Unemployment Insurance and the Retraining of Unemployed Workers*

THE VITAL INTEREST of State employment security agencies and the Bureau of Employment Security in vocational education and training stems from the fact that aiding the speedy return of claimants to full-time employment is complementary to the job of compensating a portion of claimants' wage loss. Most State unemployment insurance laws specifically recognize the responsibility of State agencies for promoting reemployment. All but 12[1] provide that the agency shall encourage and assist in the adoption of practical methods of vocational training, retraining, and vocational guidance. During the reconversion it may be difficult to locate jobs for a considerable number of claimants whose peacetime skills have become obsolete or whose training does not meet available employment opportunities. Training needs will not end with the reconversion, moreover. Some persons thrown out of work during the transition to peacetime production will be jobless after the change-over has been completed. Many workers will have to move into new activities, such as residential construction, personal service, office work, and self-employment, as well as the new manufacturing employments which the advanced technology of the postwar economy will create. Although State agencies do not have primary responsibility for fostering and administering retraining programs for unemployment insurance claimants, they have not only a real concern in their development but also, in most States, a legal mandate to cooperate in steps to that end.

Government and private agencies engaged in the planning, organization, and conduct of vocational training have had long experience in the field and are equipped with qualified personnel and substantial facilities. Employment security agencies can bring to the training agencies an awareness of the training needs of unemployment insurance claimants. They can urge an adjustment of legal provisions and modify agency policies to avoid conflict with the efforts of recognized training agencies.

Such conflicts may occur, for example, when the State agency tests the trainee's availability for work or when he is offered a suitable job. The basic questions are whether a person attending a vocational training course is, in fact, available for work and whether a trainee should be disqualified from benefits for refusal of work offers while attending the course. The following discussion is focused on the payment of benefits to *eligible* claimants enrolled in approved training courses. No consideration is given to the subject of "training allowances" paid to trainees without regard to their eligibility status under the unemployment insurance program (such as is contemplated in Great Britain), and only incidental reference is made to the retraining and readjustment allowance provisions of the GI Bill,[2] since their administration is the responsibility of the Veterans Administration.

Retraining Needs and Available Services

The accomplishment of the huge wartime job of manning our munitions industries with millions of new workers, despite an increasing manpower shortage, is well known. Most of this added manpower came from other industries or from new entrants into the labor market. Critical shortages developed in certain skills, particularly in metalworking and mechanical trades. This situation was met by spreading thin the trained workers who were available, by analysis and simplification of jobs, and by extensive in-plant and out-plant training programs. There was a very considerable expansion in skilled and semiskilled occupations concentrated in a small number of industries and areas. The large-scale training program was carried out both by government agencies and by employers, with the emphasis shifting to the latter as the war progressed.

Reconversion to civilian production is requiring similar large-scale occupational as well as geographic readjustments in the labor force. This process is giving rise to frictional unemployment of short duration and will probably increase also the volume of longer-term unemployment. The initial shock of these changes has been reflected in an increase in unemployment benefit loads. Many of the claimants have remained unemployed only a short time, but others are having more difficulty in finding jobs.

Employment security agencies are concerned with the speedy return of these workers to full-time employment. Since many war workers were recruited from other industries, short refresher courses to "brush up" their former skills would increase their chances of getting a suitable job. Many war workers, however, were new entrants into the labor market, with no previous work experience. Those who remain in the labor force will require retraining in some new occupation. Added to this group may be marginal workers forced out of peacetime industries by the competition of the more efficient workers who return to their old jobs. The retraining needed by these groups will be more basic and will require more time. In this transitional period, retraining programs will do much to increase the mobility of labor and prevent the stagnation of manpower in occupations and localities where employment opportunities are decreasing.

Training needs will not be confined to reconversion. In the long run, a broad program of training and retraining would make possible a better utilization of the productive capacity of the Nation and thus contribute directly to the development of a full-employment economy.

There is, at present, no integrated program for retraining war workers

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[1] Alaska, Connecticut, Hawaii, Idaho, Maryland, Massachusetts, Nevada, New Hampshire, New York, Oregon, Texas, and Wisconsin.

