

Government in its desire to be of service to the people in this social field, but, rather, I am wondering what advantage there will be.

The CHAIRMAN. Thank you, Mr. Hansen, for your appearance and the information you have given the committee.

The committee will take a recess now until 2 o'clock. We are expecting the president of the American Federation of Labor, Mr. Green, to appear at 2 o'clock.

(Whereupon at 12:40 p. m., a recess was taken until 2 o'clock of the same day, Monday, Jan. 28, 1935.)

#### AFTERNOON SESSION

The recess having expired, the committee resumed at 2 p. m., Hon. Robert L. Doughton (chairman) presiding.

The CHAIRMAN. The committee will be in order.

We are honored this afternoon with the presence of William Green, president of the American Federation of Labor. Mr. Green, we shall be very glad to hear you at this time.

#### STATEMENT OF WILLIAM GREEN, PRESIDENT AMERICAN FEDERATION OF LABOR

Mr. GREEN. Mr. Chairman and gentlemen of the committee:

In behalf of the American Federation of Labor, its officers and members, I wish at the outset to urge the enactment of social-security legislation at this session of Congress. We feel that the enactment of such legislation has been altogether too long delayed. The need for such legislation is so apparent that it would seem that all thinking people would be convinced of the urgent necessity of Congress enacting such legislation into law.

I realize, at the same time, Mr. Chairman and members of the committee, that this is a sort of a pioneering project and, for that reason, it is too much to expect, perhaps, that we will secure the enactment of a perfect unemployment-insurance measure, representing the hopes and the aspirations and the opinions of the workers of the Nation. But I have some recommendations that I wish to make regarding the pending bill, in behalf of the millions of members whom I have the honor to represent. I shall be very much pleased if the members of the committee will give these recommendations their thoughtful and, I hope, favorable consideration.

Incidentally, Mr. Chairman, my time is limited today, and I shall have to leave in about three-quarters of an hour. I have another meeting that I must attend this afternoon, but I shall be glad to come back to finish, if the committee does not finish with me this afternoon.

The CHAIRMAN. If you do not complete your main statement, and would like to have your statement appear in whole at one point in the hearing, you may extend your remarks, and it will be made a part of the record in consecutive order.

Mr. GREEN. Thank you.

Consideration of unemployment insurance in this country is by no means new. During every depression we have had in recent years we have talked about unemployment insurance. Any plans for unemployment insurance were always forgotten, however, with a return of prosperity. Unemployment comes into being with the industrial

system, and grows with it. The United States is the last great industrial country to give serious consideration to a system of unemployment insurance. We are, indeed, decades behind in the development of a social program. Comprehensive systems of unemployment have been in practical operation in various foreign countries for many years.

Opposition to unemployment insurance in this country is based primarily upon the claim that it is unnecessary, that unemployment is not an insurable risk, and that even if we did manage to insure our millions of wage-earners against their great risk of unemployment, the effect upon them and upon the Nation would be harmful.

Today we need not convince either the lawmakers of this country or the people themselves that we need a broad system of social insurance, covering unemployment, old age, care of dependent and unemployable persons.

The lives of millions of our people are governed by the fear of losing their jobs. Economic security is today and will be for a long time to come our greatest national problem. Our belief that this problem would take care of itself has been rudely shattered by the bitter experiences of the past 5 years.

I believe every one realizes that we must now take positive action to provide a reasonable amount of economic security to those millions of our population who are, even in the best of times, always on the edge of want and destitution. Their wages are so low that even while they are fully employed, they are unable to make provision for unemployment through savings. They are always conscious of their complete lack of security. It has been established that in 1928 and 1929 at least 10,000,000 families, or over one-third of the total population, were living in poverty—many of them even below the minimum subsistence level. Those people had, and can have, no savings to see them through even a brief period of unemployment. Even were savings possible, however, it would still be highly unjust that they should be expected to bear the cost of unemployment for which they are themselves in no way responsible.

The need for security can be shown most clearly by the number of persons who are now on the rolls of the unemployed. In November 1934, more than 11,000,000 men and women were still looking for work. The figure for December will probably be even greater than that. This means that 31 percent of the total number of wage earners and small salaried workers in the United States were out of jobs in November—and this does not include from 1,000,000 to 2,000,000 additional workers who had emergency employment only. Great as these numbers are, they by no means represent the total number of wage earners who have suffered from unemployment during the past year. There is a constant changing of places between unemployed and employed.

