

# ECONOMIC SECURITY ACT

MONDAY, JANUARY 28, 1935

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.

The committee met, pursuant to call, at 10:10 a. m., in the Finance Committee Room, Senate Office Building, Senator Pat Harrison, chairman, presiding.

Present: Senators Harrison (&airman), King, Walsh, Connally, Gore, Costigan, Bailey, Clark, Byrd, Black, Gerry, Guffey, Couzens, Metcalf, Hastings, and Capper.

The **CHAIRMAN**. The committee will come to order. The witness this morning is Mr. William Green, president of the American Federation of Labor.

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

The **CHAIRMAN**. In your own way, Mr. Green, you can present your views with reference to Senate bill 1130.

Mr. **GREEN**. Mr. Chairman and members of the committee: I assure you that I am pleased with the opportunity to present to you the viewpoint of labor regarding the proposed social-security legislation.

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 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 estimated 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.

To refer to the service of the trade unions, the service which the trade unions have rendered in the organized labor's attempt to extend temporary relief during these years of unemployment, the report to the last convention of the American Federation of Labor which was held in San Francisco last October, showed that members of organized

labor have contributed out of their earnings more than \$60,000,000 during the year for unemployment relief, sickness and out-of-work benefits. Some of our trade unions are struggling in an effort to care for their unemployed members, and as a result are contributing a very large percentage of their own earnings for the purpose of taking care of the unemployed.

Senator **CLARK**. Do you mean that this figure which you have mentioned was contributed by the organizations or through the organizations?

Mr. **GREEN**. By the labor organizations, over \$60,000,000 in 1 year.

Senator **COSTIGAN**. I assume that you prefer work to relief, even at increased cost to the Federal Treasury?

Mr. **GREEN**. I beg your pardon?

Senator **COSTIGAN**. I assume that you prefer work to relief in a monetary sense even at increased cost to the Federal Treasury?

Mr. **GREEN**. Oh, yes; yes, indeed. Work first. Relief only when work cannot be supplied.

Senator **COUZENS**. Do you mind if I ask you a question now?

Mr. **GREEN**. No, sir; at any time.

Senator **COUZENS**. In your study on this unemployment situation and during your conventions, have you given any consideration to the great excess capacity of labor in such districts as the coal mines and copper mines, and so forth?

Mr. **GREEN**. That is a problem that we have given special attention to.

Senator **COUZENS**. Have you reached any solution of it?

Mr. **GREEN**. Only this, that we have recommended a reduction of the hours of labor so that we could spread the amount of work available among more people. The other problem of excess labor in coal mining and in other lines is a problem that in our opinion must be approached in a careful way because of the independent nature of the coal miner, which makes it very difficult to persuade him to shift and leave and go to other places.

Senator **COUZENS**. Can you conceive how this so-called "\$4,000,000,000 work program" is going to give work in the mining districts and the copper districts to the excess amount of labor?

Mr. **GREEN**. I could not answer that question at the moment, Senator, because I have not gone into it, but the facts are that in road building and perhaps in reforestation, in grade crossings—that is, the elimination of grade crossings—and public works of that kind, the miners will be drawn from their homes and in their localities into public works if the work is accorded them.

I have found that a very large number of miners have left the mines and gone into the rubber-manufacturing industries, and into automobiles.

Senator **COUZENS**. Have you any figures as to how many have been taken out of those fields?

Mr. **GREEN**. No; except that in Illinois, whereas in 1917 to 1923 there were practically 80,000 miners employed in that State, there are less than 50,000 now. In Ohio the proportion runs about in the same way.

The reduction in the number employed has been very great. They have been absorbed in some other lines of industry, and as I say, I have found a great many of them have found work in automobiles, and a number in rubber, borne in textiles and other places.

Senator COUZENS. The assertion which is quite frequently made that these miners will not leave their localities is not quite true then?

Mr. GREEN. It is difficult to prevail upon them to do it, but economic pressure forces them out, and they just simply have to go in some instances, and as a result of it, they have gone in large numbers.

Senator KING. There has been a great deal of competition, has there not, especially in the bituminous mines; that is, that there were too many mines for the consumption of the coal that had to be produced?

Mr. GREEN. You see, there are two things. The coal-mining industry is over-developed; and, secondly, they have mechanized the mines, and that has displaced a large number of miners.

Senator COUZENS. Have you any information as to how many men have been put out of work through the mechanization of the mines?

Mr. GREEN. I could not tell you what percentage of these, say, 30,000 or more in Illinois have been displaced by machinery, but a very large number of them, Senator, have been displaced through mechanization.

Senator COUZENS. Your organization being so largely spread out over the Nation, do you not keep any figures or statistics \*with relation to that?

Mr. GREEN. No; we have none and I do not think the Government has either.

Senator COUZENS. Don't you think somebody should?

Mr. GREEN. Yes; it is important. We ought to assemble figures on it, but we just have not because it is rather difficult.

Senator KING. May I ask you a question there? To what extent, if at all, has the advent of women so generally into a.11 or into many lines of business and industrial activities contributed to the displacement of men?

Mr. GREEN. I could not answer that question either, Senator, because we have not any figures on it.

Senator COUZENS. Do you have women that are members of your organization?

Mr. GREEN. Yes, sir; thousands of them, in textile, garment making, clerical work, office workers, and so forth.

Senator KING. Even school teachers?

Mr. GREEN. Even school teachers, yes; and actresses, too. We have some temperamental actresses, too.

Senator COUZENS. They should keep you on your toes then.

Mr. GREEN. Yes; they keep us on our toes.

Senator COUZENS. What is your total membership now, Mr. Green?

Mr. GREEN. Our total membership is between five and six million paid up. That does not represent our total membership because we have to carry a lot of them now. When people are unemployed they cannot pay their dues.

Senator COUZENS. What percentage of them is made up of women, do you know?

Mr. GREEN. Of those 6,000,000?

Senator COUZENS. Yes.

Mr. GREEN. Senator, I could not answer that question because we have never attempted to find that out. That is another thing we ought to do.

Senator COUZENS. It seems to me the American Federation of Labor is not very up-to-date then on that.

Mr. **GREEN**. Well, we have so many things to do, Senator, and it is expensive. That is the trouble.

Senator **KING**. Coming back to that question, and I am doing it only because in the past 3 or 4 days a number of men have called to see me who were engaged in manual labor or had been, and some who had been engaged as stenographers and clerks and typists, and so on, and they contended that in the consideration of this and other legislation there ought to be some repressive measures dealing with woman labor supplanting men, much the same as what Mr. Hitler has done in Germany. Of course to me the proposition is absurd, but I was just wondering to what, extent if you are able to state that the advent of women into clerical work, stenographic work, and so on, as well as in other lines of activity, has supplanted men?

Mr. **GREEN**. There are certain fields of work, particularly in office work and clerical work of that kind, which we regard as a special field suited for women workers. The American Federation of Labor has never taken a position against women workers.

Senator **KING**. Of course not.

Mr. **GREEN**. What we have endeavored to do is to endeavor to provide minimum rates of pay and to protect them regarding employment and hours of labor, and so forth, but we realize that women must work and we are living in an age when opportunities must be accorded to women to work.

Senator **COUZENS**. I understand that the railroad brotherhoods are not affiliated with you; are they?

Mr. **GREEN**. Four. But there are about 17 railroad organizations affiliated with us; that is, the shopcrafts and mechanics, and so on. The locomotive engineers, the brotherhood of locomotive firemen, the railway conductors and the trainmen are not affiliated with the American Federation of Labor.

Senator **CLARK**. I am going to ask one question in connection with your remark a moment ago about the mechanization of certain industries. This bill contains a provision for a tax on what might be called "pay roll", or a "pay-roll tax." Does not the pay-roll tax as distinguished from a tax on gross business have a tendency to increase mechanization, to encourage mechanization, and the elimination of man power?

Mr. **GREEN**. No; I do not think so, Senator. I do not think it would operate that way.

Senator **CLARK**. In other words, it seemed to me that if you put a tax on pay roll, which is a pay roll for manpower, that encourages the manufacturer or the industrialist to mechanize these industries as far as he can, to diminish his pay roll and accomplish the same result in some other way. On the other hand, if you put the tax on the gross business, while I recognize that there is a certain inequality in a tax like that, it does not have that effect on mechanization, it seems to me.

Mr. **GREEN**. On the other hand, if employers are going to continually displace workers, then they will have to be prepared to pay more out of their earnings to take care of those displaced. They have to increase the tax; that is all.

Senator **COUZENS**. That is not desirable, is it, because that just leaves more men idle?

Mr. **GREEN**. No; that is not desirable. What we want to do is to create work opportunities for people to work.

Senator COUZENS. Yes; but Senator Clark has raised a very inter-tax question will not drive the industries to greater mechanizations and reduced pay rolls.

GREEN. it will work that way, because the more idle people there are, the greater will be the cost of unemployed insurance.

Senator COUZENS. Yes; but these fellows are usually pretty good mathematicians. They might figure that it would be less for the pay-roll tax than to give them work, and I am wondering if you have

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instead of on the pay rolls.

Mr. GREEN. I have tax be increased above what is proposed in this bill.

Senator COSTIGAN. President Green, I have no desire to interrupt you at this moment, but will you at some time, whether personally or by way of a statement in the record, indicate how the statistics of unemployment for the American Federation of Labor are compiled?

Mr. GREEN. Yes. I will; I will be glad to do that. I will have that statement prepared for the record at the earliest possible date, Senator. (Mr. Green subsequently submitted the following article.)

[Reprinted from the American Federationist, October 1933]

#### HOW MANY ARE UNEMPLOYED

In the months since March 1933 we have made headway against the rising tide of unemployment, small though the gains are when compared to the 11,001,000 still out of work in August.

When the census was taken in April 1930, 3,187,647 men and women were out of work—either temporarily on lay-off or entirely without jobs. In the next 3 years unemployment rose almost steadily; all efforts to check it were futile. Only twice was the rise stopped for as much as 2 months (spring of 1931 and fall of 1932) and even then less than 800,000 jobs were temporarily created, only to be swept away again before the half year was out. From January 1930 to January 1931 unemployment rose by 3,944,000; by January 1932, 3,037,000 more had joined the jobless army and by January 1933 another 2,903,000. At the high tide of unemployment in March this year, 13,689,000 were out of work.

Even to have checked this tide, which was destroying human life, engulfing business, is an achievement which puts hope into the hearts of us all. Though we have made but a small beginning in putting men back to work, at least for 4 months (April through July) unemployment has declined and 2,052,000 men and women have gone back to work. From March to July 1933, unemployment fell from 13,689,000 to 11,781,000.<sup>1</sup>

The industries where workers have suffered most from unemployment are building, railroads, factories and mines. Of those employed in 1929,<sup>2</sup> by March 1933, 75 percent had lost their jobs in building, 44 percent in factories,<sup>3</sup> 45 percent on railroads and 44 percent in mines. In trade and utilities, losses were not quite as severe, varying from 23 to 30 percent of the 1929 employment. Counting the number laid off (instead of percentage), manufacturing industries are responsible for the largest number unemployed since they normally employ over 8,000,000. In factories from 1929 to March 1933, 3,711,000 wage earners and 437,000 salaried workers lost their jobs, a total of 4,148,000; in building, 1,571,000; trade, 1,268,000; railroads, 748,000; mines, 452,500.

Closer examination of these figures<sup>4</sup> shows that the worst unemployment has been in the basic and "producer" industries, such as building, metals, and machinery, railroads, and mines. The recovery on the other hand has been in consumer industries—shoes, cotton goods, etc., trade. Manufacturing industries

<sup>1</sup> For figures for August and September see the Trade Union Unemployment Report, pp. 852, 965. Although over 2,000,000 have gone back to work, unemployment has declined by only 1,908,000 because the number seeking gainful work has increased by 144,000 since March.

<sup>2</sup> Average for year.

<sup>3</sup> Wage earners only.

<sup>4</sup> See Federationist, May 1933, p. 517.

have taken back 1,094,000 wage earners (to July) chiefly in the industries producing consumer goods; retail trade has reemployed 100,000. On the other hand, building has given only 140,000 new jobs, railroads only 71,000, and mines have not increased employment, at all (this is normally their dull season). By percentages, factories have reemployed 13 of the 44 they laid off, retail stores 3 of their 29, building only 7 of its 75.5. Clearly American workers will not all get back to work until the basic industries pick up. And to accomplish this, American business men must have enough confidence in the future earning power of industry to invest their money in building and new machinery. Buying power of the workers means earning power for industry.

Outside of industry and trade, other groups of workers have been affected by unemployment. At least 200,000 professional workers—engineers, architects, musicians, actors, and others—have lost their positions; nearly 200,000 Government workers have been laid off since April 1930, 161,000 in State, city, and county government and 33,000 in the Federal Government. Since 1932, 20,000 teachers have lost their positions, and the number of teachers employed is back at the 1930 level. Young men and women graduating from colleges and professional schools have been unable to find work; and boys and girls from school and high school who are of working age and need work to help their families could find nothing. From April 1930, the census month, to July 1933, the increase in persons seeking work, for whom no jobs existed, has been about 1,368,000.