[2] The Servicemen's Readjustment Act of 1944 (GI Bill of Rights) provides general educational opportunities for veterans and also includes provisions for their vocational rehabilitation. The law also provides weekly readjustment allowances for eligible veterans when they are unemployed and specifies, as one of the statutory disqualifications, that the allowance shall not be paid if the veteran fails, without good cause, to attend an available free training course as required by regulations.

for jobs in peacetime industry. As a result of congressional action after the defeat of Germany, the major wartime training programs have been or are being liquidated. The result will mean, substantially, restoration of the prewar status of vocational education programs, at least as far as Federal participation is concerned. The Federal agencies responsible for existing programs are as follows:

Retraining and Reemployment Administration.—This agency was established in the Office of War Mobilization and Reconversion in 1944 and transferred to the Labor Department in September 1945. It is charged with general supervision over the activities of all existing agencies (except the Veterans Administration) relating to retraining, reemployment, vocational education, and vocational rehabilitation. The agency is also empowered to confer with the State and local agencies in charge of existing retraining programs for the purpose of coordinating Federal with State and local activities in this field.

Office of Education.—Federal matching grants to States for regular vocational training programs of less-than-college grade are administered by this branch of the Federal Security Agency. These peacetime programs were predominant until the advent of war training classes. The courses, designed primarily for young people, are held in the public schools as part of the regular school system and provide vocational education in agricultural, trade, and industrial subjects, home economics, distribution occupations, and vocational teaching. Generally, courses run from 6 to 9 months and must be taken in the locality where the trainee lives. The burden of the retraining job during and after reconversion will probably fall most heavily on these regular prewar facilities.

Bureau of Training.—This office was established in the War Manpower Commission to determine training needs, plan training programs, provide technical assistance, and coordinate the services of the training agencies. It also administered the program of the Apprentice Training Service, which coordinates on-the-job training with the training services offered by other agencies. It develops and organizes plant training programs, which may be supplemented by the training given by vocational schools. Since the objective is to develop all-round skilled workers, this program has a limited registration and the courses require considerable time for completion. The Bureau of Training and the Apprentice Training Service were transferred to the Labor Department in September 1945, the former as part of the U. S. Employment Service and the latter as an independent office of the Department.

Office of Vocational Rehabilitation.—Grants to the States for vocational rehabilitation are administered by this office of the Federal Security Agency. The services offered under this program, which are available to disabled civilians, merchant seamen, and veterans with non-service-connected disabilities, include vocational counseling and training, maintenance during training, and help in finding an appropriate job, as well as surgical and medical care and hospitalization.

In addition to the programs just enumerated, in which the Federal Government participates, the public schools, colleges, and universities, with their extension and correspondence courses, and the private vocational schools must be included in the over-all picture. The training courses operated by many plants for their employees are particularly important, also. They include schools of the vestibule type, as well as on-the-job training and formal apprenticeship programs.

Role of Employment Security Agencies

The job of employment security agencies in the field of training consists in recommending changes in certain legal provisions or policies, particularly with respect to eligibility and disqualification, which now hamper the efforts of recognized training agencies, and in cooperating with training agencies in administering payment of unemployment insurance to trainees and helping adapt courses to the needs of claimants.

Modification of Legal Provisions and Policies

Availability for work.—All State laws provide that an unemployed worker shall be eligible to receive benefits only if he is available for work. This provision, an effort to restrict unemployment insurance to persons in the labor market, requires that a claimant's personal situation permit him to take a job.

Three State laws specify that claimants shall not be considered unavailable for work solely by reason of attendance at a night school, part-time training course, or general training course for skilled positions connected with the production of war materials (Indiana); or at night or vocational training schools (Nevada); or at part-time training or national defense training courses (Utah). In Michigan, a worker does not forego his benefits if, when directed by the Unemployment Compensation Commission, he is attending a vocational retraining course maintained by the Commission or by an agency designated by the Commission.

Even without specific legal provisions, some State agencies have decided, by regulation or decisions in individual cases, that attendance at a training course does not render a worker unavailable for work. Since the beginning of the defense period, in fact, State agencies have tended to hold that mere attendance at a defense or war-production training course does not render a claimant unavailable for work. Generally, also, the decision on availability has not depended on whether the course was free and Government-sponsored or paid for and privately operated, or whether the claimant was taking the course on a part-time or full-time basis. The tests most frequently used were: Is the claimant willing to accept work, and is he willing and able to quit school or change his hours to accept work? The trainee who met those conditions or who had made an active search for work was generally considered available.[3]

These tests, while they mitigated the effect of a strict application of the availability provision to defense trainees, did not meet the major problem squarely. That problem is: Should an individual attending an approved training course (and otherwise eligible for benefits) be held eli-

[3] See Altman, Ralph, "Defense Trainees and Availability for Work," *Social Security Bulletin*, July 1943, pp. 25–30.

gible if attendance at his course definitely limits his availability for work in a particular week and prevents his accepting an offer of suitable work as long as the course lasts? One State, at least, gives an affirmative answer. The Massachusetts Manual of Local Office Basic Operations declares that claimants who enroll in one of the courses of the Vocational School Reemployment Program, by referral from the Employment Service, are available for work. Indiana, Nevada, and Utah also give positive answers in the circumstances already cited. In Michigan, New Jersey, and New York, also, claimants were able to show a return to the labor market, prove availability, or demonstrate that they had never left the labor market by entering or applying for entrance to a defense-training course.

