

Any further tendency of governmental agencies to impose upon private industry taxes, restrictions, and regulations which are not to be equally binding on governmental agencies if and when they compete with private industry, will only serve to further depress industry and seriously retard national recovery.

We are apprehensive as to the result of the broad enabling provision of section 407, title V. It would appear that the various States coming under the act might create reserves in the form of a pool for each industry. General contractors in a State where the act applied, would contribute to the construction industry pool in the form of a State unemployment insurance tax. State, county, and municipal agencies engaged in construction utilizing the day-labor method would not so contribute to the pool. Private investors in construction then would bear the entire tax contribution for the construction reserve pool, which would in times of stress inure to the benefit of not only construction workers whose employers had paid the tax, but also to those construction workers employed by the tax-exempt governmental agencies.

It must be borne in mind that it has been estimated that approximately 87 percent of the unemployed of all industries who have been put to work have been injected into the construction industry in competition with regular trained and experienced construction workers. If reserves are set up in each State, one for each industry, we recommend that in order to provide for fair and equitable distribution of unemployment benefits, the construction industry be permitted to clearly define its own workers. The construction industry should be required to build up unemployment reserve funds only for the benefit of its own employees so defined.

The failure of a governmental agency to make contributions to a construction industry pool when it engages in the construction industry would make the contribution requirements of the private employer engaged in construction so high as to place a completely unfair penalty on all the private investors in construction.

(2) Another point that we herewith wish to present is the *case* of the so-called "transients" or "interstate" construction worker. He is a man who moves over the country, obtaining work wherever he can. It is not clear in our mind just how the proposed unemployment compensation funds will be disbursed on his behalf. May we recommend that the bill provide some means whereby the Federal Government will take the responsibility for providing unemployment benefits to an employee in the construction industry who may have worked a sufficient length of time to entitle him to such benefits, but whose employment has been within several States. Such a function by the Federal Government would render a most valuable service to both the States and such transient workers.

The **CHAIRMAN**. The next witness is J. F. Kolb, representing the National Metal Trades Association.

**STATEMENT OF J. F. KOLB, DIRECTOR OF INDUSTRIAL RELATIONS
NATIONAL METAL TRADES ASSOCIATION, CHICAGO, ILL.**

Mr. **KOLB**. Mr. Chairman and gentlemen of the committee, I represent somewhat over 900 manufacturers of metal products of the United States in our association.

With your permission I will read what I have to say, because I suspect that some of the members may want to question me.

I approach the discussion of the Wagner bill, S. 1130, before this committee with an appreciation of the gravity of the policies involved and their impracticability which we believe would work a great injury and hardship on employers and employees. We believe the economic results of the operation of its policies would be impractical and therefore very undesirable.

The wide-spread sympathetic interest in the matter of unemployment and consequent loss of income by workmen and their dependents should not be used as a criteria or propaganda for securing unsound social legislation, which perhaps would not only fail to secure anticipated advantages, but would introduce detrimental economic factors.

We believe that the continued use of the expression "unemployment insurance" is a vicious one, largely fomented by people interested in having the State project itself into the problem, the assumption of which would mean only a dole when the money reserves give out thus supplying the lazy a vehicle to secure a release from work with adequate support supplied by industrious employers and employees.

Our association has been engaged in a study of social security for several years including the laws, their applications and results, obtained in England and Germany.

We find upon summing up the arguments and facts concerning State unemployment insurance, that as an insurance plan all calculations have broken down. A fundamental principle of actuarial science is that insurance must be effected on a mathematical basis. The risk of unemployment is not subject to mathematical measurement with sufficient accuracy to permit the use of insurance methods of indemnification.

The association believes that theories proposed by the advocates of State unemployment insurance and other types of social insurance are unsound and that some undesirable situations will be sure to develop if these proposals are made compulsory through congressional and legislative action.