Even in farming communities, city unemployment has had its effects. Young people, who would normally leave their fathers farms to find work in the city, have stayed on the farm, and hundreds of people without work in cities have gone back to the land to live with relatives. Many a farmer has had family workers to help him when before he needed hired help, and many more have had so little income from their crops that they could not pay hired labor. Thus, about 600,000 more family workers were on our farms in April 1933 (compared to April 1930), but farmers were employing about 637,000 fewer hired laborers. There were also many working for farmers without pay who were not relatives—unemployed men who had begged food and lodging in return for their work; also hundreds of families have moved to the country to occupy any deserted house or shack they could find. Farm communities report every available house filled and shacks long deserted are now a refuge for some family-sometimes more than one family—who are gardening to raise their food. We have no way of counting the persons who are now trying to eke out a living in this way.

The tables below give the American Federation of Labor estimate of unemployment each month since 1929 and are followed by an explanation of our methods of calculation.

TABLE 1.— *Unemployment, estimate of total number out of work in the United States*

	1930	1931	1932	1933
January.....	3,216,000	7,160,000	10,197,000	13,100,000
February.....	3,565,000	7,345,000	10,485,000	13,294,000
March.....	3,543,000	7,098,000	10,739,000	13,689,000
April.....	3,188,000	6,739,000	10,990,000	13,256,000
May.....	3,090,000	6,750,000	11,470,000	12,896,000
June.....	3,250,000	6,841,000	11,853,000	12,204,000
July.....	3,714,000	7,198,000	12,300,000	11,781,000
August.....	4,101,000	7,357,000	12,344,000	-----
September.....	4,150,000	7,303,000	11,767,000	-----
October.....	4,639,000	7,778,000	11,586,000	-----
November.....	5,364,000	8,699,000	12,008,000	-----
December.....	5,541,000	8,908,000	12,124,000	-----

† These figures are all in percents of 1929 average employment.

TABLE 2.—*Employment, estimate of total number at work in, the United States*

	1930	1931	1932	1933
January.....	45,090,000	41,624,000	38,985,000	36,486,000
February.....	44,780,000	41,474,000	38,731,000	36,328,000
March.....	44,844,000	41,756,000	38,513,000	35,968,000
April.....	45,245,000	42,149,000	38,296,000	36,437,000
May.....	45,387,000	42,173,000	37,850,000	36,833,000
June.....	45,268,000	42,117,000	37,500,000	37,561,000
July.....	44,844,000	41,793,000	37,085,000	38,020,000
August.....	44,496,000	41,666,000	37,073,000	-----
September.....	44,488,000	41,753,000	37,684,000	-----
October.....	44,038,000	41,310,000	37,898,000	-----
November.....	43,250,000	40,419,000	37,510,000	-----
December.....	43,208,000	40,241,000	37,428,000	-----

## METHOD OF ESTIMATING UNEMPLOYMENT

The principle followed in constructing the unemployment estimate is this:

Find the number at work and the number out of work in a base period (April 1930)<sup>6</sup> by United States Government censuses, and carry the figures forward by the Government employment indexes. The Government census of manufacturers, trade, mines, etc., and the census of occupations give the base figures and the unemployment census gives the number out of work.

Labor Department indices and figures give monthly records of employment in: Manufacturing, mining, trade, utilities (street cars and busses, telephone and telegraph, electric power), service industries (hotels, laundries, dry cleaning) and building construction. Monthly figures for other occupations come from: Railroads, Interstate Commerce Commission; Farm labor, Department of Agriculture figures for hired labor on farms; Federal Government employees, United States Civil Service Commission; armed forces, United States Army, Navy, Marines, and Coast Guard; Federal and State road construction, Bureau of Public Roads, Department of Agriculture. Yearly figures are secured for certain groups where no monthly figures exist: Farmers and family workers on farms, farm population figures, Department of Agriculture; teachers, National Education Association; professional workers, from different professional organizations; local and State government employees, reports from local and State governments,

TABLE 3.—*Employment by industry*

	1929	April 1930	March 1933	July 1933
Total.....	-----	45,244,830	35,968,231	38,019,551
Agriculture:				
Farmers.....	-----	5,995,682	6,000,000	6,000,000
Family workers.....	-----	1,659,792	2,221,000	2,275,000
Hired labor.....	-----	2,579,196	1,933,187	2,062,104
Mining:				
Coal:				
Anthracite.....	150,293	126,396	82,060	65,828
Bituminous.....	476,876	450,171	322,368	301,386
Metal.....	118,177	105,532	35,453	38,998
Oil.....	183,681	159,435	103,779	109,290
Quarries and nonmining.....	103,502	90,461	36,329	51,233
Construction:				
Building.....	2,091,413	1,794,432	520,762	660,887
Roads.....	200,000	182,800	279,213	332,277
Manufacturing:				
Wage earners.....	8,470,062	7,789,826	4,759,378	5,852,891
Salaried workers.....	1,328,801	1,352,719	891,625	956,737
Railroads: Steam.....	1,669,774	1,555,692	921,448	992,279
Trade:				
Wholesale.....	1,605,042	1,561,706	1,173,286	1,234,277
Retail.....	2,925,537	2,846,548	2,088,833	2,182,451
Utilities:				
Street railroad and bus.....	301,934	287,441	210,749	209,542
Telephone and telegraph.....	544,125	538,140	398,300	372,726
Electric light and power.....	257,259	259,060	197,832	199,376

<sup>6</sup> See "Other Details", p. 1083.

TABLE 3.—*Employment by industry*—Continued

	1929	April 1930	March 1933	July 1933
Service:				
Hotels.....	313,950	314,264	227,300	237,346
Laundries.....	255,151	217,834	186,260	194,680
Dry cleaning.....	68,392	68,816	48,695	56,697
Management.....		3,406,216	3,406,216	3,406,216
Professionals:				
Teachers.....		1,039,500	1,039,500	1,039,500
Others.....		1,031,991	849,000	832,000
Public service:				
Federal.....		598,559	566,986	565,432
Local and State.....		1,104,000	967,000	943,000
Armed forces.....		246,771	238,291	229,901
All others.....		7,851,800	6,263,381	6,617,497

When all these indicators have been applied there still remains a group about which we do not have enough information to apply separate indexes. This group numbered 7,851,800 in April 1930, and included chiefly the service industries—automobile garages, and filling stations, restaurants, barber shops and beauty parlors, domestic servants; also radio broadcasting, motion picture theaters, street transportation (taxis and trucks), clerical workers in banks, insurance and real estate, semiprofessionals, social workers, trained nurses, those working on their own account, and others. It is assumed that employment in these trades varies about as that of all the other trades combined. Therefore, an index is made for total employment in all the known industries and applied to this group. In making this index, farm labor is left out because of its seasonal variations, and retail trade is adjusted for its extra employment in the Christmas season.

One other group, management, is considered as unchanging for want of better information. While a number of managers and proprietors have been thrown out of work by business failures, many persons have also supported themselves by starting in business on their own account—however small their beginning—and by securing management positions in newly opened firms.

Thus the monthly unemployment estimate is based on Government figures<sup>7</sup> representing 75 percent of those gainfully occupied in April 1930; one group, 8 percent of all, is carried as constant; and the “unknown” group, estimated by the general index, is 17 percent of all.

Increase in those seeking gainful employment: This is combined from two sources: (1) Monthly Labor Department reports on immigration, showing the number of working men and women entering and leaving the country; (2) birth and death records, taking births of 16 years ago to give those coming of working age, minus deaths of the current year, and taking 39.8 percent of this figure since this is the normal percentage of the population seeking gainful employment.

The number out of work each month is then found thus: Total number seeking gainful employment minus total number at work equals total number unemployed.

Groups not accounted for: About a number of groups so little is known that no attempt is made to account for them in the estimate. They fall under the following heads:

Counted as employed: (1) Teachers who are teaching school but not being paid; we know that in many States, rural communities and even cities have not been able to pay their teachers, but the teachers have kept on at their work. (2) Those living with relatives on farms; they have food and shelter but are not earning enough to provide other essentials.

We have no way of estimating the number of persons who have been living on investments and since depression have been forced to look for work. No account whatever is taken of this group.

Counted as unemployed: (1) Those who are given food and shelter on farms (although not relatives of the farmer) and who give what help they can in return; (2) many unemployed are able to find temporary work bringing in intermittently a small income, some have found work outside the reported industries, many have gone to the country to occupy deserted shacks and raise their food. We have no way of estimating their number.

Those in forestry camps and those on work-relief rolls in cities are not counted as employed, since they are not in permanent earning positions. Therefore they fall into the unemployed group.

<sup>7</sup> Figures from professional organizations for professionals.

## OTHER DETAILS

Sources of base figures: Manufacturing, Census of Manufacturers 1929, omitting railroad-repair shops since they are included under railroads (wage earners and salaried workers treated separately as described below); mines, Census of Mines for coal, metal, nonmetallic mines and quarries (including wage and salaried workers, but not principal salaried workers "or central administrative office employees"); trade, wholesale and retail, Census of Distribution, omitting restaurants and automobile agencies, filling stations, and garages, since these groups are not proportionately covered in the monthly trade indexes; hotels, Census of Hotels; laundries and dry cleaning plants, Census of Manufactures; railroads, Interstate Commerce Commission figures for class I railroads omitting executives, but including switching and terminal companies; Federal Government employees, United States Civil Service Commission; local government, reports from local governments; armed forces, reports from Army, Navy, Marines, and Coast Guard; Federal and State highways, figure for 1929 estimated from Bureau of Public Roads reports. Base figures for all other groups are from the Census of Gainful Workers by Occupation and Industry for April 1930, brought back to 1929 by their respective index numbers: Farmers, family labor on farms, hired farm labor, oil mining, building construction, telephone and telegraph, electric power, teachers, other professionals. Base figures for street cars are from the Census of Occupations, and for motor busses from the National Association of Motor Bus Operators. The management group is the sum of all owners, operators and proprietors, managers and officials in all industries as shown in the Census of Occupation by Industry. The figure for workers in each industry taken from the Census of Occupations includes all wage and salaried workers and omits all management groups (as above) except in building, where salaried workers, apprentices, and technicians are also omitted. The total number gainfully occupied is also from the Census of Gainful Workers by Occupation and Industry; the total number unemployed, from the Census of Unemployment.

Finding the number at work: The number at work in industries for which an industrial census exists (manufactures, mines, etc.) is, of course, the number given as "employees" or "wage-earners" and "salaried workers" in 1929 (average for the year). But in industries taken from the Census of Occupations the figure for "gainful workers" shows all those attached to the industry in April 1930 whether they were at work or not. Therefore, in industries where figures from the Census of Occupations are used, the number at work is the number reported as "gainfully occupied" minus those unemployed. Those considered as unemployed include the unemployment classes A (without jobs), B (on lay off), C (unemployed and unable to work), one-half D (having jobs but idle because of sickness), E (unemployed and not looking for work). When these groups have been subtracted, the remainder is the number at work in April 1930. In industries where a monthly index on 1929 base is to be used, these figures are carried back to the 1929 average by applying the employment index for the industry. Where indexes are not used, as for Federal Government workers, no 1929 base is necessary.

This method applies also to the total figure for the country as a whole. Thus in April 1930, the total number gainfully occupied as reported by the census was 48,829,920; the number unemployed, classes A and B, 3,187,647; classes C,  $\frac{1}{2}$ D and E, 397,443; the total number at work was 45,244,830. For the country as a whole April 1930 is taken as base.

Applying the monthly indexes: The monthly indexes applied to the 1929 base give the number at work in the current month. Where monthly indicators do not exist and yearly figures are used, the yearly change is spread over the 12-month period, making a small change each month. During the period before the yearly figure is available, employment is carried as constant except in cases where available information shows that a small monthly change would be more accurate.

Salaried workers in manufacturing: No index exists to report monthly employment for this important group. The State of Wisconsin, however, publishes a figure showing monthly changes in employment of salaried workers in factories. Since this figure is the best indicator we have yet secured, employment of salaried workers in factories is assumed to vary according to this figure.

Farmers and farm labor: Careful study has been made of employment on farms and information secured from the United States Department of Agriculture. Unfortunately adequate statistical data do not exist to give an accurate account of monthly employment on farms, but the situation can be pictured in general from monthly reports on the number of hired laborers per farm and yearly reports on

farm population (Department of Agriculture). After careful consideration we conclude as follows: From April 1930 to April 1933, the number of farmers has not changed appreciably, but family labor on farms has increased and hired labor decreased as, noted above.