That unemployment is by no means confined to periods of depression must also be remembered. Even in periods of prosperity, unemployment is the greatest hazard which the wage earner has to meet. In 1923, for example, when unemployment was at its lowest figure during the entire period of the twenties, over one and a half million were unemployed, representing 5.2 percent of the entire number of wage earners and salaried workers of the country. The Ohio Commission on Unemployment reported in 1932 that during 4 out of the 7 years from 1923 to 1929, the average number of unemployed in the

State represented more than 10 percent of the total number of wage earners and salaried workers in the State.

So far we have tried to meet this tremendous problem through relief only, and in the past 2 or 3 years relief has done much. But we see in continued dependence upon relief the gravest dangers to our wage-earning population. Relief must not be considered the solution of the problem of personal economic security and of national economic security. Relief must be a temporary and emergency measure, unless we wish so seriously to undermine morale that many men and women will never again be self-sustaining or self-respecting citizens.

In November 1934, over 19,000,000 persons were on the relief rolls. This represents more than 15 percent of the entire population of this country, dependent upon the Federal Government for aid. The Federal Emergency Relief Administration has estimated that of these 19,000,000 on relief, 5,500,000 are employable. We are justified in assuming from these figures and from our unemployment figures that there were unemployed in November 5,500,000 wage earners who were not yet on relief, representing probably an additional 20,000,000 people.

In November 1934 the Federal Government spent \$172,600,000 for relief, as compared with \$70,710,514 a year ago in the same month. Up to the present the Federal Government has made available for emergency relief purposes more than 2½ billion dollars, not including C. C. C. and P. W. A. funds or the amounts spent on drought relief and food surpluses.

The primary object of unemployment insurance is to secure the worker and his family against privation and suffering, and to help him preserve some standard of health and decency during unemployment, with as little harm to his self-respect as possible. The program of unemployment insurance we are considering now will not solve our present problems. It will become operative in 2 years' time, when we hope that more normal conditions will have returned. Our hopes and expectations in regard to the effects of any system of unemployment insurance we may adopt should not be too extravagant. We must not look upon it as a cure-all for all of our problems, nor as a method of bringing about complete stabilization of industry and of preventing all future depressions. No system of unemployment insurance, however comprehensive, could do this. We can hope and expect only that unemployment insurance will help to maintain wage levels and will exert some stabilizing effect upon our industrial system. We may hope also, I believe, that it will help in bringing about a more equitable distribution of income than we have had in the past or have at the present time.

Our primary concern now must be to secure the best possible plan in order to save ourselves the necessity of making sweeping and widespread changes later. It is wise now to initiate the type of plan which we wish to continue. To this end, we must use to the full the experience of other nations and of our own best-informed leaders and students in the field of social insurance.

There are certain portions of the bill now being considered which I wish very much to see amended. First, in title IV, which provides for a social-insurance board to act as the policy-making and administrative agency of the entire social-insurance program, I should like to see an amendment which would provide for labor representation

on the board. With such labor representation on the social-insurance board, the wage earners of the country will feel that their interests will be more adequately protected and this, in turn, will tend to insure confidence and satisfaction.

There has been much discussion in recent months of the relative values of the grant-in-aid or subsidy plan and the Wagner-Lewis plan, the one now being considered by the committee. Labor favors a national unemployment-insurance measure. Such a measure would establish fair and equalized competitive conditions, insofar as the costs and the benefits of unemployment insurance are concerned; it would establish a uniformity of standards which could be achieved in no other way. Since such a national measure apparently cannot be adopted under our Constitution, the grant-in-aid or subsidy plan comes closest to fulfilling the desires of labor. In addition, the grant-in-aid plan will lend itself readily to conversion into a national unemployment insurance system if the time comes when it is possible for us to adopt a national system.