The association believes that the proposed measures for Federal or State social insurance plans are unwise, and that if enacted they will retard, rather than advance, the welfare of our people as a whole. The time required for accumulating reserves for financing unemployment benefits completely eliminates the possibility of providing such benefits for those now unemployed. Further the necessities required by those now unemployed must be provided by private or public relief agencies. A permanent cure can be effected only by removing one by one the underlying causes of fluctuating employment, and by assisting the honest and thrifty American workman in financing himself through periods of temporary unemployment. Recognizing the above as fundamental, the employer, the employee, and their representatives in government should unite on a common ground and reject all proposals which restrict these privileges.

The committee's study of the experience in England and Germany—

Senator KING (interposing). What committee?

Mr. KOLB. Our committee of the association.

The committee's study of the experience in England and Germany with unemployment compensation helped them and no doubt will help you to more correctly interpret and evaluate proposals of similar ideas for adoption by legislative bodies in this country.

The experiences of these two countries indicate that they could not resist the urge to liberalize their plan and in each case were prevailed upon to increase the rate of benefit several times, and subsequently have been unable to stop payments of benefits undertaken. In other words, instead of stopping benefits at the end of the weeks suggested by the plan, they have been continued indefinitely as long as there was unemployment. The experiences of these countries have indicated the unemployed cannot easily be induced to seek work since the unemployment benefits or dole have furnished adequate support and tends to develop chronic loafers.

The introduction of unemployment compensation plans in other countries has been accompanied by the development of most other forms of social security programs such as old-age pension, health, invalidity, mother pensions, and so forth. Therefore, the cost of the whole program must be considered to help you more adequately appreciate the possible total cost to industry rather than any one part of the program because if unemployment compensation laws are enacted such legislation will be followed immediately by others until the whole program of social security will become legally a financial burden on industry.

Social-insurance expenditures have reached peaks of 15 percent of pay rolls in Germany and 13 percent of pay rolls in England and a probable cost for similar services in this country was estimated at 17 percent of pay rolls by a select committee of the United States Senate submitted in 1932. In England over a period of 7 years, approximately 50 percent of the workers have not received benefits from their unemployment-benefit plans. In other words, they paid into it all the time and did not take anything out.

SENATOR CONNALLY. Was this because they continued to be employed?

MR. KOLB. Yes.

SENATOR CONNALLY. They are better off that they did not draw anything.

MR. KOLB. I grant that.

To continue: In England over a period of 7 years, approximately 50 percent of the workers have not received benefits from their unemployment-benefit plans, another 35 percent less than one-tenth of the time, while the remaining 15 to 25 percent are on the dole a large portion of the time. Other interesting facts secured from this study indicate that a great majority of British industry with 7,800,000 workers were distinctly profitable to the fund, 7 industries with 2,700,000 workers were only slightly unprofitable, and 6 industries with less than 2,000,000 workers were highly unprofitable to the fund, drawing out \$48,665,000 more than they had paid in.

The additional financial burden placed on industry by this proposal even if entirely paid by employers in the first instance becomes either an addition to the cost of labor, thus increasing the price of goods, or must become a deduction from the pay envelopes of the employees.

SENATOR KING. If I understand those figures, that would mean that in Great Britain certain industries were so efficiently operated or were

so lucky, to use the expression of one of the witnesses, Dr. Epstein, as that they had substantially uniform employment and they had to bear the burden of those industries where they did not have uniform employment, and were not so lucky in their operations.

Mr. KOLB. That is true.

Senator KING. If all of them had been as economically administered or were as lucky in the class of work which they were doing, then the amount of tax imposed would have been very much less than that which in the aggregate was collected.

Mr. KOLB. Unquestionably. Therefore, in either case, the workers must pay the bill.

Senator KING. The worker or the public?

Mr. KOLB. The worker and the public, in general of course; but after all this bill contemplates taxing practically everybody, therefore it is the worker who will pay the bill.