Seasonal changes in employment of hired labor on farms are very large; from the month of lowest employment (January or February) to the peak of the harvest season (July or September) employment may vary by more than 1,100,000. Most of these jobs, however, are filled by labor from the farm community and only a small portion given work to unemployed city workers. Farmers' sons go out to work on neighboring farms, or farm labor is furnished by men living in farm communities and doing other work in winter, or by migratory workers who travel from crop to crop. Farmers' sons are counted in our estimate as family workers on farms and are not considered unemployed when they come home after the summer's work. Among workers from farm communities and migratory workers, some unemployment probably exists in the wintertime. Also, in the summer season, some employment on farms is unquestionably furnished for city workers. After careful consideration we have adjusted the figure for hired workers on farms as follows, future adjustment's being subject to change if better information becomes available: From April through the summer season, 30 percent of the increase in jobs (shown by the Department of Agriculture figure on hired labor per farm) is assumed to furnish work for the unemployed. The summer seasonal work is over by November; the figures for April and November are used without adjustment. From November to January it is assumed that 20 percent of the workers laid off are unemployed; but in the winters of 1930 and 1931 permanent layoffs were heavier and unemployment was 25 and 35 percent, respectively. From January through March about 10 percent of the hiring shown by the crude index furnishes jobs to the unemployed,

**Mr. GREEN.** 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 \$172,000,000 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.

**Senator BAILEY.** Suppose this normal condition should not return, what would be the situation?

**Mr. GREEN.** Suppose it should not return?

**Senator BAILEY.** Yes.

**Mr. GREEN.** I just hate to reconcile myself to such a situation as that.

**Senator BAILEY.** I do, too.

**Mr. GREEN.** I am very apprehensive if this condition continues for that length of time.

Senator **BAILEY**. I am too. But just imagine that we spend money and exhaust the credit of the Government and these conditions then exist, what would be the consequences?

Mr. **GREEN**. I cannot of course predict what the consequences will be, but the burden will be increased tremendously—the burden of caring for the unemployed.

Senator **BAILEY**. If our credit should in the meantime be exhausted, we could not meet the obligation.

Mr. **GREEN**. Well, Senator, we cannot conceive of a situation of that kind, because our country is rich in resources, and for social and economic reasons we have to meet it. That is the answer I could make to that, but it seems to me that this condition cannot continue indefinitely. It is so abnormal and so unusual.

Senator **BAILEY**. So you really anticipate a considerable degree of recovery within 2 years? You predicate your views on that?

Mr. **GREEN**. Yes, I am optimistic; I am hopeful. I surely believe that within 2 years there will be economic improvement.

Senator **BAILEY**. But up to date we have more people on relief than we have had heretofore, according to your statement. Certainly, not less.

Mr. **GREEN**. More; I think the figures show more. But you must understand that people have had some savings up to a few years ago, their savings are being exhausted, and of course it will be more and more now.

Senator **CLARK**. That does not negative the proposition that there has been an improvement in conditions. In other words, people who have been able to stay off of relief by their own limited resources, are forced now to go on relief.

Senator **BAILEY**. Is not this the situation, that a certain number of people who are unemployed, have resources which they have exhausted? That increases the number of people who are not dependent, but they have been relieved by this Government credit, and as we tend to exhaust the Government credit, we exhaust the back line of resource, the last resources. Is that not what we have got to look to?

Mr. **GREEN**. Senator, I have to repeat that it seems to me that the resources of our own Government are almost inexhaustible.

Senator **BAILEY**. The resources may be, but the credit that the Government has is what I am speaking of; the definite available resources.

Mr. **GREEN**. I am not inclined to take quite as pessimistic a view of the situation as you seem to take, Senator. I am optimistic. I am looking for the bright side of it, and I think we are coming out of it, and when that time comes we will have to meet it if it comes, as you say.

Senator **BAILEY**. Should we not maintain ourselves so far as we may, in a position to meet that possibility, because it is a possibility?

Mr. **GREEN**. Why, yes; certainly. That is one of the purposes of this measure, I think, to try and establish buying power, a sustaining power that will help tide us over this terrible condition.

Senator **BAILEY**. Then I want one more question and I will cease. Do you think the measures of recovery now on foot are sufficient to justify a real anticipation that in 2 years conditions will be much better under the operation of the recovery measures now on foot?

Mr. **GREEN**. I do not know that they are all-sufficient, but they are bound to be helpful and they will serve, I think, an excellent public service in helping us out. That is my opinion.

Senator **KING**. Mr. Green! I am going to ask you, with the permission of my colleagues, to give some thought to a suggestion I am about to make, and then later, if you care to, to give a reply. What do you think as to the proposition that whatever relief shall be given now, this four billion or whatever sum it shall be, it shall be given to some organization such as the R. I. C. or some supplemental organization consisting of men that **have** vision and know something about industry, about what industries might be worked at a profit, and furnish a vast amount of labor, such money to stimulate private enterprise and profit opportunities., such as the N. R. A. is presumed to do with the \$300,000,000 which they have, rather than these so-called "public works" ; in other words, would it not serve a useful purpose, a better purpose, to appropriate this \$4,000,000,000—\$4,880,000,000, and reduce it some to an organization such as the R. I. C., with limitations, as well as with authority to make loans for business or development of business, for expansion of business, which would furnish work to the people rather than to expend it in a haphazard way for so-called "strips of trees" across the continent, and highways, and so on, when we have got more roads now than perhaps we need in many places? I wish you would think that over, if that would not be a better plan than this haphazard-and I do not use the word critically-expenditure of money, such as has been made in a way through the C. C. C., the P. W. A., and so on. Place it in the hands of an organization with courage, breadth, and vision, to loan it to individuals for the development of opportunities and the furnishing of work. I do not ask for any opinion now; just think it over. I would be very glad to get your opinion.

Mr. **GREEN**. I will try and answer that. I would rather see a public-works program than this payment of direct relief. I think every thinking person would agree to that, that it is better that a man should earn his money than to have it given to him, and when you take into consideration the size of the Nation and also the number of unemployed, the number who are totally dependent, you will realize that after all a \$4,000,000,000 works program is not so large. If that amount of money can be expended in the development of a constructive public-work program, and that amount of money distributed among the workers so they can spend it, it will have an electrifying effect, in my judgment! upon industry, and it will help the morale of our people. They will be earning money rather than be the recipients of relief. That is bad-to continue that policy.

Senator **COUZENS**. So long as we have gotten off the security bill for a moment, may we have your opinion as to the intermediate&age which is suggested for that public-works program on these public works?

Mr. **GREEN**. My opinion is that the wage paid ought to be the prevailing rate of wage in every community. I do not believe these men should be required to work for less money than those employed in that community; for two reasons: First, if the Government sets a standard or a rate lower than paid in private industry, it will drag down the standards in private industry. That is an economic fact that we cannot get around.

Secondly, why should a worker, because he is dependent, be required to accept, a lower rate of wage for his service than he would if he were not dependent and were in fact independent, and could secure employment? The objection offered that if the rate of pay paid on Government work is the same as that paid in private industry, that the workers will leave private industry and go into Government employment, can be overcome by putting the workers on a shorter work-day and a shorter work-week, so that their net daily earnings or their net weekly earnings might be less than the earnings in private industry?

Senator COUZENS. You mean to put them on a shorter period in the public works?

Mr. GREEN. Yes, and that will serve two purposes--it will distribute public work among more people and overcome the objection offered.

Senator COUZENS. So, that in the aggregate those working for the Government in public works will get less than they get in private industry?

Mr. GREEN. They might, but the same wage standards would be maintained.

Senator COUZENS. But in the aggregate they would get less per week?

Mr. GREEN. Yes.

Senator COSTIGAN. YOU strongly disapprove of such an arbitrary figure as \$50 per month?

Mr. GREEN. Absolutely. I should protest vigorously against that.

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. For instance, no system of unemployment insurance could meet this extraordinary situation which now prevails.

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 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. Labor favors a national unemployment insurance measure. That is, we would prefer such a measure because of its uniform character and because of the simplicity there would be in its enforcement.

Senator **KING**. Don't you think that local conditions ought to have some influence upon the character of relief?

Mr. **GREEN**. Well, local conditions would, because if you make a basis of 50 percent, that would be less in some localities than in others, due to the standards.

Senator **KING**. I have in mind that perhaps in some sections of our country, because of climatic conditions, to say nothing of other conditions, living is much cheaper in different parts of the country.

Mr. **GREEN**. Wages are lower, too, Senator, and the national percentage of payments would be less.

Senator **KING**. Your plan would not be, then, to compel the same level of wage in every section of the United States regardless of local conditions?

Mr. **GREEN**. No, sir; that is economically impossible. 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. 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 anything 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, in my opinion, 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. That does not seem to be a good thing. 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 and particularly to labor. 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.

May I explain just now to the members of the committee that an advisory committee was appointed by the President and it was assumed that that advisory committee was quite representative of labor, employers, and of the public, and along with that committee, the social security experts served and gave splendid advice. The question of the grant-in-aid plan or the rebate credit plan, as proposed by the Wagner bill, were thoroughly discussed by that committee. It was gone into exhaustively, and the committee by a vote of 9 to 7, I think it was, finally decided to favor the grant-in-aid plan, and that was the recommendation of the advisory committee to the Social Securities Committee, composed of the Cabinet members. So that the advisory council appointed by the President, by a decisive majority, after an exhaustive discussion and examination of all of the facts, decided in favor of the grant-in-aid plan.

Senator **HASTINGS**. Mr. Green, I think I understand you, but won't you put in the record there just what you mean by the grant-in-aid plan, and if you have any recommendations to make, do that, please?

Mr. **GREEN**. Yes. I have the recommendations here. The difference in the grant-in-aid plan and the credit plan as proposed in this measure is simply this—and I presume some of the experts have analyzed it for you. In the first place, in the grant-in-aid plan, the Government levies the tax, the pay-roll tax. Let it be 3 percent, or 4 percent, or 5 percent. It collects that money; it comes into the Treasury of the United States; it is held by the Treasury of the United States and by the Federal Government. Then the States are given to understand that if they pass unemployment insurance legislation which measures up to certain standards set by the Congress of the United States, that the Federal Government will subsidize them to the extent of the tax paid by the different States.

Senator **CLARK**. You describe the system in the act. That does not leave it, as this bill does, to some-Federal Administrator.

Mr. **GREEN**. I describe the system in the act. It is on the same basis as the contribution—as I understand it—it is on the same basis as the contribution made by the Federal Government to States in the development of roads—we match you, we subsidize you; we pay this amount to you providing your act measures up to the standards set by the Congress of the United States.

Senator **COUZENS**. But it has no relation, however, to where the money comes from.

Mr. **GREEN**. I beg your pardon?

Senator **COUZENS**. I mean, in the grants to the States for road building, it has no relation to the source of the income? The aid to build roads comes from the general fund?

Mr. **GREEN**. From the general fund.

Senator **COUZENS**. And has no relation to the source of the collection?

Mr. **GREEN**. No.

Senator **COUZENS**. While this bill provides that 90 percent of the 100 percent collection of the 3 percent, 90 percent goes back to the State from which it came.

Mr. **GREEN**. That is this Wagner proposal.

Senator **COUZENS**. That is what you do not approve of?

Mr. **GREEN**. That is in the shape of a credit. It is not collected. The employers of the State are given credit with 90 percent of the amount that they would pay to the Federal Government provided they could show they paid it into a State insurance fund. In one way the Government gets the money and in another way it does not.

Senator **CLARK**. Then; if I understand the difference, another difference, Mr. Green, under the plan that you propose, the Government collects this money and puts it into the fund?

Mr. **GREEN**. Yes.

Senator **CLARK**. It is put into the Treasury?

Mr. **GREEN**. Yes.

Senator **CLARK**. Then if the State does not come along and match it and there is any excess left in the fund, it would be left in the Treasury to be used for the benefit of the fund?

Mr. **GREEN**. Yes, sir.

Senator **BLACK**. What I understand is that you propose that so far as the plan for collection is made on pay rolls, the Government can go ahead and do that from the pay roll?

Mr. **GREEN**. Yes.

Senator **BLACK**. For the States, as provided?

Mr. **GREEN**. Yes.

Senator **BLACK**. But in addition to that, and separate and distinct from it and not connected with it in any way whatever, the Federal Government out of its funds, provide a subsidy to each separate State exactly as it does in the Federal aid to highways?

Mr. **GREEN**. It would be on that same basis. It would be the amount of tax, however, collected from the pay roll, 3 percent or 4 percent or 5 percent. Congress, of course, would have to appropriate the amount of money each year, I presume, just the same as they would appropriate it under the grant-in-aid for road building.

Senator **CLARK**. I did not perhaps make my question clear. You propose that, as done in this bill, a tax be imposed practically on pay rolls?

Mr. **GREEN**. Yes, sir.

Senator **BLACK**. Through the employers?

Mr. **GREEN**. Yes, sir.

Senator **BLACK**. That will constitute a part of the fund, but in addition to that, as I understand it, do you favor an additional aid from the Federal Treasury out of the general tax-raised money?

Mr. **GREEN**. The money collected from the pay-roll tax only, unless the Congress of the United States——

Senator **BLACK** (interposing). What difference is that to the plan offered here?

