

# Unemployment insurance system marks its 50th anniversary

*The Social Security Act of 1935 broke new ground in alleviating the economic impact of unemployment by establishing a Federal-State program of cash benefits for workers who had lost their jobs*

JAMES M. ROSBROW

When unemployment insurance was being considered as part of the Social Security Act in 1934 and 1935, the number of unemployed workers in the United States was estimated at 11 million to 15 million. State relief programs had broken down and were supplemented by one Federal program after another. The Presidentially appointed Committee on Economic Security and the congressional committees considering the legislation faced the problem of devising an unemployment insurance program that would fit into the Federal-State political system. Supporters of a workers' compensation approach took the States' rights viewpoint, advocating a "State laboratory" system for experimenting "close to the grass roots." It was also feared that a Federal system might be declared unconstitutional because of possible encroachment on States' rights.

In enacting the unemployment insurance provisions of the Social Security Act in 1935, Congress recognized both national and State concern over unemployment and measures to alleviate it. Because unemployment affects the Nation as well as individual States, Federal action was considered important. But Congress also considered it feasible and desirable for the States to administer unemployment insurance programs to meet local needs. There was ample precedent for the legislation.

---

James M. Rosbrow is an unemployment insurance program specialist in the Office of Legislation and Actuarial Services, Unemployment Insurance Service, Employment and Training Administration, U.S. Department of Labor. He has served as Chairman, Delaware Employment Security Commission and as Secretary of Labor of Delaware, and as Executive Director of the National Commission on Unemployment Compensation.

## **European and U.S. antecedents**

In Europe, the first unemployment insurance benefits were provided under voluntary plans which trade unions started for their members. The best known were started by small local unions in Belgium, in Liege in 1897 and Ghent in 1901. The first successful government actions in this field were subsidies to trade union plans. Over the years, the need for pooling the financial risk forced many voluntary union plans to merge into national programs. In 1920, the Belgian Government welded union programs into the semblance of a national system, with centralized control of funds and national subsidies as needed.

Compulsory unemployment insurance legislation was enacted in Europe decades before any such law was passed in the United States—the first national system in Great Britain in 1911. By 1935, when the Social Security Act was passed in this country, all or part of 10 nations had compulsory unemployment insurance laws and another 10 had systems of government subsidies to voluntary plans.

Foreign systems derived financial support from employees and general revenues as well as from employers. The original British system was financed by flat-rate contributions from employers, employees, and the National Government. As amended through February 1935, the British Act covered most nonagricultural workers 16 to 64 years of age except nonmanual workers who earned more than 250 pounds a year. Benefits, payable for 26 weeks, varied according to age and sex.

In the early 1930's, only a few groups of workers in the United States were protected against unemployment, and

these plans had limited value in formulating a comprehensive system. In 1934, trade union plans covered about 100,000 workers; joint union-management plans covered about 65,000, mostly in the garment trades; and voluntary company plans covered another 70,000. These last were mostly guaranteed employment plans, modest in scope and in coverage, to protect seasonal workers in the off season.

### **Proposals for State legislation**

The first State unemployment insurance laws proposed in the United States, bills modeled after the British Act of 1911, were introduced in the Massachusetts legislature in 1916 and in New York State in 1921. Neither bill passed, nor did bills introduced in many States during the 1920's. It took the Depression of the 1930's to spark widespread interest in laws to help unemployed workers.

The most persistent efforts were in Wisconsin. Largely as the result of efforts by Professor John R. Commons and his associates at the University of Wisconsin, every legislature from 1921 to 1931 considered an unemployment insurance bill. Early proposals were modeled on workmen's compensation, the entire cost to be borne by employers, to encourage them to stabilize employment. A mutual insurance company was to carry the insurance and employers' contribution rates would vary according to their experience with unemployment (within the unemployment insurance program this is called "experience rating").

### **The Wisconsin and other State laws**

In a special session in 1931, Wisconsin passed this Nation's first unemployment insurance act; it was signed into law in 1932. To allow time for setting up the administrative system and for accumulating a pool of employers' contributions, benefits were not paid until 1936.