These States have thus ruled that such trainees are available for work. On the presumption that trainees are making a sincere attempt to improve their occupational status and that certified attendance at approved courses will increase the claimants' chances of reemployment, the sound approach would be to consider that any trainee otherwise eligible is available for work, despite his course attendance. Indeed, because the availability test determines current attachment to the labor market, a claimant may be presumed to be available because of, not despite, his attendance at a training course. In a period of declining job opportunities, during which suitable jobs cannot be offered immediately to every claimant, attendance at training courses will undoubtedly prove a more positive test of availability than can be applied to many claimants. It would be desirable if, instead of depending on broad interpretations of availability, State laws included an express proviso ensuring that no question of availability would be raised solely on the basis of a claimant's attendance at approved training courses.

Types of approved courses.—This proviso need not be limited to claimants attending courses sponsored by a public agency. Training offered by private organizations is of considerable importance in the vocational education picture. The fact that practically all the private schools charge fees should not be a factor; many of the public courses also charge fees.

At the same time, the responsibility for approving private courses is no small one. Experience with the education and training provisions of the GI Bill suggests that the pressures would be great if the unemployment insurance agency were responsible for approving and disapproving vocational institutions established for profit. Educational authorities have charged that many fly-by-night schools have sprung up to exploit the veteran who wants to continue his education.[4] Under the GI Bill, the "appropriate agency of each State" furnishes a list of the educational and training institutions, including industrial establishments, which are qualified and equipped to furnish education or training. Similarly, State departments of education could be used as certifying agencies in the case of courses attended by unemployment insurance claimants. If the interests of these claimants and the unemployment insurance funds are to be protected, it would be essential that some such provision for inspection and approval of training courses be incorporated in the regulations or written into the law itself.

It would seem advisable to limit approval to vocational training courses and exclude those courses of a more general type, since unemployment insurance should not be used as a substitute for a program of student-aid or general education allowances. Approval of courses should be confined to those clearly designed to further the reemployment of a claimant in the reasonably near future.

Refusal of suitable work.—Workers who are being fitted for particular jobs or brushing up on former skills should be allowed to complete the training course. Dropping courses is a waste of training facilities and should be held to a minimum. If a claimant is offered a job in the occupation in which he is being trained, if the work offered is otherwise suitable, and if the training course has been sustantially completed, he will, in most cases, accept the job offer. To compel trainees to accept work before a training course had been completed would be disadvantageous to workers and, in the long run, to employers in the local community. This difficulty could be precluded by a determination that attendance at an approved training course constitutes good cause for refusal of suitable work. As with the question of availability, it is desirable to remove decision from the area of individual judgment. A proviso clause should be written into the statutory provisions relating to suitable-work disqualifications.

Duration of training and duration of benefits.—Generally speaking, the length of wartime training courses has been less than the maximum number of weeks of benefits provided under most State laws. A study of preemployment trainees over the period July 1940 through December 1942 revealed that trainees who completed courses had 302 hours of instruction, on the average, or the equivalent of something less than eight 40-hour weeks. Trainees who completed courses in forging and blacksmithing, on the other hand, averaged 560 hours of instruction or 14 full weeks.[5]

Since the maximum duration of benefits provided under State unemployment insurance laws now ranges from 14 to 26 weeks, and since the majority of claimants are now entitled to benefits for at least 14 weeks, benefit duration for most claimants will be sufficiently long to cover the training course, unless training begins some time after the claimant becomes eligible for benefits. At the same time, improvement of duration provisions—specifically, establishment of a uniform duration of 26 weeks for all eligible claimants—would ensure trainees as well as regular claimants more nearly adequate protection.

The Michigan law, the only one which extends duration of benefits for trainees, has since 1943 provided that the maximum amount payable to individuals in training may be extended at the discretion of the Commission by not more than 18 times the weekly benefit amount. Before 1943, dura-

[4] The *New York Times*, on May 31, 1945, carried an article headed "Fake Colleges Wait To Mulct GI Student, Educators Warn."