Mr. **GREEN**. It is this difference, that there is a question of the constitutionality of the act which seems to be involved, Secondly, if the Federal Government collects this tax and has it in its possession, it can require the States to meet certain standards set by the Congress of the United States, whereas under the other plan, the State fixes its own standards without any control by Congress, and rebate to the employers of the State the amount of tax they may have paid into the State insurance fund. There is the difference in the two.

Senator **BLACK**. Yes.

Mr. **GREEN**. And labor is very much concerned with the standards, as I will develop.

Senator **BLACK**. Has your organization considered the proposal to have a real Federal subsidy out of other moneys to each State as provided in the Federal highway system?

Mr. **GREEN**. Under the old-age pension——

Senator **BLACK** (interrupting). I am talking now of unemployment.

Mr. **GREEN**. We are not proposing that.

Senator **BLACK**. What is the difference, as you understand this tax, in an employment tax or a tax on the employer, and a manufacturers sales tax?

Mr. **GREEN**. The difference is this: That Uncle Sam gets the money in his Treasury.

Senator **BLACK**. He would do that on a manufacturers' sales tax, wouldn't he?

Mr. **GREEN**. You mean under this Wagner bill?

Senator **BLACK**. I am talking of the kind of tax that is proposed for unemployment insurance. What is the difference in the people upon whom that tax rests and the manufacturers' sales tax?

Mr. **GREEN**. It makes no difference so far as that it is being imposed on the people; none whatever, because an employer will pass on the cost to the consumer. That makes no difference. Here is the difference, Senator, and I want to make that plain. In the first place, the Federal Government gets the money. It is paid into the Federal Treasury. Then the Federal Government, through Congress, can say to the States, "We will subsidize you providing you pass unemployment insurance laws that measure up to the standards set by Congress."

Senator **BLACK**. Just a moment there, Mr. Green.

Mr. **GREEN**. If you don't, you get no money.

Senator **BLACK**. That is not subsidizing them; that is paying them back the money collected from them. A subsidy is a grant-in-aid out of the Federal Treasury, which is not necessarily raised from the particular State to which it goes back.

Mr. **GREEN**. The money comes into the Treasury.

Senator **BLACK**. Certainly, but what I am getting at is this: What is the difference between the employers' tax as provided in that bill, and a manufacturers' sales tax, as to the persons who have to bear the burden?

Mr. GREEN. I do not think there is any difference! insofar as the people bearing the burden, but there is a difference in its distribution.

Senator BLACK. I understand that. Then if the Federal Government granted aid to the State out of income taxes, inheritance taxes in the higher brackets, there would be a considerable difference between that part of the payment and the manufacturers' sales tax, and the employers' tax.

Mr. GREEN. Yes; a good deal of difference in them, but the thing about it is that if you have the money and you bargain with me and I have to meet your standards in order to get the money, you can bargain with me better than I can bargain with you, and that means that the States must meet the standards set by Congress in order to get the money.

Senator BLACK. That has nothing to do with this particular question that I am questioning you about now. In other words, I wanted to see if your organization had studies and taken any position with reference to the desirability of a real grant to the States, not from its funds nor from funds necessarily raised in the particular State, but from general Federal taxes.

Mr. GREEN. I think, Senator, we would be willing to go a long way on that if we thought there was the ghost of a chance to get it through.

Senator BLACK. You have not considered that?

Mr. GREEN. No; we have considered the pay-roll tax only.

Senator GORE. Mr. Green, will you explain a little more fully the constitutional question that you mentioned a moment ago?

Mr. GREEN. Senator, I am not assuming to be an authority on the Constitution, but I have been told that it has been clearly determined by the Supreme Court that the Congress of the United States can collect taxes, can levy taxes, and can subsidize States. There is a question as to whether the Congress of the United States can use this, taxing power to indirectly compel a State to do something.

Senator GORE. That was involved in one of the child-labor laws.

Mr. GREEN. That is the question involved.

Senator GORE. Yes. Your plan is for the Federal Government, however, to prescribe the standard and require the States to conform to that standard, depending on the money that it has and the failure to obtain the money if it does not have it.

Mr. GREEN. Yes. I have the standard here that we recommend.

Senator GORE. I want to ask you one or two questions before I leave. Miss Perkins made reference, a day or two ago, to men who are 45 or 50 years of age and who are, in a way, cast into the economic junk heap on account of their age. Of course you have given a good deal of time and thought to that subject. What is the controlling reason why that thing is done? Of course they have accumulated experience and therefore are better fitted than younger men who have had less experience. Does that have any reference at all to premiums on group insurance or industrial insurance?

Mr. GREEN. You mean the average age of employees in a plant?

Senator GORE. Yes. Why is it that industry has thrown these men into the discard, when they have accumulated experience and have the physical fitness to go ahead with their task? Why is that being done? I understood it was because the premium on industrial insurance, compensation insurance was higher and because of that, they dropped them out, so as to escape that higher premium. I want to find out whether that is true or not.

Mr. **GREEN**. That is a situation that has grown out of our modern developments. It seems in our mass-production industry, where production lines are speeded up, that the management require younger men and they are disinclined to employ men of 40 and 45 years of age. The facts are that in many mass-production industries men who reach 45 years of age cannot secure employment.

Senator **GORE**. Is that because they are not supposed to have the speed? What is the reason?

Mr. **GREEN**. I presume that is because they are not classified as being as speedy as the younger men, and of course the mass production industries are speeded up and keyed up to the highest, point possible.

Senator **GORE**. Then do you not think the matter of insurance has any controlling effect on that?

Mr. **GREEN**. Yes it has, where group insurance prevails, but you must understand, Senator, that group insurance does not prevail in all mass-production industries.

Senator **GORE**. Could you give a general statement of categories where it does and where it does not?

Senator **BARKLEY**. Right on that point let me ask you this: Is it true that the industry wants younger men because they are faster or because they are going to have a longer period of employment, a more steady period of employment? Naturally they would rather have a younger man who will last 20 years or 25 years rather than a man of 45 who may last only 10 years.

Mr. **GREEN**. I think it is because of the speed-up system that prevails in the mass-production industry, the younger men are more alert, more active, and for that reason they can adjust themselves to the speed-up system better than the older men. That is my personal opinion.

Senator **GORE**. We would like to have some suggestion on that point.

Mr. **GREEN**. Of course, Senator, where the group insurance prevails, each year as the men grow older, the cost of group insurance increases, because the average age increases, and so on.

Senator **GORE**. I was wondering whether you made any investigation on that, whether or not there would be some way of requiring the employers and employees to impound a fund out of which the extra premium charged could be paid with respect to these men who are advanced in years.

Mr. **GREEN**. The men who are displaced or retired, you mean when they reach 45 years of age?

Senator **GORE**. So that if their premium is advanced they will not be retired, but they will be allowed to continue to pay the average of what the lower average of ages pay, to impound a fund contributed to by employers and employees out of which the excess charge on those premiums could be paid.

Mr. **GREEN**. I think the whole system is a cruel system.

Senator **GORE**. You mean the group insurance?

Mr. **GREEN**. No, not that; I mean the discrimination against a man who is 40 or 45 years of age.

Senator **GORE**. It looks to me like it is not only a discrimination and a tragedy against a man who has reached the age of 40 or 45 years, but it is a tragedy to our social and economic system. It gives preference to inexperience over experience.

Mr. GREEN. Absolutely, because in most instances, I think 90 percent of the men who are 40 and 45 years of age, are perhaps more desirable than younger men. They have judgment, where the younger men do not. It is a cruel system developed out of our mechanized industrial system and the mass production that has grown out of that.

Senator GORE. It is one of the worst problems in our economic system.

Senator HASTINGS.' Mr. Green, may I inquire whether in any industries that have a contract with your organization with respect to labor, whether under such contract a man may be dismissed because he reaches the ages that Senator Gore is talking about? In the contract that you make with the employer, is there any effort made by your organization to take care of these men who have reached that age?

Mr. GREEN. Yes, we take care of them where we are organized, where the workers are organized we protect them against discrimination, but there is no stipulation, as a rule, in the agreement. We just protect them through our economic strength.

Senator HASTINGS. If they undertook to dismiss a man that was 50 years of age and employed a man that was 30 years of age, is that considered discrimination under your agreement?

Mr. GREEN. Yes, that would be discrimination, unless they could show good reason why the man at 50 ought to be dismissed. Of course, we are reasonable enough to know if he is not qualified to do the work, they have the right to dismiss him, but we always ask that he be shifted somewhere else where he can serve. We do not feel he ought to be pushed out altogether. Now, in many industries, our agreements provide for a seniority rule. On the railroads, for instance, the seniority rule prevails. If there is any reduction in the force, the man with the shorter service is dropped out and the older man is retained. Perhaps you have observed on the railroads that the trains are operated by older men, and they do it very well, they render excellent service.

I should like to include in the record—I will not take the time, Mr. Chairman, to read it, but I should like to include in the record the report or the recommendation of a majority of this advisory committee.

The CHAIRMAN. Have you the names of that advisory committee?

Mr. GREEN. Yes, sir.

The CHAIRMAN. I wish you would put that in the record.

(The above report or recommendation mentioned is as follows:)

**THE GRANT-IN-AID TYPE OF FEDERAL-STATE COOPERATIVE PLAN FOR UNEMPLOYMENT COMPENSATION**

(Not an analysis or comparison, but a summary of some of the larger aspects of the grant-in-aid plan supported by the majority as interpreted by one of them.)

The majority of the Advisory Council on Economic Security, by a vote of 9 to 7, favor the grant-in-aid type of Federal-State cooperative plan for unemployment compensation. A number of the majority are for an outright national plan. All would strongly favor the Wagner-Len-is type as against any less meritorious plan. All would present a united front against those who would oppose or delay legislation this winter. Yet the majority are clearly for the grant-in-aid plan.

The fundamental position upheld by the majority is that the grant-in-aid plan is more adaptable to our economic life and to the needs of both industry and the workers. American economic society is national in nature. It is not organized according to geographical or political subdivisions. Industries reach across

States, sections, and even the continent. In this economic society labor is mobile. Workers move from industry to industry, from State to State, from an industry in one State to a different industry in another State. In a society of fluid capital, migratory industries, shifting labor markets, seasonal, technological, and cyclical forces, unemployment is a social hazard of our dynamic industrial life.

Unemployment is, thus, a problem of industry and the Nation. Its economic and other causes and its social and other incidence involve our whole industrial order. Any Federal-State cooperative plan for unemployment compensation should, therefore, recognize as far as practicable and wise, our national economic structure. Cooperative Federal-State legislation and administration should recognize the spheres and values of the Federal and State governments, but the States should not be required to attempt to meet situations and serve purposes not in accordance with their situation and nature.

The purpose of the Federal-State cooperation is to stimulate a more intelligent stabilization of industry and to provide more security for the workers. The Wagner-Lewis plan and the grant-in-aid plan are both Federal-State plans directed toward these two ends, with more emphasis on the State approach in the former and with more emphasis on the national nature of unemployment in the latter. The majority hold that the grant-in-aid plan can more adequately meet the needs of American industries and workers with their unemployment problems created by (1) national and interstate industries, (2) mobile labor, interstate transfers, and employment records, (3) the need for Federal reinsurance, (4) for national minimum standards. Under the grant-in-aid plan the Federal-State administration can more effectively guard the integrity of the fund, the stabilization of industry, and the best interests of the workers as parts of our national dynamic society.

The collection of the tax by the Federal Government required by the grant-in-aid plan affords a clearer basis for the deposit of the money in the Federal Reserve banks. There can, under this plan, be no basis for pressure on Congress to allow the money to be deposited in local (and in some State political) banks. The value of the nationally wise use of the funds by the Federal Reserve as an aid to stabilization cannot then be jeopardized by either financial short circuits or political misuse.

Furthermore the grant-in-aid would be separate from the tax law. Congress has power to levy this geographically uniform excise tax on pay rolls. Congress also has power to appropriate money as grants-in-aid to States for a public purpose on terms laid down by Congress. Unemployment compensation and the promotion of industrial stabilization and social security constitute a clear public purpose. In the Wagner-Lewis plan the tax and the appropriation are joined in the same act. Under the strain of carrying sufficient national minimum standards and other regulations required by the interstate and national nature of industry and unemployment such a joint act more seriously raises the question of constitutionality.

The grant-in-aid plan appears not only the stronger constitutionally, but it is also a variation and development of Federal grants-in-aid which are a historically established part of our Federal-State structure. This plan also more nearly fits in with some other proposed plans to promote insurance against destitution and could more readily help to unify the collection of the funds involved in a more comprehensive program of social security.

For the purpose of securing early legislation by the States for this program, Congress could fix a time limit as a condition for a valid acceptance by the States. Moreover, with the interests of industry and 16,000,000 workers involved it is inconceivable that Congress would ever fail to continue the appropriations.