Under the Wisconsin law, individual employer reserves would be maintained in a State fund. Each employer's reserve was to be used for benefits to his or her own workers when they became unemployed, and the employer's contribution rate would vary according to the benefits paid. When the average amount per employee in the reserve accumulated to a certain level, the employer's contributions were suspended. The amount and duration of benefits for each claimant were determined separately for each employer according to the claimant's employment and wages.

In 1932, the Ohio Commission on Unemployment Insurance recommended a different kind of plan. This provided for a statewide pooled fund, employer and employee contributions with no variation in rates, weekly benefits related to base period wages from all of the claimant's employers, and a uniform maximum of 26 weeks of benefits for all eligible claimants. The plan's emphasis was on the social aspects of unemployment and on conditions that create unemployment beyond an individual employer's responsibility.

No other State took action until 1935, when six States—

New York, California, Massachusetts, New Hampshire, Utah, and Washington—passed legislation in anticipation of the Federal Social Security Act. These early laws were amended in the next legislative session in each State, to conform to the new Federal law.

### **Proposals for Federal legislation**

Interest in a national unemployment insurance law was evident as early as 1916, when a resolution was introduced in Congress to create a commission to draft such legislation. The resolution did not pass, and Congress evidenced no further interest for a decade.

On March 23, 1934, President Franklin D. Roosevelt wrote:

Of course, unemployment insurance alone will not make unnecessary all relief for all people out of a major economic depression, but it is my confident belief that such funds will, by maintaining the purchasing power of those temporarily out of work, act as a stabilizing device in our economic structure and as a method of retarding the rapid downward spiral curve and the onset of severe economic crises.

In June 1934, President Roosevelt appointed a Committee on Economic Security to study the problem of unemployment as part of the whole problem of economic instability. The committee's final report, transmitted to Congress in January 1935, included a recommendation for providing security for all unemployed. Senator Robert F. Wagner and others subsequently introduced bills embodying the committee's detailed recommendations.

### **Framework of the Federal-State system**

The national program of unemployment insurance was instituted under two titles of the Social Security Act, which Congress passed in August 1935 by an overwhelming bipartisan vote: Title III, "Grants to the States for Unemployment Compensation Administration," and Title IX, "Tax on Employers of Eight or More." Much of Title IX was later incorporated in the Internal Revenue Code, as the Federal Unemployment Tax Act.

The type of Federal-State cooperation provided in this legislation had never been tried in any other governmental activity. The act did not set up a Federal system of unemployment benefits comparable to the Federal old-age insurance system, nor did it provide grants to the States for unemployment benefits, comparable to the matching grants provided for public assistance payments.

Instead, it levied a tax on all employers in industry and commerce who had eight workers or more for at least 20 weeks in a year. The Federal tax was 1 percent of payrolls for 1936, 2 percent for 1937, and 3 percent for 1938 and thereafter. Because all employers were taxed, each State could assist its unemployed without putting its industries at an economic disadvantage with those in other States. Through a tax offset provision, the Federal act actually made it advantageous for States to enact laws to pay unemployment benefits. This provision entitled an employer to credit pay-

ments under a State law against up to 90 percent of his or her Federal tax due. Employers were also credited for contributions they were excused from paying under a State experience rating system.

The Federal law contained a number of standards for administration, policy, and coverage. Effective in 1940, the Federal law required the States to operate a merit system for employment security personnel.

A State which failed to meet Federal standards could be penalized in two ways: Federal funds for State administration costs could be withheld; or employers could be denied credit against the Federal unemployment insurance tax for their contributions under the State law.

Approval by the Social Security Board was needed for Federal certification that a State unemployment insurance law met the required conditions. (Judicial review of the Secretary of Labor's decisions on State conformity or compliance proceedings was first provided for in 1970.)

Although the cost of administering State unemployment insurance programs was financed entirely from the Federal share of the unemployment insurance tax, Congress was required to appropriate funds annually.