The bill we are discussing today places primary responsibility upon the States, and permits each State to determine the type of unemployment insurance it will adopt. But our unemployment problem is not a State problem. Industries extend beyond the borders of States; they reach across whole sections of the country, and even across the entire continent. Labor in the United States is more mobile than in any other country in the world. It moves from State to State, from industry to industry. Capital, likewise, is fluid, and moves freely and easily from one State and from one section of the country to another. Industries shift readily. We have had evidence of this in the recent shift of the cotton-textile industry from New England to the South, and the removal of such industries as fur manufacturing, pocketbook making, and some of the clothing trades from the metropolitan area of New York to the rural districts of New York, Connecticut, and New Jersey. That shifting process is going on. In a society which is characterized, as is ours, by fluid capital, migratory industries, shifting labor markets, seasonal, technological, and cyclical forces, unemployment cannot be looked upon in any sense as a local, State, or even regional phenomenon, to be insured on any thing less than a national basis. The grant-in-aid plan recognizes the national nature of the unemployment problem and is in line with the needs of both industry and the workers. It recognizes that the States should not be required to serve purposes for which they are not fitted.

The grant-in-aid or subsidy plan of unemployment insurance can more adequately meet the needs of American industries and American workers than can the plan proposed by the present bill.

There is no reason why we should today go through a long period of experimentation in the States. We have the experience of other countries and the advice of our own students and experts to guide us. We do not want 48 different types of unemployment insurance. Wide variations in type of fund, in length of waiting period, in amount of benefits, and length of time during which benefits would be paid, would be highly objectionable and most unsatisfactory. These variations will give rise to great inequalities and injustices. The grant-in-aid or subsidy plan offers the most satisfactory basis for a permanent, national unemployment-insurance program. In addition, the grant-

in-aid plan increasingly assures deposit of the money in the Federal Reserve banks. There can be no pressure under that plan for the deposit of the funds in local banks. If the funds are cared for by the national Government, there will be less danger that they will be subjected to political misuse.

We ought to have higher and more uniform standards than we can secure under the proposed measure. Those uniform standards can be established only through the efforts of the Federal Government. The proposed bill fails, in fact, to establish any standards whatever for State laws.

I presume the theory upon which the bill rests, that is, the basis of the bill, is that the States shall be accorded the fullest and widest opportunity to enact unemployment-insurance measures.

It does not prohibit compulsory employee contributions; it does not fix the length of the waiting period; it does not establish the amount of benefits to be paid nor the time during which the payment of benefits shall continue. The subsidy plan would establish minimum standards, particularly in the basic features of the bill, and those minimum standards would be common to all the wage earners of the country. This plan need not prevent States from experimentation. Beyond the minimum standards, the States will be free to experiment in any way they may choose.

I may explain right at this point to the chairman and the members of the committee that this very vital question was considered, discussed, analyzed, and decided by the advisory council appointed by the President of the United States. That advisory council gave a great deal of time, thought, and attention to this particular subject and, after discussing the matter for quite a long time, a vote was taken and a majority of that committee recommended to the Cabinet committee the adoption of the grant-in-aid plan. I think the vote was 9 to 7, out of 16 members in attendance, so that a majority of the advisory council favored the subsidy plan or the grant-in-aid plan in preference to the credit plan as provided in the Wagner-Lewis bill.

Mr. REED. May we interrupt for just a question at this point, Mr. Chairman?

I should very much appreciate a definition of the grant-in-aid plan. We want to be sure about that. Just what do you mean, Mr. Green, by the grant-in-aid plan?

Mr. GREEN. The grant-in-aid plan is as follows:

The Government itself imposes a tax of 3, 4, or 5 percent upon the pay rolls in the different States. The money is paid into the Treasury of the United States and then out of the Treasury of the United States the Federal Government would subsidize the States, provided the States enacted an unemployment-insurance measure that contained the minimum standards established by the Congress of the United States.

Your bill provides a 3-percent tax to be levied, but instead of Uncle Sam collecting that tax, he gives credit to the employers in the States for such amount as they may show they have paid into an unemployment insurance fund.

The one plan brings the money to Uncle Sam first and Uncle Sam requires the State to make provision for meeting these minimum requirements so that they will be uniform in character and nature throughout the entire country, and when they meet those standards

then the Congress of the United States provides that the Government shall subsidize the State. That is the difference between the two.

There is every indication that there will be less question of the constitutionality of a law providing for the grant-in-aid or subsidy plan than there will be of the present bill, if it becomes law. Congress has power to levy a uniform tax on pay rolls. Congress also clearly has power to appropriate money as grants-in-aid to the States for such a public purpose as that of unemployment insurance, on the terms which Congress may establish, just as you have done in the matter of road building, when, during these years, you have subsidized the States for road-building purposes.