The grant-in-aid plan, it seems to us, can provide for Federal-State cooperation; is yet more adaptable. The needs of industry and the workers in our national economic society can secure and maintain Nation-wide minimum standards without as validly raising the question of constitutionality, and provides for experimentation in the interests of stabilization. It leaves open to the States experimentation along the lines of pooled insurance, plant accounts, or a combination of the two. The plan can also provide a clearer basis for experimentation along interstate and even national lines. On the basis of all these experiments, we may develop toward the best plan whether mainly State, mainly Federal, or wholly national.

Finally, we believe that the grant-in-aid plan can better provide for essential minimum standards in the interests of the fund, the employers, and the employees. Minimum standards for all the States in such a Federal cooperative plan would

furnish the bottom below which there must be no chiseling or exploitation and above which there can be wide experimentation by the States and industries for the purpose of stabilization, increased employment, and more security for the workers of America.

The CHAIRMAN. I wish you would give the names of both the majority and the minority of that council. The committee might like to hear the names of the gentlemen there.

Mr. GREEN. I will be glad to read them. The committee was:

Gerard Swope, president, General Electric Co., New York City.  
 Morris E. Leeds, president, Leeds & Northrup, Philadelphia.  
 Sam Lewisohn, vice president, Miami Copper Co., New York City.  
 Walter C. Teagle, president, Standard Oil Co. of New Jersey.  
 Marion B. Folsom, assistant treasurer, Eastman Kodak Co., Rochester, N. Y.  
 William Green, president, American Federation of Labor, Washington, D. C.  
 George M. Harrison, president, Brotherhood of Railway and Steamship Clerks.  
 Paul Scharrenberg, secretary-treasurer, California State Federation of Labor.  
 Henry Ohl, Jr., president, Wisconsin State Federation of Labor.  
 Belle Sherwin, former president, National League of Women Voters.  
 Grace Abbott, University of Chicago and former chief, United States Children's Bureau.  
 Raymond Moley, editor of Today and former Assistant Secretary of State.  
 Paul Kellogg, editor, The Survey, New York City.  
 George H. Nordlin, chairman, Grand Trustees, Fraternal Order of Eagles, St. Paul.  
 George Berry, president, International Printing Pressmen and Assistants' Union.  
 Josephine Roche, president, Rocky Mountain Fuel Co., Denver, Colo.  
 John G. Winant, Governor, New Hampshire.  
 Mary Dewson, National Consumers League.  
 Louis J. Taber, master, National Grange, Cleveland, Ohio.

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. 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 payments 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, and that, I think, is desirable. 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.

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

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:

1. 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 accomplishment 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.

We talk about the collection of a tax of 3, 4, or 5 percent of the pay roll. The facts are that that tax collected will be added to the cost of production and instead of the employer paying it out of his net earnings, he passes it on to the consumer. There is that difference between the contribution made by the employer and the contribution made by the employee. The employee must pay it out of his net earnings, he cannot pass it on.

Senator **BLACK**. Mr. Green, may I ask you a question, please, sir?

Mr. **GREEN**. Yes, sir.

Senator **BLACK**. If I am not mistaken, it shows in the Federation of Labor Magazine, in the statistics that it covers, and in other places, that most of the consumers themselves are employees.

Mr. **GREEN**. Yes.

Senator **BLACK**. Over 90 per cent of them are employees with small incomes and funds.

Mr. **GREEN**. Yes.

Senator **BLACK**. If those employees with those small incomes and funds are compelled to pay an added price by reason of the pay-roll tax, what is the difference between that system and the system of putting the tax directly on the employees?

Mr. **GREEN**. It is probably a distinction without a difference, Senator, because the whole cost is passed on to the consuming public. The employer, as I see it, is merely the collecting agency, collecting the tax for the Federal Government in any plan that you put on. That is true in the workmen's compensation insurance law, as you know. The cost of workmen's compensation insurance is included as a fixed cost of production and is passed on to the consuming public.

Senator **BLACK**. I agree with the soundness of the argument which you are making, but I want to see if I cannot follow it on and I want to see if it is not true that the only possible escape from that is a different method than the method that is suggested in the bill.

Mr. **GREEN**. You are suggesting this in favor of the argument which you make on your plan of collecting the money from the higher bracket?

Senator **BLACK**. Your objection is to putting it on the employee because he would have it taken out of his wages?

Mr. **GREEN**. I do not want to get into any argument with you on that.

Senator **BLACK**. I want to follow it up, because I want to get it in the record. I think probably I may want to offer an amendment and I want to see if I cannot get it clear. Your objection is that it will take it out of his wages?

Mr. **GREEN**. Yes.

Senator **BLACK**. Now, if he has to pay a higher price by reason of the pay-roll tax, he helps to pay the tax that is put on the employer to that extent. That being true, if we imposed the cost of this system upon a pay-roll tax it will be borne by the smaller consumers in the main, will it not?

Mr. **GREEN**. Yes, sir; that is inevitable.

Senator **BLACK**. Is it not true that the only possible way to avoid that is by some method of getting a part of this contribution from those who have higher incomes and who do not buy any more of the consumable products than the employees themselves? Is there any other way we can escape that? Is there any plan that you can think about that will bring in a part of this fund from those who have separate incomes? By "separate incomes" I mean more than an income sufficient to buy the necessities of consumable goods. Isn't the only way that we can get it through an income tax and an inheritance tax? Is there any way of doing that except by Federal custody?

Mr. **GREEN**. We proceed upon the principle that the vast consuming public, that is the farmers, the laboring, and the masses of the people, should be relieved of this burden.

Senator **BLACK**. At least in part.

Mr. **GREEN**. At least in part, Your plan would be the only alternative, of course.

Senator **BLACK**. In other words, under this plan, as it is now written, it is manifestly clear, is it not, that the main burden will have to be borne by that great group of consumers who are in the lower income-tax brackets?

Mr. **GREEN**. You cannot help it because they are the mass of the consuming public. I agree with you on that.

Senator **BLACK**. If we were to adopt a Federal-aid system which would collect a part of that fund from the higher incomes and pay it into the States as a subsidy, we would distribute it partially on the consumers even then and partially on the higher incomes.

Mr. **GREEN**. That is the way it would work out; yes, sir. I have incorporated your suggestion in the old-age pension plan. A part of the money out of which old-age pensions should be paid should be collected from the higher brackets of the income tax and from inheritance taxes, and so forth. We have been proceeding all the way through upon the principle that unemployment insurance must be borne by the consuming public through a pay-roll tax, the employer being the collecting agency through which the money should be collected. In fact that is the basis of it in every other country.

Senator **BLACK**. But if it comes wholly or if it comes 90 percent from the group of smaller incomes it is clear that it would not increase the aggregate purchasing power.

Mr. **GREEN**. I would relieve labor and the farmers of a burden to that extent.

Senator **BLACK**. You mean under the other system?

Mr. **GREEN**. Yes; that is what I mean.

Senator **BLACK**. Are you familiar with the fact that England has recently, within the last few months, in order to accomplish that very purpose, raised the amount of national contributions?

Mr. **GREEN**. Yes.

Senator **BLACK**. On their various security programs.

Mr. **GREEN**. Yes; I am aware of that.

Senator **CONNALLY**. Mr. Green, let me ask you this question: If the employee does not contribute anything at all from his wages, are not you putting a heavier burden on that vast class of people who are also consumers and taxpayers that will not get any benefit, for instance, the employees in establishments employing less than four persons? Employees working in establishments employing less than four persons will not get anything under this bill, yet they will either pay more in direct taxes or they will pay more for the cost of their goods in order to give men who are employed in other establishments the retirement benefits which they themselves would never get.

Mr. **GREEN**. They drew the line there on four in order to exempt the farmers and the farm population.

Senator **CONNALLY**. Why exempt them?

Mr. **GREEN**. They did not feel it was fair and just to extend unemployment insurance over that industry and over that class of people.

Senator **CONNALLY**. But we are going to extend the cost of it over them.

Mr. **GREEN**. Yes.

Senator **CONNALLY**. They will have to pay more for everything they buy, for everything they consume, and they will get no benefit from it, whereas the employee that will get a benefit from it will not contribute a cent.

Mr. **GREEN**. Of course labor might say at the present time that it is not getting much benefit out of the processing tax which it pays in order to help the farmer. It is a question of mutuality, of helping this way and that way. We are paying that tax, as you know, and are glad to do it, because we want the farmer to raise his economic standards.

Senator **CONNALLY**. If we did not have the processing tax probably a lot of factory employees would not have a job either.

Senator **CLARK**. Mr. Green, what is the length of time that an employee must be employed in order to be considered as an employee?

Mr. **GREEN**. How is that?

Senator **CLARK**. I say, what length of time must a man work for an employer in order to be considered as a regular employee?

Mr. **GREEN**. We are attempting to meet that situation by establishing the pooled State funds, as I am going to recommend here in a moment, so if a man passes from one State to another he does not lose his claim for unemployment insurance.

Senator **CLARK**. How about a farmer who employs transient labor?

Mr. **GREEN**. The farmer is exempt under this.

Senator **CLARK**. He is not exempt if he employs more than four.

Mr. **GREEN**. It is felt that he will not employ more than four.

Senator **CLARK**. A great many farmers employ more than four people at certain periods of the year.

Mr. **GREEN**. Perhaps they do.

Senator **CLARK**. During harvest activities, and so forth.

Mr. **GREEN**. Of course you have to take it on an average. If you take it for a month or two, or a few weeks, that would be considered as temporary employment. We are dealing with permanent employment.

Senator **CLARK**. What I am trying to get at is what is the definition between permanent and temporary employment in the bill?

Mr. **GREEN**. I am not in a position to explain to you what definition has been made in the bill or what definition will be made by the board that will administer it. That will all be taken into consideration, as I see it. I know the intention is to deal fairly and justly with all in this matter.

The workers, who are themselves the principal consumers, will ultimately, therefore, pay a portion, at least, of the contribution of the employer. 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. 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 draw the line there. 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 contribution 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.

Second. 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.

In November 1934 the Federal Reserve Board's index of industrial production, including manufactures and mines, based on the years 1923-25 (the base used in the bill) was only 74 percent, without the inclusion of building, which for that month stood at only 31 percent. The bill, therefore, does not provide even for the inadequate 5-percent tax unless production increases very materially. I can see no justification for predicating the tax to be assessed under an unemployment insurance bill upon past production in any year or series of years. We may not return to the production of 1923-25 for a long time. I favor a tax of 5 percent to begin at once, without reference to production averages. We realize that there must be some delay in putting into operation an unemployment insurance measure, but I see no reason why we should deliberately delay the collection of taxes for this purpose until we return to some more or less arbitrarily

selected level of production. Such a delay in the collection of taxes for this purpose will be exceedingly difficult to explain or to justify to the masses of the American people. With curtailed production under many of the codes, with a greatly decreased foreign trade in which there is little present prospect of improvement, and with production for the entire year of 1934 only slightly above that of 1933 and still far below that of so-called "normal times", we cannot reasonably hope for the 3 percent tax to be reached for some time to come.

Senator HASTINGS. Mr. Green, right at that point, have you any estimate as to what 3 percent or 5 percent would be, annually?

Mr. GREEN. Yes; we have made some estimate on it, but it is all a bit uncertain, Senator, because it is based upon shifting the index of production and it is very, very difficult to determine accurately what would be returned from either the 3-percent or the 5-percent tax. Of course you can approximate it.

Senator HASTINGS. What is your estimate of the national pay roll that would be affected by this bill?

Mr. GREEN. I have the figures here. This is as nearly as we can get to it.

Senator HASTINGS. Yes.

Mr. GREEN. The average number of gainful workers in 1933 was about 49,500,000. Of these an average of about 12,800,000 were unemployed, leaving a total of about 36,700,000 employed. Of the employed about 14,200,000 are estimated to be owners, operators, public servants, or self-employed and would be excluded from coverage by reason of occupation. If those 65 years of age and over are to be protected by old-age pensions, an additional 1,100,000 employees might be excluded by reason of age. If firms of five or less employees are! approximately seven, 100,000 might be eliminated thereby. Adjusting for these exclusions results in an estimated average of about 14,300,000 employees who might have been contributing to unemployment insurance during 1933 if the plan had been established at the beginning of the year. If the unemployed who had previously been employed in insurable employment were again reemployed therein! about 23,000,000 employees would then be covered.

The income that might have been expected from a tax or contribution of 2 percent of pay rolls (excluding individual earnings in excess of \$50 per week) would have approximated \$315,000,000 in 1933. A tax of 3 percent would have yielded about \$475,000,000, whereas a 5-percent tax would have resulted in a total income of almost \$790,000,000. Assuming continuance of the improvement in economic conditions, somewhat higher revenues could be expected in 1934, 1935, and 1936. And by the way, I might make this observation, that the Wagner-Lewis bill introduced at the last session of Congress provided for a 5-percent pay-roll tax.