To safeguard the financial stability of the system, the Federal law required each State to deposit the taxes it collected in an Unemployment Trust Fund set up by the U.S. Treasury, the money to be invested in U.S. Government bonds. A separate account was kept for each State; a State could withdraw funds at any time, but only to pay unemployment benefits.

### **The system begins**

By July 1937, all States had enacted Federally approved unemployment compensation laws. In general, the State laws followed the models suggested by the Committee on Economic Security. Benefits were to be equal to 50 percent of full-time weekly earnings, but not to exceed \$15 weekly. Most States set a \$5 weekly minimum benefit amount. The States were more optimistic about the ability of the unemployment compensation funds to handle benefit payments than the Committee, which had recommended that benefits be provided for up to 12 weeks, after a two-week waiting period; only three States provided for such brief duration. In general, States provided duration of 13 to 16 weeks.

The Railroad Retirement Act, which preceded the Social Security Act and provided a retirement system for employees of the rail industry, was expanded in 1939 to provide a separate unemployment insurance system for employees of the industry. Coverage was excluded from the Social Security Act, and States were required to similarly exclude such employment from State coverage. Both rail employers and rail employees supported the transfer. States, in general, indicated no opposition, at least partly because there had been some difficulties experienced in assigning coverage for employment which involved time spent in many different States, and because rail wage payment practices were dif-

ferent from the weekly payroll that was the general practice in most other employment—auguring possible difficulty in relating unemployment benefits, on a weekly basis, to the rail employment pattern.

Amendments in 1939 to the Social Security Act made changes in the Federal unemployment compensation laws. Several hundred thousand workers were excluded from unemployment compensation coverage as definitions of excluded classes of workers were broadened. Agricultural labor, exempt from coverage, was redefined to include produce packagers and processors. The definition of excluded non-profit organizations was also broadened, and students were specifically excluded from coverage. The taxable wage base, initially the total wages paid to each worker, was limited to the first \$3,000 paid to each individual in a year.

The \$3,000 limit was the same as that in effect under the Social Security Act.

One of the most significant unemployment insurance-related programs was not actually part of the Federal-State unemployment insurance program. The Servicemen's Readjustment Act of 1944 (popularly known as the "G.I. Bill of Rights") included a program of readjustment allowances of \$20 a week for a maximum of 52 weeks to veterans of World War II and to self-employed veterans with net monthly income, after expenses, of less than \$100, payable for 12 months at a monthly maximum of \$100. For most veterans, this program ended in July 1952.

### **Major improvements**

In 1954, the Employment Security Administrative Financing Act earmarked all proceeds of the Unemployment Tax Act (now a part of the Internal Revenue Code) to unemployment insurance purposes by automatically appropriating to the Federal Unemployment Trust Fund any annual excess of Federal tax receipts over employment security appropriations. The act also provided for a loan fund to provide interest-free loans to States whose unemployment trust funds fell below the amount they paid out in benefits in the previous year. Additionally, the act provided for the return to the States of any excess above a \$200 million reserve in the Loan Fund, to be used for payment of benefits and, under certain conditions, for State administrative expenses, including construction of buildings.

A second bill, enacted in 1954, extended coverage, effective in 1956, to employers of four workers or more, the first major extension of coverage since the Social Security Act was passed in 1935. The act also extended coverage to Federal employees, subject to benefit provisions of State laws, with costs reimbursed to the States by the Federal Government. These extensions were initiated by recommendations of the Department of Labor.

In 1970, major program changes in the form of the Employment Security Amendments were enacted, which included the following:

- Coverage was extended to all private sector employers with one employee or more.
- State laws were required to provide coverage for employees of most nonprofit organizations, and of State hospitals and State institutions of higher education.
- The Federal Unemployment Tax was increased from 3.1 to 3.2 percent, and the taxable wage base from \$3,000 to \$4,200—the first increase in the wage base since it was set at \$3,000 in 1939.
- A permanent Federal–State Extended Unemployment Compensation program was adopted. Under this program, costs were shared equally by State and Federal unemployment compensation accounts. Benefits were payable when specified national or State insured unemployment rates were met. Benefits were payable at the same weekly rate, and for half the number of weeks (up to 13), for which an individual had been eligible under the State claim which he or she had exhausted.

