensation places upon the employment service extensive responsibilities not contemplated in 1933 when the law which created it was passed. The present system requires the unemployed worker to register with the employment service in order to apply for unemployment benefits. Furthermore, he must continue to report weekly to the employment service, both during the waiting period before his benefits become payable and after they commence. The State employment services have had to enlarge existing offices, open new local units, recruit and train additional personnel, and develop the necessary procedures for handling this greatly enlarged volume of work.

All this activity takes money—more money than has previously been available from State and Federal funds under the Wagner-Peyser Act. According to the terms of the Social Security Act, the Federal Government is authorized to pay all proper costs of administering unemployment compensation in States with approved plans. Under

this authority, the Social Security Board has made administrative grants to the States totaling over \$47 million. Of this amount about \$12.6 million has been granted for the specific purpose of extending State employment services to meet their new responsibilities in connection with unemployment compensation. This amount is in addition to the Federal grants provided under the Wagner-Peyser Act. No one familiar with State experience during these early months will deny that so far administrative costs have represented a higher percentage of the total amount of money paid out in benefits than they should—and will—when the program reaches a stable level of operation. At the same time, effective organization and proper administrative procedures can further reduce that percentage.

No one yet knows the answers to all the problems raised by the inauguration of this new employment-unemployment program. We are at least beginning, however, to define these problems on the basis of actual operation, and that stage means that we have come a long way in the past 2 years. Among the questions regarding simplification that are thus beginning to take shape, some concern primarily the employer, as, for example, wage and separation reports and tax returns. Others, such as those related to applications for employment and benefit-payment procedures, concern primarily the employee. *All* concern the administrator. Many changes will doubtless be made in the coming years. At the present time the several State agencies and the staff of the Board are working on a thorough reexamination of the whole

system. We believe that through the cooperation of the State agencies, the Social Security Board, and the Department of Labor, we shall be able to develop progressively simpler and more efficient methods.

In considering such a development, whether from the angle of the employer, the worker, or the administrative agency, it becomes increasingly clear that employment service and unemployment compensation must operate as one system—in the local office, in the State agency, and at the Federal level. The administrative control must be unified under one overhead agency in the local office, at the State level, and, in my opinion, in Washington as well. The Federal agency responsible for this integrated service should have discretionary powers so that it can help the States develop realistic and flexible methods of meeting varying problems from State to State and within each State. Do not misunderstand the point I am trying to make: The issue I raise is *one* Federal agency—not *what* Federal agency.

Integration of employment service and unemployment compensation is, of course, not the only factor in increasing the administrative efficiency of this system. But it is a big factor, an urgent factor, and one from which the potential gains are already clearly apparent. The procedures and purposes of employment service and unemployment compensation are not identical, because each represents a distinctive step in an extended process. But, because they are both integral parts of the same process, they must be conducted through unified procedures in the interests of efficiency and economy.