Federal grants-in-aid are an established part of our Federal-State relationships. There is nothing new in this plan, and it avoids experimentation which may be both dangerous and unconstitutional.

I want to make this point clear. Perhaps I did not make it clear when I was just explaining to you briefly the difference between the subsidy plan and the credit plan.

Under the credit plan, the State is given the widest opportunity to enact its own law. It can disregard standards that Congress might set. Under the operation of the law, the Federal Government would be required to give the employers in each State credit for the amount of the tax they paid, regardless of standards.

In the subsidy plan you set the standards. You say to them, "We give you the money when you measure up to our standards." That is the difference. It is just as you did in the road-building plan. The Federal Government said to the States, "We will give you so much per mile for road-building purposes, providing you build this road in accordance with Federal requirements and Federal standards."

The CHAIRMAN. Right at that point, let me understand you clearly. If you had these similar standards, why go to the States at all? Why not deal directly with the beneficiaries? If the State has no control over it, why give it to the State? Why not give it directly to the beneficiary?

Mr. GREEN. Because we have 48 sovereigns here. We cannot do it any other way. The States must enact the unemployment-insurance acts.

The CHAIRMAN. As I understand it, you would leave the State out, so far as setting up standards is concerned. The Federal Government would set up the standards.

Mr. GREEN. That is, minimum general standards; for instance, the waiting period; you can say that in every State law there must be a waiting period of 1 week, 2 weeks, or 4 weeks.

The CHAIRMAN. By a waiting period you mean a period of unemployment?

Mr. GREEN. Yes, before he is entitled to benefits.

The CHAIRMAN. That is what you mean by a waiting period?

Mr. GREEN. Yes. The person must be unemployed for a week or for 2 weeks or 3 weeks or 4 weeks before they get any benefits. But that ought to apply universally all over the country. You can also say that the amount of benefits shall be over 26 weeks in a year; that is the maximum. You can say that the minimum requirement must be that the unemployed shall be paid 50 percent of his

earnings for 26 weeks. To be fair, that ought to apply uniformly all through the country.

The CHAIRMAN. What do you mean by 50 percent of his earnings? You mean that if he was getting \$4 a day, he should get \$2 a day when unemployed?

Mr. GREEN. No. It means 50 percent of his weekly earnings, or not to exceed \$15 a week; that would mean 50 percent of the earnings in the South and 50 percent of the earnings in New York. For instance 50 percent of the earnings of the workers in New York would be greater, probably, than 50 percent of the earnings of the workers in the South, but it would be uniform in character. I am going to get to those recommendations in a few moments, Mr. Chairman.

The CHAIRMAN. Pardon me. I did not mean to interrupt your statement.

Mr. GREEN. I urge, then, that the grant-in-aid or subsidy plan be substituted for the present measure, and that the substitute bill provide for the Federal control of the unemployment insurance funds. In addition, I strongly recommend and urge that standards be written into the bill to be met by any State which secures a grant in aid from the Federal fund. The specific minimum standards which should be included in the Federal unemployment insurance laws are, in my judgment, as follows:

I. Employee contributions should not be required or permitted in any State. There are many reasons why organized labor opposes compulsory employee contribution to unemployment funds. The primary reason is that wages are so low for the vast majority of wage earners that they simply will not permit even very small contributions to such funds. Employee contributions would literally have to come out of the bread and butter of the wage earners. How can workers be asked to reduce their expenditures for living still further, in order to finance insurance against a hazard for which they are in no way responsible, and toward the elimination of which they can do nothing? The cost of unemployment is a legitimate charge in the cost of production. Unemployment is just as much an accompaniment of our present system of production as is any other overhead cost which employers meet.

A second reason why we oppose compulsory employee contribution is that contributions for unemployment insurance paid by employers are ultimately passed on to the consumers, while the contributions of the workers must come out of their net earnings, and cannot be shifted in any way. The workers, who are themselves the principal consumers, will ultimately, therefore, pay a portion, at least, of the contribution of the employer.