If this bill should become a law and results were obtained similar to English experience approximately 80 percent of our workmen would be compelled to support the remaining 20 percent in idleness, which is obviously very unfair.

Since this bill does not require direct employee contributions for the unemployment compensation they are denied an incentive to assist in reducing unemployment and its costs.

This bill is very unfair in that it does not provide for tax reductions for good employment experience, which again suggests possible duplication of English and German experience.

Section 602 E is very undesirable because it introduces controversial matters and will cause workmen to look upon the receipt of doles as a constitutional right rather than as an emergency privilege. Assured that their income will continue even at half of normal, many workmen welcome an extended vacation. They are not worried or disturbed at their loss of work, and not only refuse to search for new jobs but decline to accept jobs with lower rates of pay than they have usually received.

Under N. R. A. we have found that a number of people receiving doles or benefits of one type or another have refused to accept employment that paid more merely because they were afraid they would be removed from the dole in the community.

These people are unwilling to shift into occupation less skilled or lower paid or to go into other localities, but simply sit down and wait for "good times." Initiative is undermined, and the will to work is sapped.

All of this tends to destroy individual initiative and to slow down and hamper, if not actually to prevent, the economic readjustments during periods of business depression which are necessary to restore prosperity.

Because of inequitable conditions imposed by Federal-State compensation plan if applied generally to industry, our association believes it would penalize employers or industries maintaining relatively stable employment and would not induce industries having unstable employment to avoid seeking means of stabilizing employment to reduce possible unemployment costs.

The adoption of the program contemplated by the Economic Security Act will eventually increase unemployment by further impairing the purchasing power of the consumer. The increased

burdens placed upon productive enterprise by such a program must, unless industry is to be completely prostrated, be passed on to the consumer.

Haste in enacting legislation of this character is unnecessary. It is universally recognized that social legislation of this character cannot offer any immediate help in alleviating unemployment. While the proponents of this program frankly admit that it is experimental, it should be recognized that State legislation which the program contemplates will no doubt be permanent, notwithstanding the fact that the experiment may reveal the principle involved in the Economic Security Act and State legislation enacted pursuant thereto is unsound.

The adoption of this program at this time would impose a serious and indefensible tax burden on private enterprise at a time when productive industry is already so overburdened with taxation that opportunities for employment are now seriously impaired.

This measure is an unwarranted attempt to use the taxing power of the Federal Government to coerce States into the passage of legislation on a subject which lies outside of the constitutional powers of Congress.

We believe State-operated compulsory unemployment-compensation plans and old-age pensions with State pooled funds are unsound because such plans will probably:

1. Tend to aggravate the disparity between prices of agriculture and manufactured products.
2. Impair confidence in public finance.
3. Penalize employers who have created irrevocable trust funds for establishing voluntary unemployment or old-age reserve funds.

Senator KING. What do you think will be done to those organizations that have those trust funds?

Mr. KOLB. They would lose those funds unless such legislation or enactment of Congress permitted Congress to pay it back from the trust companies that have those funds in their keeping. In many cases they have taken that out of profit and put it into these funds for the benefit of employees, and tied it up irrevocably in order to eliminate the possibility of anyone saying they were controlling the fund.

Senator CONNALLY. Could that not be corrected very easily? Could they not utilize the income from that to take the place of what they are forced to pay or reimbursing the heirs of the person making the claim with interest?

Mr. KOLB. Those plans that I am familiar with are so tied up that the company putting the funds under the trustee agreement have no right to any portion of the fund or earnings therefrom.

Senator CONNALLY. But in the law, where the purpose of the trust fails for any reason, there is a doctrine-I can't remember the name of it just at the moment-what is that, Senator King?

Senator KING. The doctrine of cy pres.

Senator CONNALLY. Yes; the doctrine of cy pres.

Mr. KOLB. That is a question I am not prepared to answer.

Senator KING. I do not think, Senator Connally, that where it has been impressed with trust features of a fiduciary character it could be thrown into a national fund.