[5] Office of Education, *Preemployment Trainee and War Production*, (Vocational Division Bulletin No. 224) 1943, pp. 16–17.

tion of benefits could be extended only for claimants who were not eligible for the maximum duration and extension was limited to the statutory maximum for all benefits.

Required attendance at training courses.—Two State laws require claimants to attend training courses when so directed by the agency. In the District of Columbia, a worker under age 21 is ineligible for benefits for any week in which, without good cause, he fails to attend vocational or other schools available at public expense and recommended by the employment office or the District Unemployment Compensation Board. The Michigan law goes further and provides that "an unemployed individual shall be eligible to receive benefits with respect to any week only if the Commission finds that . . . he had, when directed by the Commission, attended a vocational retraining program maintained by the Commission or by any public agency or agencies designated by the Commission . . ."

Under the GI Bill, a veteran claiming readjustment allowances is disqualified from 1 to 5 weeks for refusing, without good cause, to attend an available free training course as required under regulations. The Canadian Unemployment Insurance Act provides that an unemployed individual shall be eligible for benefits only if he proves that he attended, or had good cause for not attending, any course of instruction or training approved by the Unemployment Insurance Commission which he may have been directed to attend for the purpose of becoming or keeping fit for entry in or return to employment. Under both the general and the agricultural unemployment insurance programs in Great Britain, a claimant who has been required to attend an authorized course, in order to become or keep fit for entry in or return to regular employment, must attend the course to be eligible for benefits, unless he shows good cause for not doing so.

On principle, unemployment insurance should avoid, as far as possible, interfering with the free movement of labor from place to place, job to job, and occupation to occupation. During the reconversion, many workers will wish to shift to new localities and new occupations. When such shifts are necessary, workers should have a reasonable time to choose their new occupations or localities with proper regard to their aptitudes, interests, and other relevant factors.[6] Similarly, required attendance at training courses must be based on a very careful review of the claimant's unemployment experience, occupational background, interests, and potentialities, as well as the demand for specific skills. To do a careful job of determining, for thousands of claimants, what training each must accept on penalty of losing benefits would place a tremendous responsibility on the agencies. It would involve the development, in cooperation with training agencies, of comprehensive criteria for the selection of particular courses in the light of claimants' backgrounds and interests. A careful program to train local office personnel in these standards would also have to be evolved.

In any event, in a period in which there is any substantial volume of unemployment, it would seem reasonable to allow at least 26 weeks of benefits, on the average, without requiring a claimant to attend a training course. For these reasons, the Bureau of Employment Security recommends that State laws omit a disqualification for refusal to attend training courses when directed by the agency.

In return for the receipt of adequate compensation for enforced idleness, on the other hand, claimants have a responsibility for cooperating with all attempts aimed at their speediest reemployment. Although claimants should not be required to attend training courses under penalty of losing benefits, opportunity for training should be available for those who otherwise would have small chance for reemployment on suitable jobs. Conceivably, the continued unwillingness of certain claimants—with limited work experience and with slight prospects of reemployment—to accept referral to training courses might, in conjunction with other factors, reflect on their availability for work. A finding of nonavailability in such a case, however, should not depend solely on the refusal to accept training referral but should be related to all the relevant facts in the case.

Charging of benefits paid to trainees.—Obstacles to the liberalization of availability and suitable-work provisions relating to trainees might arise in some States if benefits paid to claimants in training courses are charged to employers' accounts under experience-rating provisions. In such cases, the State agencies might consider whether such benefits are a reasonable charge against individual employers. If it is determined that such benefits should not be chargeable, the State law may have to be modified to permit noncharging if this is not already provided. Noncharging of an employer's account with any benefits paid to trainees would be permissive under the Internal Revenue Code and would not preclude reduced rates based on employers' "experience with respect to unemployment or other factors bearing a direct relation to unemployment risk."

Cooperation With Training Agencies

To the extent that statutory provisions and State policies recognize that attendance at approved training courses does not of itself make workers ineligible for benefits, the States must adopt procedures for determining whether training courses are adapted to the needs of unemployment insurance claimants and for ensuring that trainees who receive benefits are meeting the agency's requirements. The following suggested ways of meeting the problem might be considered.