In order to estimate the amounts of benefits that could be paid to unemployed individuals as a result of such a plan, it is necessary to revert to an estimate of what could have been paid had the plan been in operation for a number of years past. On the basis of such a study for the period 1922-33, it appears that 6 weeks of benefit (at a rate of 50 percent of average full-time earnings after an accumulated waiting period of 4 weeks) could probably be paid if a contribution of 2 percent were made, 10 weeks of benefit if a 3-percent contribution

were paid, and 22 weeks of benefit if a 5-percent tax was imposed. These figures are estimates, based upon the best figures available.

Senator KING. Is there any reliable data showing the number of employees in mass production, in factories, in mines and mills where the proprietors of those industries would be required to pay a tax? What I am trying to get at, it seems to me that you have over-estimated the number of employees who would come within the purview of the bill by assuming a larger number of employees in gainful occupations in those industries where the employers would be subject to the tax.

Mr. GREEN. Well, of course, I am not able to answer that, Senator. It would be a matter of determination. We would have to find that out from the figures as best we could. I presented those figures as the best obtainable at the present time.

Senator KING. There is just one other question. The amount which would be deducted from these corporations and the employers would, of course, pro tanto, or to some extent, diminish the taxes which they would pay to the Government. For instance, corporations today add, to my recollection, 14½ percent on their net income. Now if you should charge them 5 percent more or any percent more, that would necessarily reduce the tax which it had paid to the Federal Government.

Mr. GREEN. It would be 5 percent on their pay roll. It would not be quite the same as 5 percent on net earnings or 5 percent of the production. Three percent on the pay roll would be perhaps small as compared with the other tax.

Senator KING. Whatever the tax was, that of course would be subtracted from their net income, or added to the expenditures, rather.

Senator CLARK. They would include that as part of the operating expenses.

Mr. GREEN. My judgment is, as the Senator said, they would include that as a part of the operating expenses, just the same as they do the workmen's compensation insurance now.

Senator KING. But the effect, indirectly, would be to diminish their net return.

Mr. GREEN. I am not sure about that. I do not think so. I think their net returns would be pretty good, Senator.

Senator KING. I am not saying their net returns would not be good. They might be too great.

Mr. GREEN. I think they probably would be as great, because they would increase the cost of the manufactured products sufficient to cover the increase, to absorb this pay-roll tax.

Senator HASTINGS. Mr. Green, there is just one more question before you leave that subject. Under that plan, assuming this 5-percent levy had been made upon the pay roll and it brought in \$790,000,000, is that distributed only to persons who have worked a certain length of time?

Mr. GREEN. That would be paid to those who would be eligible under the unemployment insurance bill.

Senator HASTINGS. In order to make them eligible they would have to work a certain length of time?

Mr. GREEN. They would have to work a certain length of time and make certain payments. It is an insurance measure, don't you see.

Senator HASTINGS. It would not take care of anybody who had not been able to get employment?

Mr. **GREEN**. No, no; it would not take care of the unemployables of that group. We cannot delude ourselves into the belief that unemployment insurance is going to take care of our whole relief problem. We learn that from the experience of England, Germany, and other countries. That has all got to be supplemented by a very elaborate and comprehensive relief plan. It is intended to take care of the worker for a number of weeks of unemployment, to tide him over those number of weeks, when it is assumed that he will find new employment. If at the end of that time he is still out of work, then relief must come in.

Senator **BLACK**. It is exactly the difference, isn't it, between a health policy, which we understand usually covers a man about 6 months, but it never covers him if he is an invalid for life, and some other system? In other words, to get it clear, this unemployment insurance is not intended to stop unemployment at all, it is to take care of the casuals for that length of time?

Mr. **GREEN**. Yes; seasonal unemployment. If a man happens to get out of work, this is to tide him over while he is seeking employment, attempting to find employment.

Senator **BLACK**. While he is shifting from one job to another?

Mr. **GREEN**. Yes; we must not confuse this unemployment insurance with relief. We might have to collect the relief money, Senator, through the imposition of a tax such as you suggest.

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.

By the way, I might explain, Senator, we had another test vote on the 3-percent tax and a majority of the committee favored the 3-percent tax and a minority favored the 4-percent or 5-percent pay-roll tax.

Senator **HASTINGS**. Does your testimony show the names of the persons?

Mr. **GREEN**. I put the names in the record.

Senator **HASTINGS**. I mean the names of the minority and the majority?

Mr. **GREEN**. I can give you that, but I do not think I have divided that in here.

The **CHAIRMAN**. Mr. Green, what was the vote on this last question?

Mr. **GREEN**. On the question of the 5-percent tax?

The **CHAIRMAN**. Yes.

Mr. **GREEN**. I have got it in the minutes but I do not think it is here at the moment.

The **CHAIRMAN**. Will you supply the record with that?

Mr. **GREEN**. Yes. We had several test votes. First, on the employer-employee contributions. The majority of the committee voted against employee contributions. A majority of the committee voted in favor of the 3-percent tax, and a minority of the committee voted for the higher taxes.

The CHAIRMAN. I think it would be very well to put in, the record, in connection with your testimony here, these various votes that were taken by the advisory council, and how they voted.

Mr. GREEN. I will submit it if you wish it. If it will be helpful to the committee I would be glad to submit it. We spent days, days, and days on this.

The CHAIRMAN. I wish you would supply it so we can have it. Indicate what it is at the head of it so the issue will be stated clearly.

Mr. GREEN. I will be glad to do that.

(Mr. Green subsequently submitted the following statement).

The vote upon the adoption of the subsidy, or what is known as the "grant-in-aid unemployment measure", was 9 to 7 in favor. However, this vote was taken by a show of hands and not by a roll call. For this reason it is impossible to give the names of those who voted in the majority and those who voted in the minority. I regret it is impossible for me to give you any more definite information than this upon the vote taken as herein referred to.

Those who signed a minority report for higher pay-roll tax were: Paul Kellogg, Frank P. Graham, William Green, Helen Hall, Henry Ohl, Jr., George Harrison, Paul Schoenberg.

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-week 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 exhausted, 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 one year. We should then be offering economic security to the wage earners of this country which would have real significance.

Senator **WALSH**. Does this bill provide benefits for the employees who may work only 1 or 2 days a week and for the rest of the week they would be unemployed? Under this bill they would be considered as being unemployed; would they?

Mr. **GREEN**. No.

Senator **WALSH**. Why are they not entitled to benefits?

Mr. **GREEN**. That will have to be worked out in the State unemployment insurance measure, so that part-time workers can be paid part-time benefits.

Senator **WALSH**. It is possible to keep a person employed at maybe 1 day a week and give him the benefit only when he is discharged?

Mr. **GREEN**. No. In a scientific unemployment insurance measure, a worker working a day a week is entitled to unemployment benefits. That plan will be worked out in detail in your State laws. I am merely setting up what are called "general standards" here. That is a detail that will be covered in State laws.

Senator **WALSH**. I suppose it would be included in the definition of unemployment?

Mr. **GREEN**. Yes.

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-week 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? [Quotmg:]

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 \$209 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.

Third. 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. 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.

Fourth. 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. I do not consider a maximum benefit of \$15 a week satisfactory. I should much prefer a maximum of \$25 per week, and I should like also to see a minimum fixed below which unemployment benefits could not go. 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. 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 1 week, than that weekly payments shall be increased to the amount we shall reach in the future. That is a fair proposition, 50 percent of the wages earned. For instance in the South, where climatic conditions are different, where the wages are lower, the amount of weekly benefits would be less. In New York State, in Massachusetts, Ohio, and other States, where wages are higher, 50 percent of their wages would be larger, and it would be paid in accordance with the wage and economic standards fixed in each community and each locality. There could be no serious objection to that. You understand it is not intended that the same rate shall be paid uniformly all over the country, but 50 percent of the wages earned.

The question of a reinsurance fund has been given much attention in the discussions of the past few months.

Senator **CONNALLY**. Mr. Green, let me ask you, if the employee is not going to make any contribution at all to this and it comes out of the consumers and the Treasury, why should there be a graduation or a difference in different places? Why should we not standardize it?

Mr. **GREEN**. Because it is not in accordance with the scientific principles established in any unemployment insurance measure.

Senator **CONNALLY**. Do not most of them require contributions?

Mr. **GREEN**. Not all of them.

Senator **CONNALLY**. Most of them?

Mr. **GREEN**. Yes; I understand they do, but that isn't a good reason why we in America should be required to do that.

Senator **CONNALLY**. Except on the theory that the employee is not going to contribute anything. If a man in one locality is going to get a gift from the Government or a gift from the consuming people, why should he get a higher gift than another man in another location?

Mr. **GREEN**. He isn't.

Senator **CONNALLY**. You said in the South you are going to pay a less rate than you are going to pay to a man who is doing the same work in New York, when that man in New York does not contribute anything more than the man in the South.

Mr. **GREEN**. They get 50 percent of the wages. That is what I was telling you. I think that is fair. I do not imagine that the employer in the South will care to pay the same weekly benefits, unemployment-insurance benefits, as they would pay in New York.

Senator **CONNALLY**. If the employee was contributing something there would be a basis to your position, but he is not going to contribute anything, why should the Government pay one employee in one part of the country a different rate than it pays to another employee in another part of the country?

Mr. **GREEN**. That is under the same theory that they have higher wages in New York than they have in the South.

Senator **CONNALLY**. This is not a wage, this is a gratuity.

Mr. **GREEN**. It is based on economic facts and principles.

Senator **CONNALLY**. I would like to know the basis of your views.

Mr. **GREEN**. We have protested against that very thing, we have protested against the difference in wages and standards.

Senator **WALSH**. The employer in the North pays a higher tax than the employer in the South. That is one answer, isn't it?

Mr. **GREEN**. Yes, he would pay a higher tax.

Senator **CONNALLY**. If he does pay a higher tax, he makes more money than the man in the South.

Mr. **GREEN**. Five percent of his pay roll would probably be greater. We do not want to get into that.

Senator **HASTINGS**. You mean he pays a higher tax?

Senator **WALSH**. He pays 3 percent of his pay roll. His pay roll is higher because he pays higher wages.

Mr. **GREEN**. His pay roll is heavier, therefore the 5 percent would be greater.

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 more 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.

### OLD-AGE SECURITY

There are some 10 million people 60 years of age and over, the large portion of whom is faced with the worst possible hazard of modern life-bleak hopelessness and indignity of dependency which comes abruptly after one has contributed to the utmost of one's resources as an active participant in our economic system. Any one of us, if faced with the prospect of old age without resources and with no means of existence other than complete dependency on others, would readily admit poverty, privation, and hunger to be a better lot.

Old-age security is a problem which goes to the very roots of social, economic, and moral factors which are fundamental to human existence. How can this problem be met?

For some years, there has been gradually emerging in America a concept of old-age security which was destined to become an integral part of our national life. Much of the progress made in the form of State legislation has been due to the unrelenting support of the program in various States by organized labor.

The existing State systems, few and inadequate though they are, have provided us with first-hand experience in handling the most fundamental phases of the problem. But none of these experiences have given any evidence that it is possible to solve the problem through State administration unaided by the Federal Government. We have learned from experience, in recent years especially, that only a Nation-wide plan can cope with the problem of old-age security. In approaching such a Nation-wide plan Congress must take stock and measure the scope of the problem with which it is to deal.

In order to appreciate fully the implications of this problem, we must consider the significance of old-age security in the prosperous years preceding the depression. In surveying the status of persons 65 years old and over in 1927, on a sample of about 14,000 cases in four Eastern States, the National Civic Federation has given us fairly reliable indications of indigency then prevailing among the aged. On the basis of those ratios, we find that in a prosperous year, about 30 percent of the entire group, or about 2,000,000 persons, owned no property whatever. About 40 percent, or about 6,600,000, had no income from work or business, and some 17 percent, or about 1,000,000 had neither property nor income.

About 25 percent of males and about 14 percent of females were totally unable to work; 30 percent of males and 46 percent of females were able to do light work only. A large portion of the group were afflicted by invalidity or chronic illness. About 26 percent of the group were either single or had no children or other relatives who could render aid. About 1.3 percent were supported by public or private charity and another 60 percent received no aid at all.

This gives us a rough picture of the situation in a year of prosperity. A great deal more darkness and misery had entered into this picture during the depression years.

It has been estimated that out of the total of 6,500,000 some 2,700,000 persons of 65 and over were supported wholly or partly by others in 1930. There has been unquestionably a tremendous increase in the numbers of aged who must rely on support after 5 years of depression which have rendered bankrupt those who have previously carried the burden of support. The aged have undoubtedly constituted a very important portion of the 4½ million families now on relief rolls in the United States. They comprised an even more important portion of the one-half million single persons on relief.

The problem of old-age security penetrates into every phase of our national life. It affects closely every class and group of our population.

The agricultural population generally has enjoyed greater stability and greater security than other groups. The family unit has been basic in the agricultural society.