The Unemployment Compensation Amendments of 1976 included the following major provisions:

- Required State coverage was extended to nearly all employees of State and local governments and to nonprofit elementary and secondary schools. Agriculture and household workers were given limited coverage under the Federal Unemployment Tax Act, effectively extending such coverage to State laws.
- The taxable wage base under the Federal Unemployment Tax Act was increased from \$4,200 to \$6,000, and the Federal tax rate was increased to 3.4 percent, dropping to 3.2 when certain obligations to the general fund of the Treasury are paid off.
- In the Federal–State Extended Benefit program, improved Federal and State triggers were enacted to make the programs more responsive to sudden changes in the economy.

In 1982, Federal legislation increased the wage base from \$6,000 to \$7,000, and the tax rate from 3.4 percent to 3.5 percent (both effective from January 1, 1983).

Effective January 1, 1985, the gross tax rose to 6.4 percent (from 3.5 percent), the standard tax credit for employers in a State with an approved law was increased to 5.4 percent (from 2.7 percent), and the 0.8 net Federal tax remained the same. The changes came from congressional initiatives and the rationale was: (1) raising the required maximum rate in State laws to 5.4 percent would make it easier for States to secure legislative approval of higher tax maximums and thus assign higher rates to employers whose charges against State unemployment insurance funds are greatest—attributable to irregular patterns of employment, and (2) this in turn would permit more stable employers, whose demands upon the unemployment fund are lower, to earn lower tax rates. Special exceptions permit two State laws to provide that certain employers, where such employers

were assigned a rate higher than 2.7 percent *en bloc*, to have a 5-year phase-in, to 1989, to reach the 5.4 percent maximum.

### At the 50-year mark

About 97 percent of wage and salary workers are now covered by the Federal–State system, originally established by the Social Security Act. The Federal taxing provisions are in the Federal Unemployment Tax Act. Railroad workers are covered by a separate Federal program. Veterans with recent service in the Armed Forces and civilian Federal employees are covered by Federal programs, with the States paying benefits as agents of the Federal Government.

The Federal provisions in the Federal Unemployment Tax Act and the Social Security Act establish the framework of the system. If a State law meets minimum Federal requirements, employers receive a 5.4 percent credit against the 6.2 percent Federal payroll tax, and the State is entitled to Federal grants to cover the necessary costs of administering the program.

Should noncompliance result in violation of FUTA standards, the Secretary of Labor is required to withhold approval of the State law for employer tax credit within the State. Noncompliance with Title III requirements could result in denial by the Secretary of grants for costs of administration, which must also be withheld if the State law is not approved under the Federal Unemployment Tax Act.

*Approval for tax credit under the Federal Unemployment Tax Act.* Section 3304 of the Internal Revenue Code of 1954 provides that the Secretary of Labor shall approve a State law if under the State law:

- (1) Compensation is paid through public employment offices or other approved agencies.
- (2) All of the funds collected under the State program are deposited in the Federal Unemployment Trust Fund.
- (3) All of the money withdrawn from the unemployment fund is used to pay unemployment compensation or to refund amounts erroneously paid into the fund.
- (4) Compensation is not denied to anyone who refuses to accept work because the job is vacant as the direct result of a labor dispute; or because the wages, hours, or conditions of work are substandard; or if as a condition of employment, the individual would have to join a company union or resign from or refrain from joining any bona fide labor organization.
- (5) Compensation is paid to employees of State and local governments (with required limitations on benefit entitlement during vacation periods for employees in education).
- (6) Compensation is paid to employees of FUTA tax exempt nonprofit organizations, including schools and colleges, who employ four workers or more in each of 20 weeks in the calendar year.
- (7) Compensation is not payable in 2 successive benefit years to an individual who has not worked in covered employment after the beginning of the first benefit year.
- (8) Compensation is not denied to anyone solely because he or she is taking part in an approved training program.