It would be unfair to ask the worker to make a double contribution, a contribution out of his wage earnings, out of his pay, and then a contribution as a consumer, because he will be paying the employer's cost then. That is what you would do if you compelled him to make contributions. We know that the cost of workmen's compensation insurance is passed on to the consumer. We know that this pay-roll tax will be passed on to the consumer, and if we make these joint contributions, we will have this contradictory position of the employer paying nothing, passing it all on to the consumer, while the employee will be paying out of his own pay envelop and, in addition, as a consumer.

Workers have borne the entire cost of unemployment in the past. They will continue to bear at least 50 percent of the cost, when they receive only 50 percent of their wages while they are unemployed.

Mr. KNUTSON. Have you any plan in mind that would enable us to raise this money, whereby it would not be necessary to pass the cost on to the consumer?

Mr. GREEN. There is only one other way, and I do not believe Congress is ready to do that. That is, you would have to raise it through a heavy income tax, or a heavy increase in the income-tax payments in the higher brackets, inheritance taxes, and, perhaps, even increase the income taxes still further. I know of no other way you can do it without calling upon the consumer to pay it.

I am proceeding upon the assumption that Congress is not ready to go that far at this time, because it would be such a departure from the policy followed by the older nations, where unemployment insurance has been applied for lo, these many years.

We are following the precedents set in England, in Germany, and in the Balkan States, as well as in Italy, where they have experimented with unemployment insurance for lo these many years! It is based upon the pay roll levy.

I might say, in all fairness, that in England the worker is required to make a contribution, but we think that is unjust; it is not fair. It got started wrong, and the worker has never been able to get out from under that burden. We want to get started right here, and have it in the American way.

Mr. REED. In England and in Germany, in each of those countries, as the fund was depleted, they called more and more on the employees to contribute from wages; is that not true?

Mr. GREEN. No.

Mr. REED. I think that was true in Germany.

Mr. GREEN. No. As the funds are depleted, they appropriate out of Government funds, because they are supplemented by relief measures.

Mr. REED. Was not that the case in Germany?

Mr. GREEN. They may have done that in Germany. I am not clear about that.

Mr. REED. I am sure of that, because I looked it up.

Mr. GREEN. You may be right on that. I will look it up myself. I am not sure about it.

In addition, they will pay indirectly for unemployment insurance through decreases in wages which many employers will institute; or through the failure to receive increases in wages which they might otherwise receive. Since old age is not caused by the employer or the system of production which this country has established, it is only just that the employee should bear a portion of the expense of that insurance.

I agree that the beneficiaries of old-age pensions should make contribution along with industry toward the old-age pension fund.

This is an additional reason why he cannot be charged also for a portion of the cost of unemployment insurance. His wages simply are not equal to the payment of contributions to the two funds. It is my urgent request that any unemployment insurance measure enacted into law contain a stipulation that State laws must provide that the entire contribution shall come from the employer.



That is one minimum standard we should like to have incorporated in the Federal act.

II. The Federal tax on pay rolls which is provided in the present measure is entirely inadequate and should be increased in order that the waiting period may be shortened and the benefit increased, both in amount and in the time during which benefits are paid. Under no circumstances should conditions such as those contained in subsections (a), (b), (c), and (d), of title VI be given a place in any measure adopted. Such conditions are vague and unsound and would prevent effective operation of any plan which might become law.

I signed the report of the minority of the Advisory Council on Economic Security, on the question of the amount of the pay-roll tax which should be levied for the purpose of financing the unemployment insurance program. The standards which are possible under the 3-percent pay-roll tax are so totally inadequate that we should refuse to endorse them. The 3-percent tax is recommended on the understanding that it would establish a 4 weeks' waiting period before payment of benefits began; second, that benefit for not more than 15 weeks at 50 percent of the normal wage (but in no case more than \$15) could be paid; third, that after those 15 weeks, except for long-time employees, nothing more could be paid.

To increase the benefits, I recommend that the tax on pay rolls be increased to 5 percent. Unless we extend the time for which benefits run considerably beyond 15 weeks, we cannot hope to make benefits cover the time which experience has shown men and women seek work before they find it. The technical staff of the Committee on Economic Security made calculations on the duration of unemployment from tables prepared by the committee's actuaries. The results showed that even in times of prosperity 54 percent of the unemployed wage earners would fall outside the period provided, during which benefits could be paid under a 3-percent tax; 26 percent of these would find work within the long waiting period of 4 weeks, and 28 percent would be out of work more than 15 weeks. In times of depression or extended unemployment, as high as 80 percent of the unemployed wage earners would fall outside the benefit period, while in average times 60 percent would be outside.