Until recently, the American farm family contained on the average more than two generations. Those attached to the family depended upon it for their economic welfare. This traditional family relationship is now rapidly becoming disrupted. The patriarchal agricultural

family is disappearing and we witness the exodus of the young from agricultural communities. At the same time, the older agricultural worker who remained a producer much longer than the industrial worker of the same age has lost much ground as the result of recent developments in agricultural industrialization and mechanization. It is safe to say that the problem of old age among the farm population is more acute in the United States than elsewhere.

Far more acute, however, is the situation of the aged in the urban centers. Here the older group suffers not only from the inherent conditions of old age and unemployment but also from all those additional elements injected into the situation by industrial urbanization. In the slums and tenements of our cities, the aged poor are completing their span of life as a total social liability. The high rents in urban centers make difficult and burdensome the support of the aged by their children and relatives who earn their livelihood in mills and factories. Old-age security of wage earners has been threatened more than that of any other economic group.

Our industrial population has been increasing at a rapid rate. In fact, while our total population has manifested a declining rate of growth its portion comprised of wage earners has increased rapidly. Our urban and rural nonfarm population in 1930, of 15 years of age and over stood at 67,400,000. Of these 38,300,000 were attached to the industry. From this it is estimated that about 41,000,000 wage earners will belong to the wage-earning class in 1935 and about 44,000,000 will be in this group in 1940.

Economic difficulties which confront the aged belonging to this group are rooted largely in the wage system as it now exists. The present low standard of living of the worker's family makes it impossible for the wage-earning class to assure old-age security to its own members.

Parallel to this has been technological development in the industry. The incidence of technological unemployment has fallen heavily upon the older wage earner. Older workers were displaced by machines at a more rapid rate.

The mass system of industrial production has still further contributed to old-age insecurity. Under the mass process of production there came into existence new requirements for minimum intensity and speed of effort. There has also appeared a tendency to make this energetic requirement uniform for the entire plant. In the presence of heavy unemployment, each job has been placed into a highly competitive position. The older worker has been placed at a heavy disadvantage. There has appeared a tendency to displace him long before his productive capacity has disappeared or even before it has been appreciably impaired.

The minimum requirement of effort has ceased to bear direct relation to the physical conditions of production and has been entirely at the discretion of the employer, who is governed primarily by the profit motive. The interests of the worker have been given little or no consideration in establishing requirements for speed and effort in the mass-production industries. Thus, while the tendency has been to place superannuation at lower age levels, this technical development has been accentuated by such factors as individual judgments and economic pressures of the management.

The distribution of old-age disability and unemployment is not uniform in the various occupational classifications. According to Dublin, at the age of 20, the life expectation of the upper professional classes is about 50 years. At the same age, the life expectation of wageworkers, as reflected by industrial-insurance contracts, is only 42 years. The productive wageworker does not retain the advantage of long occupational life span enjoyed by those in the professions, business, finance, public service, arts, and sciences. Thus, we find that the wage-earning portion of the population is gradually assuming greater liability for the old-age group.

The wage earner is also without the advantage of controlling to any substantial degree his occupational status. He finds practically no employment opportunities in railroads and public utilities at the age of 45. Equally limited are the employment opportunities with the Federal, State, or municipal agencies for those who have passed this mark. His prospects for employment in manufacturing establishments are small, and he has been almost completely excluded from the pay rolls of the mass-production industries.

One study covering concerns which employ over 3,000,000 workers disclosed that 50 percent of the establishments employing over 60 percent of the workers had definitely prescribed age limits. Only in a few exceptional instances were those limits found to exceed the age of 45. Many of these limits were set at 40 and for certain occupations as low as 35. It is a fact of ominous significance that a man of &--in the prime of life-stands face to face with superannuation and economic dependency.

No alternative of long-term validity can be found which would serve the purpose of the old-age pensions. The monthly per capita expenditure in the poorhouses has proved to be far higher than an integrated scheme of Nation-wide old-age pensions. The per capita cost of poorhouse or almshouse support is estimated to be twice as high as that of a pension plan.

It has been shown that the cost of poverty in old age has augmented at a tremendous rate during the depression years. In the State of Connecticut in only 2 years of depression (1931-32), there was an increase of 32.2 percent in its almshouse population. The old men and women who were indigent have been cared for entirely through wasteful machinery of the local welfare agencies! if cared for at all. Only during the recent months have they been given support from Federal relief sources.

As a significant contrast to this, we find that in those States where pension plans were started during the depression years, the increase in almshouse and poorhouse population has been relatively small. In some instances, there has been an actual decrease in the actual number of inmates over a given age limit.

The pension plan has been proved to be not only vastly better than any form of poorhouse, but in fact that only permanent plan with which the problem can be met.

#### OLD AGE ASSISTANCE

The existing State old-age assistance laws are either not functioning at all or functioning on such a restricted scale as to invalidate their effectiveness to a very large degree.

There is a dire need for assistance which is firmly founded upon the principle that adequate assistance will be made available to those truly in need. This can be furnished only through Federal aid. A plan initiated and supervised by the Federal Government is essential if it is to be of an enduring and effective character.

In supporting the proposed plan, I wish to make the following recommendations:

1. Total monthly pensions should be not less than \$50 a month except in cases of persons receiving income or assistance from other sources.

Under the present proposal, the Federal contributions are contemplated to be not more than \$15 a month which would make, together with the State contribution, a maximum pension of \$30 a month to any one individual. There is no minimum established in the bill with the exception of the broad statement that a "reasonable subsistence" compatible with decency and health should be provided under the plan. I submit that this safeguard is utterly inadequate to furnish the beneficiary with the funds necessary for his maintenance. In some States, the payments have been as low as \$5 a month and it will undoubtedly be maintained in these instances that this assistance is sufficient to provide a reasonable subsistence compatible with decency and health. Inasmuch as a term "reasonable subsistence" is extremely difficult of interpretation, I deem it essential that the monthly payment of \$50 should be made the required minimum under the plan. We are building upon a new foundation of social justice and we must remain true to our purpose of providing the aged with real economic security. As I see the proposal, it must be designed to get at the root of the problem. Economic requirements of our day will not admit of half-measures.

2. Age limit should be reduced to 60.

In view of the developments I have already set forth, it is recommended that the age limit for pensions be reduced to 60.

Under the present proposal, eligibility is limited to those 70 years of age or older and this limit is reduced to 65 after January 1, 1940. There is no justification, either social or economic, for this unduly narrowed basis of application of the pension system emasculating the effects of the plan.

Vigorous objections will undoubtedly be made to this proposal on the ground that lowering the age limit would place upon the scheme a prohibitive financial burden. Careful examination of facts will show that such objections are based on a misapprehension. This misapprehension is due to the rather general impression that by lowering the age limit by 5 years, we would include a group which contains a relatively larger number of claimants to pensions.

In reality, the relative number of claimants will be much smaller in the age group between 60 and 65 than in the older groups. This, of course, is due to the fact that the degree of dependency is much lower in the younger age class. The rate of dependency is much higher after 65 and shows an even more abrupt rise after 70.

I urgently recommend that the plan be initiated with a 65-year age limit, such limit to be reduced to 60 by 1940, at the end of the 5-year trial period.

3. The cost of administration of the plan should be kept as low as possible.

During the initial 5-year period, the cost of administration will undoubtedly be in excess of normal, due to the many special admin-

istrative requirements inherent in the problem of getting such a plan under way. By the end of this period, the administrative procedure should be sufficiently well crystallized to permit more economic administration than contemplated in the bill.

The administrative cost of the Federal Emergency Relief Administration has been approximately 10 percent of the total amount expended under the various Federal relief measures. Relief administration during this period has functioned strictly on an emergency basis. Wide fluctuations in the numbers of persons relieved and the changes in administrative machinery have called for excessive requirements for administrative funds. The measure under our consideration is basically not an emergency measure but one which will become a permanent feature of our social program. It is extremely doubtful that the real requirements of the permanent administrative organization will be in excess of 5 percent of the total amount expended after the initial period.

There is a very real need for keeping the cost of administration at the lowest possible minimum compatible with efficient administration. Much of the success of the plan will depend on this. Greater centralization in record keeping and in administrative functions will reduce surplus costs and make for substantial economies in administration of the plan.

In view of this, I recommend that following the initial 5-year period, Federal allotments for the administration of each State loan should not be in excess of 2½ percent expended in each quarter.

#### NATIONAL SYSTEM OF CONTRIBUTORY OLD-AGE INSURANCE

Prompt adoption of the old-age assistance plan is essential if the program is to get under way in the immediate future. Effective operation of contributory old-age insurance cannot begin for at least another generation. But a sound foundation must be laid now for an insurance system which would eventually become self-liquidating. Concurrent operation of the two plans will enable us through experiment to perfect in time an insurance system which would fully meet the requirements of old-age security.

The extensive experience of other countries lends support to the compulsory contributory old-age insurance system envisaged in the proposed plan. This type of old-age insurance has been successfully operated in Germany since 1889, in France since 1910, and in the majority of European nations since the World War. A similar plan was adopted in Great Britain in 1927 and will gradually supersede the older British pension plan.

In the light of this experience of others we approach the initiation of our own scheme mindful of the special circumstances and conditions which will surround its development. We must look upon this initial stage in the development of our national old age insurance system as one of admitted experimentation.

The proposed bill provides for a fund to be set up in the Treasury, managed and invested by the Secretary of the Treasury. This fund is to be supplied by a tax upon pay rolls which is to apply on the sliding scale from one percent on January 1, 1937, to 5 percent on January 1, 1957.

No justification has been advanced for this over-modest beginning and this long-deferred increase in the rate of pay-roll tax other than "that no large immediate burden should be put upon industry."

It is recommended-and in the case of old-age insurance I fully support the recommendation-that the tax should be borne equally by the employer and the worker. This provision cuts in half the "immediate burden" which the industry is expected to assume. In view of this and also of the imperative need for bringing the old-age insurance plan into operation in the shortest possible time, I recommend that the proposal be changed to provide for a payment of a 3-percent tax on the pay rolls as of January 1, 1937; 4 percent as of January 1, 1942; and 5 percent as of January 1, 1947. The division of this tax between employers and the workers is, of course, to be preserved.

It is proposed in the bill that an annuity equal to 15 percent of the average monthly contributory wage be paid to workers retiring in the sixth year of the system's operation. This pension percentage is gradually increased until 20 years after the beginning of operation of the system the percentage may reach a maximum of 40.

In this connection I wish to recommend that a larger relative pension be made available to the lower-paid worker. One existing proposal bearing on this point suggests that while the average initial paid is 15 percent, the actual pension be computed on the basis of the following formula: 18 percent of the first \$50 of contributory wage; 13 percent of the second \$50 of contributory wage; 10 percent of the third \$50 of contributory wage. The same formula is to be applied to the pension payable in succeeding years.

While this will yield a somewhat higher relative pension for the lower paid worker, I submit that this end will be more effectively attained by dividing the recipients of the pension into five wage groups to which the pension, could be adjusted. In this way the problem would be given a far more realistic approach resulting in more equitable allocation of compensation.

Finally, I wish to recommend that an employee be made eligible to receive pensions under the following conditions; when (1) he is 60 years old; (2) taxes have been paid in his behalf for at least 200 weeks over a 5-year period, commencing before he is 55; and (3) he is no longer gainfully employed by another.

#### DEPENDENT CHILDREN, CRIPPLED CHILDREN, AND CHILD WELFARE SERVICES

- We have to consider, under the bill which is before us, appropriations for dependent children, crippled children, and child-welfare services. These problems have been separately classified, but the problem of the children, the future citizens of our country, is a problem which might well be given greater emphasis than all others that confront us. It is estimated that among those now on relief, there are approximately 8,000,000 children. On the basis of our total unemployment, it is reasonable to assume that no less than 10,000,000 children are in real need of assistance. Those in homes where there is no wage earner to support them must receive direct aid, or spend their early life under conditions that will tend to handicap them permanently. Those funds will mean much to State agencies which are already established and are making valiant efforts to carry on their all-important work despite totally inadequate resources. It is estimated that there are from 3 to 5 million children in the United States who are physically handicapped. Very excellent work has been done in this field of rehabilitation in certain cases and the progress which has been made toward fitting incapacitated adults

so that they may take their places in industry and commerce should show to all of us the possibilities which may be expected when the problem of crippled children is squarely met.

TITLE VII—MATERNAL AND CHILD HEALTH

The extreme need of cooperation by the Federal Government in ("extending and strengthening its services for the health of mothers and children" is strikingly presented in those figures made available by the Committee on Economic Security showing the decreases in funds for State maternal and child-health work between 1928 and 1934. It is true that Delaware and Pennsylvania have made substantial increases. Slight increases have been registered by Massachusetts, Maine, and New Hampshire, but all other States show decreases; many of them running well in excess of 50 percent and some of them in excess of 90 percent. In 1934, nine States report no funds available for this vital work. These, reductions and eliminations of State funds have been made just at the time mothers have been most in need of financial assistance. When we consider that between 1928 and 1934, unemployment has increased from 2,000,000 to more than 11,000,000; that wages have been reduced from \$15,000,000,000 in 1929 to \$6,000,000,000 in 1933 (source: the National Income 1933, Department of Commerce) and that the average worker's income in 1934 was \$1,099 (source: the American Federation of Labor) it must be recognized that the need for financial assistance to mothers is greater than ever before.