Meeting training needs of claimants.—This objective can be met best by cooperation with local and State agencies now actively engaged, with the assistance of Federal agencies, in surveying and meeting training needs. The Office of Education, State boards of education, and local vocational directors are the principal agencies with which employment security agencies must work in the field of regular peacetime training.

The U. S. Employment Service provides counseling service to applicants seeking jobs, coordinates its counseling activities with those of other

[6] See "Determination of Suitable Work During Reconversion," *Social Security Bulletin*, February 1946, pp. 17–20.

groups and agencies in the community, and integrates its counseling activities with other employment service functions. The Employment Service has, moreover, the best available information on national and local labor-market conditions and, specifically, on the relative demand and supply of workers in given industries and occupations in the locality.

The employment security agencies should establish formal working relationships with the training and counseling agencies. State agencies can contribute much to the adoption of practical methods of training and guidance. They can furnish information on the personal and occupational characteristics of claimants and their unemployment experience, so that training agencies will have some basis for adapting courses to claimants' needs.

Administration of benefits paid to trainees.—In connection with payment of benefits to trainees, the State agency must consider procedures for approving training courses, directing claimants to approved courses, and verifying attendance.

The cooperative arrangements worked out between the employment security agency and the training and counseling agencies will suggest the steps necessary to be taken by the State agency to approve training courses. These arrangements should familiarize State agency personnel with training opportunities and facilities in the State and with the generally accepted standards applicable to successful training programs. While the final responsibility for approving courses, for the purposes of unemployment insurance, must rest with the State agencies, the agencies must work closely with State departments of education and other training agencies. As suggested above, approval might be confined to courses certified to the unemployment insurance agency by the appropriate State educational agency.

Similar cooperation is necessary in determining which claimants should be directed to training courses and whether an individual claimant's request for admission to training courses can be approved. Arrangements for referral of claimants to approved training courses can be made within the framework of procedures for exposing claimants to job opportunities. Similarly, procedures for notifying unemployment insurance personnel of refusals to apply for or accept suitable work can be adapted to include notification of refusals to attend training courses when directed.

A special form would help claims examiners pass on the trainee's or prospective trainee's availability or the validity of a trainee's job refusal. Such a form would call for information on the claimant's personal characteristics, claims status and recent unemployment experience, past training and experience, a description of the occupation for which he is being trained or plans to take training, an identification and brief description of the courses and sponsoring agencies, and the claimant's statement of course attendance and course requirements in relation to his availability for work. This form, possibly with a recommendation by Employment Service personnel for approval or disapproval, would constitute the basis for a finding of availability, or good cause for refusal of job offers, notwithstanding attendance at a training course. The claimant's copy of this form, signed by the course instructor, could be used to indicate continued attendance at the training course.

(*Continued from page 2*)

from 46 to 28 percent of all awards. At the end of the month, benefits were in force for more than 1.5 million beneficiaries, at a monthly rate of $28.9 million. The number of benefits in conditional-payment status—largely a reflection of the number of beneficiaries earning more than $14.99 a month in covered employment—declined both relatively and absolutely for the sixth month.

THE FEBRUARY INCREASE in number of recipients under each of the three types of public assistance was significant not in volume but in the fact that the rolls are now slowly rising from month to month after a consistent decline during the war years. In general assistance, however, in which both cases and payments rose for the sixth consecutive month, the increases have been greater than normal for the winter months. Information received from large cities indicates that current additions to the rolls are preponderantly family cases rather than single persons and that loss of a job or decline in earnings is an increasingly important factor in applications for assistance. In February, $92.1 million was expended for assistance under the four programs, as against $90.3 million in January and $79.8 million in February 1945.

California Enacts Unemployment Compensation Disability Insurance

With the Governor's signature to the unemployment compensation disability benefit bill on March 5, California became the second State to provide cash sickness benefits to workers covered by the State unemployment compensation law. As in Rhode Island, which enacted its cash sickness insurance legislation in April 1942, the provisions for disability benefit follow closely the provisions of the unemployment compensation law. The main features of the California act and recent legislative changes in the Rhode Island program are outlined on pages 27–28 of this issue.

Britain's Social Security Program

With the introduction of the National Health Service Bill in the House of Commons on March 19, Great Britain embarked on a fourth major step in its comprehensive revision and extension of measures for social security. Provisions of this bill and of the National Insurance Bill, which passed its second reading in the House in February, are outlined on pages 46–47. A bill substituting social insurance for the existing system of employers' liability under workmen's compensation has been passed by the House of Commons, and the family allowances established by a previous bill become payable in August.