Actual studies of the duration of unemployment bear out these statistical estimates. A study made by the Bureau of Labor Statistics covering unemployment in Philadelphia in April 1931 showed that the average person who was unemployed in that month had been out of work for 37 weeks. An unemployment survey in Buffalo, in November 1933, showed that in 1929, 19.3 percent of the unemployed studied had been out of work 20 weeks or more; in 1933 this percentage of men out of work 20 weeks or more had increased to 76.3, while 68.2 percent of the group had been out of work for over a year. In 1928 a field survey was made for the Senate Committee on Labor, under the direction of Dr. Isador Lubin. Even during a time as prosperous as 1928, 42 percent of those who had secured jobs and 55 percent of those who had not, at the time they were interviewed, had been unemployed for more than 4 months.

I therefore recommend that the bill provide for a period of benefits longer than the 15 weeks made possible by the 3 percent tax. I see no reason why, in the richest country in the world, a worker who qualifies under our system and whose savings are undoubtedly ex-

hausted, should find himself forced to depend upon public relief at the end of 14 or 15 weeks of unemployment compensation. This period of benefit payments is pitifully inadequate. If the bill is amended to provide for a 5-percent tax on pay rolls instead of the 3-percent tax now written into the bill, the benefit period could be extended to not less than 26 weeks in any 1 year. We should then be offering economic security to the wage earners of this country which would have real significance. These figures are taken from estimates made by the Committee on Economic Security, based on the experience of 1922-30. Even based on the experience of 1922-33, when a major depression is included, a 5-percent tax would permit 19 weeks' benefit, with a 2 weeks' waiting period, at half the normal wages, up to \$15 per week.

I object particularly also to the unreasonably long waiting period of 4 weeks which is made necessary by the 3-percent tax. The British system provides for a waiting period of 6 days. That is a period sufficient for registration and any investigation which may be considered necessary before payment of benefits begin. Wage earners have at best very slender reserves of savings. A period of 4 weeks of waiting must mean only that those savings are exhausted before unemployment insurance begins. I see no reason why this should be. I recommend that such employment-insurance measure as may be enacted into law by the Congress of the United States shall prescribe a waiting period not to exceed 1 week.

May I quote the conclusions reached by those members of the Advisory Council on Economic Security who signed the minority report on the amount of pay-roll tax provided by the bill, as it regards another test of the adequacy of the present bill.

Mr. LEWIS. May I inquire if the minority report is published?

Mr. GREEN. I am not sure, Congressman, whether it is published or not.

Mr. DINGELL. Is it available?

Mr. GREEN. Yes.

Mr. DINGELL. May I ask that it be included in the record? Can you supply it?

Mr. GREEN. Yes; it can be secured, I think, from the Secretary of Labor. All reports, both the majority and minority, upon all questions, were filed with the Department of Labor.

Mr. VINSON. Today is the first time that I have heard anything about a minority report. It occurs to me that that minority report should follow, in the permanent hearings, the majority report. I am at a loss to understand why we were not told by those who have been presenting this matter that there was a minority report. The fact is, of course, that those who have appeared were signatories to the majority report.

Mr. GREEN. I would like to clear up that matter. Perhaps you are laboring under a misapprehension. I am referring to a report of the Advisory Council appointed by the President. That Council was appointed by the President for the purpose of advising the Committee on Economic Security. It was not the Committee, it was not a part of the Committee, but it was the Advisory Council; and the Advisory Council, of course, differed widely and took votes on those measures and reported the results of their votes to the full Committee. That is what I have in mind.

The CHAIRMAN. It occurs to the Chair that unless both reports are made a part of the record, it would be unfair to put either one of them in.

Mr. GREEN. The reports are all available, I presume. The report of the Advisory Council is available and can be submitted for the benefit of the record.

Mr. LEWIS. Majority and minority.

Mr. GREEN. All reports—yes—are available for the benefit of the record, I know.

Mr. KNUTSON. I assume that they are rather voluminous.

Mr. GREEN. No; I think not. I am not sure, however.

The CHAIRMAN. The committee can determine later what it desires to do with those.