Senator CONNALLY. Perhaps not.

Senator KING. Or a State fund to be divided among all of the unemployed.

Senator CONNALLY. But our laws and Constitution do not make impossibilities and absurdities, and the fact that they have made such an agreement under certain State laws or under any set of circumstances would not mean that they had to be consigned to it under other circumstances. Courts of equity have the power to settle those matters. That is not an insuperable objection to this legislation at all. You could go into a court of equity and modify the conditions of the trust or refund it to the donors.

Mr. KOLB. That might be possible, Senator.

4. Place additional administrative cost on the employer to comply with provisions of the law.

5. Induce legislation to satisfy demands for increased income, extended coverage, and longer periods of protection.

6. Increase materially Government expenditures for administrative purposes.

7. Result in increased cost of production.

8. Reduce individual real wage.

9. Benefit certain groups of workmen at the expense of others.

10. Give State officials authority to decide whether an employer is offering a workman suitable work at a proper wage.

11. Place the cost for the support of the shiftless and unemployable upon the thrifty and industrious.

Senator CONNALLY. It would not do that with the unemployed because the unemployed would not have had a job and could not have lost it.

Mr. KOLB. Experience in these other countries seems to indicate that there is a large portion of the people that will remain unemployed. As a matter of fact, when their acts were established and starting working, they found that their unemployed increased materially, and it is anticipated that we will have the same thing here.

Senator CONNALLY. I can see that, but the unemployable, the man that is not able to work, would not work and would not lose the job. It would be the part-time man more than the man without a job.

Mr. KOLB. Not necessarily. You see, some men, perhaps because of afflictions or technological change in industry become superannuated, and for those employees, they would not be employable in one sense whereas physically they would be able to carry on if it were possible to find suitable employment. A lot of conditions inject themselves that affect that problem materially. Our associations' conclusions briefly stated include:

1. We are actively opposed to enactment of Federal controlled State-operated unemployment insurance or old-age compensation laws.

2. We recommend that the President appoint a commission to coordinate Federal, State, and local studies in the field of social security to determine possible need before legislation is attempted.

I hinted a while ago that there is no haste in doing this job, and we fear that hasty action on this matter, which I do not expect you gentlemen to take, no hasty action, is apt to introduce complications that are going to be very embarrassing to industry.

3. State control of unemployment compensation should never be permitted to go beyond general supervisory responsibility.

4. Company-operated unemployment compensation plans present opportunities for successful operation and employers should be permitted to continue to develop their own plans which would be contributory with individual employee deposits to improve rather than destroy employer-employee relations and yet keep the plan within sane limits.

In connection with that one thought, I have another here in my notebook which I would like to add. Under these voluntary plans there would be a large loss to employers. That would be largely because they could not be coordinated with a plan such as is suggested by this measure.

Second, there would be a cancelation of accrued credit due employees, and that would seriously affect the morale of employees; in other words they would lose that money.

Another thought that might be injected there, hinted at a moment ago, is the killing of the incentive to save for old-age purposes, and that is true for generations in this country. Men have built up an equity of one kind or another either in real estate, bonds, or cash for the purpose of taking care of themselves in old age. If we killed that incentive, it will prevent or largely eliminate men building up a sufficient reserve to take care of themselves in the event superannuation hits them earlier than they had anticipated. In other words, we fear this will have a tendency to induce them not to lay up or accumulate for their old age a sufficient amount to take care of them in the event superannuation hits them before age 65, and that is happening right along.

Senator COUZENS. What would you do with a man who has lost all of his money in the banks and stock market and things like that?

Mr. KOLB. I lost darn near all I had that way, and I have not been able to answer that question to my satisfaction.

Senator COUZENS. No one has destroyed thrift any more than business itself has through high-pressure salesmanship in installment sales, and as long as the greed that was behind that drive existed, there was no incentive for thrift. If it reestablishes itself, you will never have thrift.