- (9) Compensation is not denied or reduced because an individual's claim for benefits was filed in another State or Canada.
- (10) The only reasons for cancellation of wage credits or total benefit rights are discharge for work-connected misconduct, fraud, or receipt of disqualifying income.
- (11) Extended compensation is payable under the provisions of the Extended Unemployment Compensation Act of 1970.
- (12) The State participates in arrangements for combining wages earned in more than one State for eligibility and benefit purposes.
- (13) Reduced rates are permitted employers only on the basis of their experience with respect to unemployment.
- (14) State and local governments and nonprofit organizations may choose between paying regular employer contributions or financing benefit costs by the reimbursement method.
- (15) No individual shall be denied compensation solely on the basis of pregnancy or termination of pregnancy.
- (16) Compensation may not be payable to a professional athlete between seasons who is under contract to resume employment when the new season begins.
- (17) Compensation may not be payable to an alien not legally available to work in the United States.
- (18) The benefit amount of an individual shall be reduced by that portion of a pension or other retirement income which is funded by a base period employer (including 50 percent of primary Social Security or Railroad Retirement payment).
- (19) Wage information in the agency files must be made available, upon request, to the agency administering Aid to Families with Dependent Children.
- (20) The following specific provisions of the Federal-State Extended Unemployment Compensation Law must be adopted by State law:
  - Specific requirements for defining suitable work and imposing disqualifications related thereto.
  - Extended benefit payments limited to 2 weeks if claimant moves from a State triggered "on" to a State which is not paying extended benefits.
  - No provision of State law which terminates a disqualification for voluntary quit, discharge for misconduct, or job refusal, other than new employment, shall apply for purpose of determining eligibility for extended benefits.
  - No individual shall be eligible for extended benefits unless during his or her base period for regular unemployment insurance he or she had 20 weeks of full-time insured unemployment or the equivalent in insured wages (40 times the individual's most recent weekly benefit or 1½ times earnings in the highest quarter in the base period).
- (21) Any interest required to be paid on advances shall be paid by the due date set in the Federal Unemployment Tax Act. The interest paid shall not be drawn from the unemployment insurance funds of the State, but may be paid from a separate tax levied for that specific purpose or from such other sources as the State may determine.

*Approval for grants for costs of administration.* Title III of the Social Security Act provides for payments from the Federal unemployment fund to the States to meet the nec-

essary cost of administering the unemployment compensation programs in the States and the major proportion of the cost (97 percent) of operating their public employment offices. Under this title, the grants are restricted to those States that have been certified by the Secretary of Labor as providing:

- (1) Methods of administration (including a State merit system) which will insure full payment of unemployment compensation when due.
- (2) Unemployment compensation payment through public employment offices or through other approved agencies.
- (3) For fair hearings to individuals whose claims for unemployment compensation have been denied.
- (4) For the payment of all funds collected to the Federal Unemployment Trust Fund.
- (5) That all of the money withdrawn from the fund will be used either to pay unemployment compensation benefits, exclusive of administrative expenses or to refund amounts erroneously paid into the fund; except that, if the State law provides for the collecting of employee payments, amounts equal to such collections may be used to provide temporary disability payments.
- (6) For making the reports required for the Secretary of Labor.
- (7) For providing information to Federal agencies administering public work programs or assistance through public employment.
- (8) For limiting expenditures to the purpose and amounts found necessary by the Secretary of Labor.
- (9) For repayment of any funds the Secretary of Labor determines were not spent for unemployment compensation purposes or exceeded the amounts necessary for proper administration of the State unemployment compensation law.
- (10) For providing information to the Department of Agriculture and State food stamp agencies with respect to wages, benefits, home address, and job offers.
- (11) For providing wage information to any State or local child support agency.
- (12) For requiring that a claimant disclose whether or not he or she owes child support obligations. Deductions from benefits shall be made for any such child support obligations, and the amount of such deduction paid by the State unemployment insurance agency to the appropriate child support agency.
- (13) That no certification for payment to any State shall be made by the Secretary if he or she finds that any interest on advances has not been paid by the date on which it is required to be paid or has been paid directly or indirectly (by an equivalent reduction in State unemployment taxes or otherwise) by such State from amounts in the State's unemployment fund, until such interest is properly paid.
- (14) That the State agency charged with the administration of the unemployment insurance law provides that information shall be requested and exchanged for purposes of income and eligibility verification in accordance with a State system meeting the requirements of Title XI of the Social Security Act. The unemployment insurance wage record system may, but need not, be the required State's system.