Mr. GREEN. I am quoting from the minority report of this advisory Council on the question of the pay-roll tax. This minority favored a 5-percent tax [reading:]

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 basis. 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, 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 favorably 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 United States of America) 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.

The British system of unemployment insurance has now been in effect for 24 years. I believe that their experience should be used by us in every way possible. If England has been able to maintain all through the post-war depression a coverage such as it has maintained—and which it is even now liberalizing—surely the United States cannot be content with the meager coverage proposed by the present bill. Since no benefits are to be paid under the unemployment-insurance system until 1938, by which time recovery is taken for granted, it would seem that we cannot offer to our wage earners less, in those times of recovery, than England has been able to maintain during depression.

III. I recommend that neither company reserves nor industry reserves shall be permitted, but that the bill shall provide for State pooled funds only. In regard to the danger of individual company or industry reserves I cannot be too emphatic. Such reserves will be of benefit only to those employers whose risks are low, and will be taken advantage of only by those employers. Plant, company, or industry unemployment reserves are not unemployment insurance. I am of the opinion that the States should be given a certain freedom in the choice of the plan which they adopt, but I am of the conviction that there must be limits of choice fixed by the Federal Government, and that those limits of choice fixed by the Federal Government must not include plant or industry reserves.

That is another standard that the Federal Government can set up if Congress agrees to it, that the State law must provide for the pool plan. That would be a requisite in order to be entitled to a subsidy from the Federal Government.

If we leave it to the States, we will have some States with a pool fund, we will have other States with reserve plant funds, and it will be just like our workmen's compensation laws, hit and miss, here and there, with the worker going from one State to another being subjected in one State to a plant reserve and to a pool fund in another. But if Congress sets up the standards which should be uniform in their application, you will find that each State will respond and incorporate in its unemployment-insurance law these simple standards:

First, a waiting period of a week. You put that in.

Second, you establish the pool-reserve fund.

Third, you provide for a limit of 26 weeks.

These are simple standards. They can be set up by the Congress in the bill in order to make the States eligible to receive a subsidy out of the Federal Treasury.

Mr. DINGELL. And now is the best time to establish this?

Mr. GREEN. Right now, when we are starting.

Mr. LEWIS. With respect to the pool by a State; under the British system all of the funds are pooled for all of the trades; there is but one national fund. Is that a correct statement?

Mr. GREEN. I think so. But we have 48 sovereignties here, you know, which makes it a little difficult.

Mr. LEWIS. But they do not distinguish even between the trades in Great Britain.

Mr. GREEN. That is correct.

We have seen company reserves tried as a method of unemployment insurance. There is no reason why experimentation should go so far as to try again something which has not, and of its very nature cannot, prove satisfactory. This plan lacks the first and most important principle of insurance—namely, the distribution of risk and burden. The withdrawal of the "better" employers and industries from the State-pooled funds would seriously weaken the State funds and endanger the employees who are working for the companies left in the pool.

There is a serious menace to organized labor in the individual company reserve. Employers who are strongly opposed to the free and independent organization of trade unions will be able to use their company or industry reserve as a weapon in their fight against unionization of their employees. They might offer slightly higher benefits, or pay benefits for a little longer period, upon the understanding that their employees remained unorganized; they could use their unemployment reserves around which to build a company union, and thus prevent the growth of bona fide trade unions. Speaking for the American Federation of Labor and the millions of workers who are members of that Federation, I protest most emphatically against any provision which permits a State to set up unemployment reserves on the basis of company or of industry.

IV. I further recommend that any unemployment-insurance law adopted shall provide that benefits shall in no case be less than 50 percent of the normal wage, with payments up to at least \$15 per week.

That is a standard that can be set in the Federal act. If you do not establish in the Federal act a requirement that the States must conform to, you will find that many States where our liberal forces are not strong, where social-minded people perhaps are not so numerous, where they do not possess a social conscience, they will adopt an unemployment-insurance measure that will provide for the payment of the most meager sums and those liberal forces in the State will be unable to prevent it. But if the Federal act says that the benefits must be 50 percent of the earnings of the wage earner, not to exceed \$15 a week, and if you must put that in your law in order to secure subsidy from the Federal Government, the State legislature will put it in. That is the only way by which you will be able to get uniformity.