Mr. KOLB. I hope it won't reestablish itself.

Senator BLACK. Do you think the incentive you speak of for thrift has been a howling success?

Mr. KOLB. I think it has.

Senator BLACK. What percentage of the people would you say now can live on that which they have saved from their work?

Mr. KOLB. I cannot give you that percentage. I can give you a general statement about it. America is the one country in all the world that is considered the home-owning country. More people in this country own their own homes than any other country on earth.

Senator BLACK. How many of them would own them now if it hadn't, been for the Home Owners' Loan Corporation?

Mr. KOLB. A very large proportion of them.

Senator CONNALLY. Does that include France?

Mr. KOLB. It includes all countries.

Senator CONNALLY. You say that the United States has a larger percentage of home owners than any other country?

Mr. KOLB. I think that is true.

Senator CONNALLY. I was led to believe that France has one of the highest percentages. I understand that 60 percent of the French farmers own their own farms, and that is a larger percentage than obtains in America.

Mr. KOLB. I am not certain of that figure.

Senator BLACK. What company are you connected with?

Mr. KOLB. National Metal Trades Association.

Senator BLACK. How many employees do they have?

Mr. KOLB. I cannot give you the number of employees because that has fluctuated so violently during this depression.

Senator BLACK. Do you believe that as many as 10 percent of them have been able by reason of this incentive that we have been depending upon to save up so as to take care of themselves throughout the period?

Mr. KOLB. Yes; there is no question about that.

Senator BLACK. You think so? Have you read the figures given out by the insurance companies who have had a study of that made, of the individuals who found themselves helpless and destitute at 65?

Mr. KOLB. Yes, sir.

Senator BLACK. That does not indicate that it has been very successful?

Mr. KOLB. But this particular depression we have had has been of a very unusual character.

Senator BLACK. This was before the depression started. These figures have come out—insurance salesmen have given them to you, haven't they?

Mr. KOLB. Oh, yes, but salesmen give you a lot of things to induce buying.

Senator BLACK. I agree with that, but you know, do you not, that they made a study over the entire Nation in order to find out what percentage the people had been able to save from what they had made?

Mr. KOLB. Yes.

Senator BLACK. And you do know, do you not, Mr. Kolb, as a matter of observation to anybody that ever made a study of it, that depending on the individual's own wages in this country and farm prices, it has failed insofar as giving people enough to live on if concerned after they reach the age of 65 or after they get out of work?

Mr. KOLB. Well, as a matter of fact, the oncoming generation usually takes care of those who reach age 65.

Senator BLACK. That gets down to a different proposition. Your idea was that we ought to continue to depend altogether on individual thrift. It has not succeeded, has it?

Mr. KOLB. I believe it has.

Senator BLACK. Your judgment is that the 20 million people out of work now, and with the Home Owners' Loan Corporation trying to save homes by the billions of dollars, the Federal land banks trying to save farms by the billions of dollars, and with the farmers' debts up to the extent that they hold twice as much as their gross annual income, that it has been a great success?

Mr. KOLB. I believe it has in general. This has been an unusual period and I think that even the best of us have lost practically everything during this period, and it could not have been headed off under any conditions.

Senator BLACK. Those individuals were not responsible for that, were they?

Mr. KOLB. No; individuals were not responsible because this was world-wide.

Senator BLACK. Under the theory of our system, we are supposed to have those panics and depressions at least once or twice every 10 years.

Mr. KOLB. Something like that.

Senator BLACK. Then the idea is for a man to be thrifty and save up enough so that in 5 years it is gone?

Mr. KOLB. Most of the employees that we have to do with do not lose all of it in that length of time. This period of depression has been a very unusual one and has put remarkable strain on everyone.

Senator BLACK. Each one lasts longer than the one before, does it not?

Mr. KOLB. Yes. But in the event that your social security act had been in effect, it would not have been able to have dealt with this problem in any effective manner in any way at all, because first it would only run for a few weeks and then stop.