## Financing the program

Under the provisions of the Internal Revenue Code, a tax is levied on covered employers at a current rate of 6.2 percent on wages up to \$7,000 a year paid to an employee. The law, however, provides a credit against Federal tax liability of 5.4 percent to employers who pay State taxes under an approved State unemployment compensation program. This credit is allowed regardless of the amount of the tax paid to the State by the employer. Because all of the States now have approved unemployment compensation laws, the standard Federal tax in every State is 0.8 percent.

This Federal tax is used to pay all of the administrative costs, both State and Federal, associated with the unemployment compensation programs, to provide 50 percent of the benefits paid under the Federal-State Extended Unemployment Compensation Act of 1970, and to maintain a loan fund from which an individual State may borrow (Title XII of the Social Security Act) whenever it lacks funds to pay the unemployment compensation benefits due for any month.

## State taxes

All States levy taxes on employers within the State. Four States (Alabama, Alaska, New Jersey, and Pennsylvania) also collect contributions from employees. All taxes are deposited by the State to its account in the unemployment trust fund in the Federal Treasury and withdrawn as needed to pay benefits.

Many States have adopted a higher tax base than the minimum requirement of \$7,000 now provided in the Federal Unemployment Tax Act. In all States an employer pays a tax on wages paid to each worker within a calendar year up to the amount specified in State law. In addition, most of the States provide an automatic adjustment of the wage base if the Federal law is amended to apply to a higher wage base than specified under State law.

The limited Federal requirements permit States a wide variation in their practices with respect to setting tax rates. As a result of the many variables in State taxable wage bases and tax rates, benefit formulas, and economic conditions, actual tax rates vary greatly among the States and between individual employers within a State. In 1984, the estimated average tax rate was 3.2 percent of taxable wages, ranging from a high of 5.5 percent in Michigan, with a taxable wage base of \$8,500, to a low of 1.5 percent in Florida and New Hampshire (with a taxable wages base of \$7,000 in both States). Tax rates as a percentage of total wages ranged from a high of 3 percent in Puerto Rico to 0.6 percent in Arizona, Florida, and Texas. The national average tax rate, as a percentage of total wages, was 1.3 percent.

## Covered employment

The Federal Unemployment Tax Act applies to employers who employ one employee or more in covered employment

in at least 20 weeks in the current or preceding calendar year or who pay wages of \$1,500 or more during any calendar quarter of the current or preceding calendar year. Also included are large employers of agricultural labor and some employment in household service. In their unemployment insurance laws, States tend to cover employers or employment subject to the Federal tax because, while there is no compulsion to do so, failure to do so is of no advantage to the State and a disadvantage to the employers involved. While States generally cover all employment which is subject to the Federal tax, and many go beyond, covering others, such as smaller employers of agricultural labor and household service.

Although the extent of State coverage is greatly influenced by the Federal statute, each State is, with two exceptions, free to determine the employers who are liable for contributions and the workers who accrue rights under the laws. Since January 1, 1978, the Federal law has required that State unemployment compensation laws must provide coverage for virtually all employees of State and local governments and all but very small nonprofit employers.

As of January 1, 1978, the Federal law was broadened to include employees in agriculture of employers who have 10 workers or more or a quarterly payroll of at least \$20,000 and employers of household service workers who have a cash payroll of at least \$1,000 in any calendar quarter. Employers who do not meet these requirements are excluded from liability.