I do not consider a maximum benefit of \$15 a week satisfactory, particularly to the higher-paid workers who have established high standards of living. I should much prefer a maximum of \$25 per week, and I should also like to see a minimum fixed below which unemployment benefits could not go. I would like to see it bottomed, that you could not go beyond a certain point. But I realize that in an initial unemployment-insurance law we cannot have all of the conditions we shall ultimately expect and demand in such a law.

So that my opinion is that we will have to wait until we pass through this beginning, this preliminary stage, this purely experimental stage, and then, perhaps, we can build beyond that so that greater economic justice will be done.

Mr. HILL. Just what do you mean by that, Mr. Green? Wait for what? You say you do not expect anything now. Just what do you have in mind?

Mr. GREEN. I think I explained part of it. I think that we have built up American standards for wage earners here that are so high that it would be difficult for a worker, having established such standards, if he became idle, to live on \$15 a week. I should like to see the unemployment benefits built up so that he could at least approximate his living standards and maintain them. That is what I have in mind.

It is more important, in the beginning, that the period of the payment of benefits be extended and that the waiting period be cut down to one week, than that weekly payments shall be increased to the amount we shall reach in the future.

The question of a reinsurance fund has been given much attention in the discussions of the past few months. Different industries and States are subject to varying degrees of unemployment. In November 1934 the building trades, for example, reported 69.6 percent of unemployment; the service trades, 28.9 percent; mining, 35.9 percent; manufacturing, 29.8 percent; and trade, 19.9 percent, with agriculture 3.7 percent. This wide divergence in the amount of unemployment in different industries is one of the most difficult problems which must be met in any system of unemployment insurance. Some States, because of the nature of their industry, will carry much heavier burdens than others. Whether a Federal reinsurance fund is the solution of these problems, I cannot say. I recommend, however, that an investigation and study be made of reinsurance, in an attempt to determine whether this is the method by which to arrive at the creation of a broad, guaranteed, and well administered unemployment insurance system.

Mr. Chairman, I shall have to pause. I have taken more time than I should, at the moment.

The CHAIRMAN. Have you completed your main statement?

Mr. GREEN. On unemployment insurance. I have not referred to old-age security as yet.

The CHAIRMAN. Do you desire to be heard on those provisions?

Mr. GREEN. Either that or I shall be glad to submit my statement in the record for your consideration.

The CHAIRMAN. Would it be convenient for you to return for questioning by the committee at some future time?

Mr. GREEN. I shall be glad to. I merely make this statement in conclusion, that I know there are friends of unemployment insurance, those who believe, like me, in a social-security plan, who will differ, perhaps, upon the question of employer and employee contribution. They are honest in their difference.

Some of them believe the employee should contribute in order to make him an interested party. That never appealed to me; others for other reasons.

I have tried to present to you the American Federation of Labor point of view. We feel that the employee does contribute. He contributes through a loss of earnings for a week or four weeks during the waiting period. In addition to that, you introduce an element of injustice into a plan that requires him to pay out of his net earnings and also pay part of the employer's contribution.

I thank you very much for the privilege of coming, Mr. Chairman and gentlemen.

The CHAIRMAN. We thank you for your appearance and the statement you have made to the committee. You can arrange at your convenience to appear at a future date.

Mr. GREEN. I shall try to come later in the week, if that is agreeable to the committee. I have a lot of engagements.

The CHAIRMAN. That can be arranged.

Mr. GREEN. I will have Mr. McGrady keep in touch with your committee, and will come at your convenience.

Thank you very much.

The CHAIRMAN. The next witness is William Leiserson, chairman of the Railroad Mediation Board.

Mr. Leiserson, will you come forward, give your name and address and the role in which you appear, for the record?

#### **STATEMENT OF WILLIAM M. LEISERSON, CHAIRMAN NATIONAL MEDIATION BOARD**

Mr. KNUTSON. Where are you from, Mr. Leiserson?

Mr. LEISERSON. From Ohio. I was formerly chairman of the Ohio Commission on Unemployment Insurance, appointed by Governor White in 1931 and reporting to the legislature the so-called "Ohio Plan of Unemployment Insurance" in 1932.

I want to address myself only to the unemployment-insurance part of this legislation.

I acted in the technical board, working with this President's Committee on Economic Security. But I worked only on the unemployment-insurance part of the legislation and not on the other parts of the legislation.