Senator BLACK. That is unemployment insurance.

Mr. KOLB. Yes. Of course your old-age matter would run indefinitely for those of a certain age, but in the large portion of the people affected during this particular, this depression al period, they have been of all ages. Here in Washington, due to a recent survey they found that 40 percent of the people unemployed are under 25, I believe. The next point is this superannuation which will include a relatively large number which would not be covered by either part of the act.

Senator BLACK. Then if I get your idea, or the idea of your association, it is this: That the system which has operated is depending altogether on individual thrift that has been a success?

Mr. KOLB. It has.

Senator BLACK. And therefore you want to continue with the same old system of depending upon the individual thrift to save up enough to take care of his sickness, to take care of his illness, to take care of his accidents, to take care of his family in case of death, to take care of himself in case of old age, and take care of himself if he is unemployed.

Mr. KOLB. That is right. We believe if you eliminate the incentive to save, it will destroy one of the best values in American life.

Senator BLACK. And you believe it has been thoroughly successful?

Mr. KOLB. I believe it has.

Senator CONNALLY. Of course it would be bad to destroy entirely the incentive to save. But would this necessarily do this? Would not the great mass of people now thrifty and wanting to save, would they not still have the same impulse to save and not be forced to accept semicharity, you might say, in the form of old-age pensions, or if they did, to have something over and above what they would get from old-age pensions; and is not also true that thrift and all that pertains to it among certain classes of our people, people who are efficient and who have that inbred in them, and that millions of our people live from hand to mouth? Even in the higher brackets, we have men who make large salaries and by the end of the month they have it all spent. Isn't that true?

Mr. KOLB. Yes; that is true. It is difficult to express in terms of percentages those n-e believe who might be able to continue operating as we have in the past and satisfy the questions set up by the other Senator.

Senator CONNALLY. The fact that I am going to get when I am 65 a little hand-out is a little deterrent from saving, but it would not wholly dcs troy the incentive. You say that it would wholly destroy it ; I do not believe it would wholly destroy it.

The CHAIRMAN. You perhaps used too strong an expression in that regard.

Mr. KOLB. Yes.

. The CHAIRMAN. Have you finished your statement?

Mr. KOLB. The concluding statement is: Therefore, Mr. Chairman and members of the committee, we urge you as a matter of promoting national and individual well-being to report this bill unfavorably.

Senator CONNALLY. You represent the National Metal Trades Association?

Mr. KOLB. Yes, sir.

Senator CONNALLY. What kinds of concerns are members of that?

Mr. KOLB. Large and small manufacturing companies, manufacturing metal products, from the Mississippi River east to the Atlantic seaboard and from the chain of lakes on the north to the Mason-Dixon line.

Senator CONNALLY. Would the United States Steel Corporation be one of them?

Mr. KOLB. They are not one. There are several of the large employers who consider themselves self-sufficient in matters with which we deal.

Senator CONNALLY. And they do not belong to your association?

Mr. KOLB. That is correct.

Senator CONNALLY. How many of those concerns-you say you have 900 of them-how many of them now have unemployment systems?

Mr. KOLB. I cannot give you a definite statement about that. Several of them do have, and quite a number of them have old-age-pension plans that have been inaugurated. Some of them have sizable sums tied up that they will not be able to recover except by court process.

Senator CONNALLY. Do you believe the establishment of those funds would eliminate thrift?

Mr. KOLB. As far as these corporations are concerned, they will continue to do what they did before. They are following up their little bit, and without regard to the others.

Senator CONNALLY. I think the employees should contribute in this bill. Then you would be in a way encouraging thrift.

Mr. KOLB. I believe in that. If the employee is to participate by contributing, he will try and conserve the fund and eventually will be the recipient of a larger measure of benefit's,

The CHAIRMAN. Thank you, Mr. Kolb. The nest witness is Stanley Latshaw, of the National Publishers Association.