## Benefits vary

There are no Federal standards for benefits, qualifying requirements, benefit amounts, or duration of regular benefits. Hence, there is no common pattern of benefit provisions comparable to that in coverage and financing. The States have developed diverse and complex formulas for determining workers' benefit rights.

Under all State unemployment insurance laws, a worker's benefit rights depend on his experience in covered employment in a past period of time, called the "base period." The period during which the weekly rate and the duration of benefits determined for a given worker apply to the individual is called his or her "benefit year."

The qualifying wage or employment provisions attempt to measure the worker's attachment to the labor force. To qualify for benefits as an insured worker, a claimant must have earned a specified amount of wages or must have worked a certain number of weeks or calendar quarters in covered employment within the base period, or must have met some combination of wage and employment requirements. He or she must also be free from disqualification for causes which vary among the States. All but a few States require a claimant to serve a waiting period before his unemployment may be compensable.

All States determine an amount payable for a week of total unemployment as defined in the State law. Usually a

## Chronology of major Federal legislation relating to unemployment insurance

- |   |   |
|---|---|
| <p><b>1935</b> Social Security Act becomes law. Includes framework for the Federal-State unemployment insurance system.</p> <p><b>1937</b> All States have legislation enacted for participation in Federal-State system.</p> <p>U.S. Supreme Court upholds constitutionality of Federal-State provisions of Social Security Act and of Alabama unemployment insurance law.</p> <p><b>1938</b> Railroad Unemployment Insurance Act initiates separate system for railroad employees.</p> <p><b>1939</b> All States paying unemployment insurance benefits.</p> <p><b>1944</b> Servicemen's Readjustment Act ("GI Bill of Rights") includes program of readjustment allowances for unemployed and certain self-employed veterans. Program administered nationally by the Veterans Administration, in States by unemployment insurance agencies.</p> <p><b>1952</b> Veterans' Readjustment Assistance Act provides unemployment insurance benefits for veterans of the Korean conflict.</p> <p><b>1954</b> New title XV of Social Security Act provided unemployment insurance system for Federal civilian employees.</p> <p>Federal Unemployment Tax Act coverage extended to employers of four or more (from original eight or more).</p> <p><b>1958</b> Temporary Unemployment Compensation Act extends benefits to exhaustees in States which elected to participate; Federal advances were repayable by States.</p> <p>Ex-Servicemen's Unemployment Compensation Act provides permanent unemployment insurance program for individuals leaving the Armed Forces.</p> <p><b>1961</b> Temporary Extended Unemployment Compensation Act extends benefits to exhaustees in all States, under Federally funded program.</p> <p><b>1962</b> Trade Expansion Act provides adjustment assistance for workers adversely affected by trade agreements. (Strengthened by Trade Act of 1974).</p> <p><b>1969</b> Disaster Relief Act assists individuals unemployed as a result of a major disaster. (Extended in 1974.)</p> <p><b>1970</b> Employment Security Amendments extends coverage to employers of one or more and certain other groups; provides permanent extended benefit program; and increases Federal Unemployment Tax Act taxable wage base from the \$3,000 effective since 1939 to \$4,200.</p> <p><b>1971</b> Emergency Extended Unemployment Compensation Act temporarily provides up to 13 weeks of benefits to exhaustees of regular and extended benefits. (Federally funded.)</p> <p>U.S. Supreme Court requires prompt benefit payment after a favorable determination for the claimant during pendency of any subsequent employer appeal.</p> <p><b>1974</b> Special Unemployment Assistance Program provides a temporary program of benefits for workers not cov-</p> | <p>ered but otherwise eligible under State unemployment insurance law.</p> <p>Federal Supplemental Benefits Program furnishes up to 13 weeks (later up to 26 weeks) of benefits to regular unemployment insurance claimants who had exhausted all other entitlement.</p> <p><b>1976</b> Unemployment Compensation Amendments: broadens coverage to State and local governments and certain agricultural household employers; increases Federal Unemployment Tax Act tax rate and wage base; and revises extended benefit triggers.</p> <p><b>1978</b> Revenue Act of 1978 provides for taxation for Federal income tax of portion of unemployment insurance paid to those whose total income exceeds prescribed limits.</p> <p><b>1980</b> Omnibus Budget Reconciliation Act amends extended benefits program, and provides that unemployment compensation for Federal civilian employees costs be paid by each employing agency.</p> <p><b>1981</b> Omnibus Budget Reconciliation Act revises extended benefit triggers and eligibility requirements; amends Ex-Servicemen's Unemployment Compensation program; amends provisions relating to loans to States including payment of interest on new loans; and makes major changes in Trade Adjustment Assistance.</p> <p><b>1982</b> Tax Equity and Fiscal Responsibility Act establishes program of Federal Supplemental Compensation payable to exhaustees of regular unemployment insurance and, where applicable, extended benefits; increases Federal Unemployment Tax Act tax rate and taxable wage base; reduces income levels at which unemployment insurance benefits are partially taxable under Federal income tax; changes provisions relating to loan repayment and interest requirements; and encourages State development of worksharing plans.</p> <p>Miscellaneous Revenue Act again changes eligibility requirements under Ex-Servicemen's Unemployment Compensation Act; charges such costs to Department of Defense; and amends Trade Act.</p> <p><b>1983</b> Surface Transportation Act includes changes in Federal Supplemental Compensation; revises Federal Unemployment Tax Act/Social Security Act provisions relating to interest and credit reductions relating to loans.</p> <p>Amendments to Federal Supplemental Compensation Act changes provisions relating to interest on loans.</p> <p>Amendment to International Coffee Agreement Act includes reauthorization of Trade Act to September 30, 1985.</p> <p><b>1984</b> Deficit Reduction Act requires that all States have or establish a system of quarterly wage reports by employers.</p> <p><b>1985</b> Amendment to Federal Supplemental Compensation provides phase-out for current entitlement for claims in effect on March 31, 1985.</p> |
|---|---|