When we look at the records of other countries in this field, it must be admitted that there should be no further delay in making certain Federal appropriations. "Payment of maternity allowances in Australia dates back to October 1912. The allowance was £5 (\$24.33) for each viable child, whether or not it was born alive, provided the mother was a resident of Australia and neither an aboriginal nor an Asiatic. Originally the allowance might be claimed regardless of the parents' income, but the emergency act of 1931 restricted it to cases in which the income of the parents for the 12 months preceding the birth did not exceed £260 (\$1,265.29) and also reduced the amount to £4 (\$19.47)." (From Monthly Labor Review of the United States Bureau of Labor Statistics, August 1933.)

"The earliest German legislation concerned with maternity protection was enacted in 1878, when 3 months' leave after confinement was made compulsory in certain industries. The sickness insurance act of 1883 provided for the payment of maternity benefits at the same rate as those for ordinary illness." (From the Encyclopedia of the Social Sciences, vol. 10.) "In France, maternity benefits are paid to women without means, whether or not they are regularly employed, for at least 12 weeks after childbirth. The funds are supplied jointly by the state, departments, and communes." (From the Encyclopedia of the Social Sciences, vol. 10.)

It is significant that where assistance has been most thoroughly developed, mortality rates have been the furthest reduced. "A survey of the European countries in which mortality rates are very low—the Scandinavian countries, Holland, and Italy—shows that these states have the fullest and most coordinated provisions for all types of assistance." (From the Encyclopedia of the Social Sciences, vol. 10.) We find that figures from our country appear in a very unfavorable light when compared with those of certain other countries. In

1929, maternal mortality per 10,000 live births in the Netherlands was 33, while in the United States it was 70. For Switzerland, we find a record of 46 and for England and Wales, 43.

The drastic reduction in State funds available has already been mentioned. From these same figures, we find that on November 15, 1934, 109,036 families were receiving mother's aid in the United States. On the basis of Federal Emergency Relief disbursements for the month of November, it may be assumed that nearly 5,000,000 families were involved. On the basis of the American Federation of Labor estimate of unemployment, we know that twice this number, or 10,000,000 families may well be in need at this time, and certainly that portion of them in need of mother's aid will far exceed 109,000.

In 1933, 12,000 mothers died from causes assigned to pregnancy and childbirth.

In view of the conditions outlined above, it is urged that direct steps be taken in this cause at the earliest possible date. It might be mentioned in this connection that although birth registrations may be the most practical basis for allocating funds to the different States, nevertheless, if funds are allocated in amounts directly proportional to live births, it may well be that those States which are most in need of funds will be denied the much needed assistance.

#### APPROPRIATIONS FOR PUBLIC HEALTH

The annual appropriation of \$10,000,000 will reach those who are suffering through the ravages of ill health and debility through two channels. Appropriations to the several States will be now available "for the purpose of developing State health services" taking into consideration the needs of local and county programs. These funds will be of direct assistance to those who have been rendered unable to carry the burden of needed medical assistance.

Those funds which are made available to the Bureau of the Public Health Service "for further investigation of diseases and problems of sanitation and related matters" will make possible further investigations on the basis of which much unnecessary suffering and death will be eliminated and the economic as well as social losses through ill health will be substantially decreased.

It is clearly our responsibility to reduce human suffering to a minimum and to turn every effort to the establishment of general standards of health which will eliminate, just as far as possible, all cases where men, women, or children would be required to live their lives and meet their responsibilities under the handicap of ill health, crippled bodies, or impaired mentalities.

The program before us is a tremendous one, and if for the moment we fail to take into consideration its sociological import, the economic justification alone clearly shows that the appropriation proposed will be many times paid back if the procedure suggested meets with any degree of success.

An estimate by the committee on the costs of medical care places those economic losses due to sickness at no less than \$250,000,000 annually. In view of the fact that a large part of this illness is preventable by the application of known and tried medical methods, the economic argument for a larger expenditure for preventive medicine is compelling. The economic losses resulting from preventable illness are, furthermore, exceeded by the losses from premature deaths. Louis Dublin (of the Metropolitan Life Insurance Co.), basing his calculation on the costs of rearing a child and on future earning power, has estimated that the total capital value of the lives that can be saved annually through the application of

preventive medicine is approximately \$3,500,000,000. (From Encyclopaedia of the Social Sciences, vol. 10, p. 294.)

In 1929, expenditures for medical care in the United States reached a figure of \$3,656,000,000. (From *ibid.*, p. 294.) Since that time, our national income has been cut approximately in half. Although we have no basis nor the assumption that these expenditures filled the needs of the people of this country, it is obvious that not even this amount of care is possible at the present time without throwing an unbearable cost on drastically curtailed incomes.

Furthermore, when it is noted that the people of the United States in 1929 spent \$360,000,000 "on patent medicines of dubious value" and \$165,000,000 on "home remedies which also are deplorable from a medical standpoint", there can be no question but that those limited funds which are available can be expended much more beneficially where the Federal Government as well as State and local agencies are able to develop public-health programs.

Looking at the cost of medical care from another angle, we see the burden which is imposed on families in the lower income group for such medical care as they are able to obtain for themselves. "Metropolitan families earning between \$1,200 and \$2,000 spent on the average of \$63.75 for medical attention for the 12 months of the survey, while those families with earnings of \$10,000 and over spent \$270.34 or more than four times as much." (From *The Cost of Medical Care*, published by the Metropolitan Life Insurance Co.) Furthermore, despite the fact that the low-income families were able to spend only one-quarter as much as were those receiving earnings in excess of \$10,000 per year, these families receiving less than \$2,000 annually spent in proportion twice as much for medical care as did those receiving in excess of \$10,000—3.6 percent of annual income as compared with 1.8 percent of annual income. (From *ibid.*)

When we consider the drastic reductions which have been made in weekly earnings, we must recognize that these families are precluded from any expenditure for medical care unless they sacrifice certain necessities which may mean additional need in the near future.

Now on page 31 of the bill, after subsection (6), we recommend the following:

(7) The State has accepted the provisions of the act of June 6, 1933 (U. S. C., title 29, sec. 49 (c); 48 Stat. 113).

(8) Payment of all compensation is made and/or is to be made through the public employment offices in such State, and commences under such State law 2 years after contributions are first made under such law.

(9) The State agency of such State, to safeguard the money paid as contributions and to assist in maintaining the stability of industry and employment, deposits all such money, or causes it to be deposited, immediately upon its being paid as contributions, in the unemployment trust fund, or in a bank or banks designated as agents of such trust fund to be held as part of such trust fund, in accordance with section 604 of this act.

(10) None of the money requisitioned by such State agency, in accordance with section 604 of this act, has been used for any purpose except the payment of compensation.

(11) Compensation is not denied in such State to otherwise eligible employees for refusing to accept new work under any of the following conditions: (a) If the position offered is vacant due directly to a strike, lockout, or other labor disputes; (b) if the wages, hours, and other conditions of the work offered are substantially less favorable to the employee than those prevailing for similar work in the locality; (c) if acceptance of employment would either require the employee to join a company union or would interfere with his joining or retaining membership in any bona fide labor organization.

(12) The State law includes provisions which permit modification thereof at the will of the legislature or which prevent the creation of vested rights against modification or repeal of such law at any time.

(13) That no contributions for the payment of premiums or the raising of this fund for unemployment compensation is required of employees.

(14) That no more than 1 week of waiting days from date of loss of job before his days of unemployment begin to count.

(15) That said State laws permit unemployment compensation to be paid consecutively for **26** weeks! provided the unemployed is without a job and has not declined the offer of a job during said time.

(16) That the unemployed during said 26 weeks or the portion thereof he is without a job shall receive 50 percentum of his normal n-ages with a maximum of \$15 a week.

(h) Payment of any installment to a State to which an allotment has been made shall be withheld if the Board reverses the previous finding made by it under this section, and notifies the Secretary of the Treasury and the treasurer of the affected State of such reversal——continuing the bill on page 32.

Senator **HASTINGS**. Mr. Green, you stated that your estimate of the pay roll was just approximate. I am surprised to find in your figures that it, amounts \$15,800,000,000, and that produced the tax that you mentioned. Are you quite certain that that is somewhere nearly correct? I should suppose it was at least twicethat.

Mr. **GREEN**. I gave you the figures as to what it would be on 1 percent, 2 percent, or 3 percent.

Senator **HASTINGS**. That is based upon a pay roll of \$15,800,000,000. I am surprised to find it is as low as that.

Mr. **GREEN**. A tax on pay roll, Senator, is not like a tax on gross earnings or gross business.

Senator **HASTINGS**. I appreciate that. If you are reasonably certain that your figures are correct, that is all right.

Mr. **GREEN**. I am reasonably certain that my figures are correct, although I will have them checked up.

Senator **HASTINGS**. If you find there is very much difference I wish you would put the correction in the record.

Mr. **GREEN**. I will be glad to do that.

I want to emphasize this fact, in conclusion, Senator: Unemploymentinsurance is just what the term implies. It is insurance against unemployment. It provides for the payment, out of funds collected, of so many weeks' benefits in case the worker is unemployed. It cannot be accepted as being sufficient and adequate to meet a severe unemployment situation. We will have to consider it as a measure that is intended to operate during normal periods when employment is on a normal basis. It is intended to tide the worker over during temporary periods of unemployment. We must always keep in mind that an unemployment-insurance plan must be supplemented by a substantial relief plan, because you cannot take care of it through unemployment insurance.

Senator **WALSH**. Mr. Green, in trying to study precedents looking toward the creation of unemployment-insurance benefits in this country, have you observed this difficulty, that in foreign countries the labor legislation is uniform and applies to all the citizens and that in this country the labor legislation is different in every State; the rate of wages paid is different, the hours of labor are different, the pensions so far as protection for safety and sanitation are concerned, are different, therefore is it not difficult to establish or fix up a plan that is based upon the European system in this country?

Mr. **GREEN**. Yes; we have 48 sovereignties here, whereas they deal with 1 sovereignty.

Senator **WALSH**. And for that reason at least serious consideration should be given to allowing each State a good deal of latitude in working out the problem for itself?

Mr. **GREEN**. That is what I had in mind, that we should establish as great a uniformity as possible. That is the reason I favor the subsidy plan, because it provides uniformity in the levy of the tax, it gives the Federal Government an opportunity to establish general standards which must be established in all State laws. One is the waiting period. I think that ought to be the same in every State. Say 50 percent of the earnings, that ought to be uniform. The amount of weeks they receive benefits ought to be as near uniform as possible. Outside of that we ought to let the States have the widest latitude.

Senator **WALSH**. As to the amounts to be paid and the benefits to be granted, each State ought to determine what it can afford, in view of the assistance, the cooperation, or the aid given it by the Federal Government. Of course that same principle applies to old age.

Mr. **GREEN**. We have learned a lot as the result of our experiments in the enactment of workmen's compensation legislation, because we have different laws in most every State, and there are some 4 or 5 States that have no workmen's compensation law at the present time. Now the standards are different, but in this unemployment situation, as I said, that is a national question. It appears to me if the Federal Government is to subsidize the State then it ought to possess the power to say the State must meet certain standards in order to get this money. That is fair and just.

Senator **HASTINGS**. Mr. Green, what would you think of the Federal Government agreeing to contribute a certain sum of money, to be fixed by the Congress, upon condition that the States should enact certain laws of a certain standard and should therefore be entitled to draw down certain portions of this fund, leaving it entirely to the State to meet its share of whatever Congress decided. Your relief rolls are based upon 2 to 1 generally. They try to make it that. The States contribute \$2 for each \$1 contributed by the Federal Government. Suppose in this insurance the Federal Government should agree, out of this general fund, to contribute so many millions of dollars, distributed according to the population, and on condition that any State, before receiving it, should pay to its employees at least \$2 for ever dollar paid by the Federal Government, leaving it to the State to tax, to levy its own tax, to get its own money, and make our own contribution out of the general fund. Have you given any consideration to the simplicity of any such plan as that?

Mr. **GREEN**. That is practically the principle embodied in the subsidy plan. You understand this s-percent tax will not be sufficient. The State will have to levy a tax through which it will supplement the amount that the Federal Government will pay. It is practically the same as you have outlined there now.

Senator **BLACK**. Just like the Federal highway plan?

Mr. **GREEN**. Just like the Federal highway plan. The Federal engineers stipulate the character of curves, and require States to comply with certain standards, before they get the money.

The **CHAIRMAN**. The committee is adjourned and will meet in executive session at 10 o'clock tomorrow. This hearing will be resumed on Wednesday morning.

(Whereupon the hearing was adjourned.)