week of total unemployment is a week in which the claimant performs no work and receives no pay. In most States a worker is partially unemployed in a week of less than full-time work when he or she earns less than his weekly benefit amount. The benefit payment for such a week is the difference between the weekly benefit amount and the part-time earnings, usually with a small deductible allowance as a financial inducement to take part-time work.

All States require that an individual must have earned a specified amount of wages or must have worked for a certain period of time within his or her base period, or both, to qualify for benefits. The purpose of such qualifying requirements is to restrict benefits to covered workers who are genuinely attached to the labor force.

All State laws provide that to receive benefits a claimant must be able to work, must be available for work, and must be seeking work. Also, he or she must be free from disqualification for such acts as voluntary leaving without good cause, discharge for misconduct connected with the work, and refusal of suitable work.

In all States, claimants who are held ineligible for benefits because of inability to work, unavailability for work, refusal of suitable work, or disqualification are entitled to a notice of determination and an appeal from the determination.

Most States measure unemployment in terms of weeks. Under all State laws a weekly benefit amount, that is, the amount payable for a week of total unemployment, varies with the worker's past wages within certain minimum and maximum limits. The period of past wages used and the formulas for computing benefits from these past wages vary greatly among the States.

Since 1970, Federal law has provided for the extension of the duration of benefits in periods of high unemployment. When the State rates of insured unemployment reach specified levels, each State must extend by 50 percent the benefit duration normally allowed up to a combined overall maximum of 39 weeks. Half the cost of extended benefits paid during such periods, including any State benefits paid in excess of 26 weeks, is financed by the Federal Government out of Federal unemployment tax revenues.

---

#### **A note on communication**

The *Monthly Labor Review* welcomes communications that supplement, challenge, or expand on research published in its pages. To be considered for publication, communications should be factual and analytical, not polemical in tone. Communications should be addressed to the Editor-in-Chief, *Monthly Labor Review*, Bureau of Labor Statistics, U.S. Department of Labor, Washington, D.C. 20212.

---