CHAPTER VIII
THE CONDITIONS UNDER WHICH PUBLIC AID IS AVAILABLE

Many of the programs which have been developed during the past 10 years have offered to those eligible for them, a form of assistance which is less distasteful than the older poor-law assistance. It is difficult to indicate with precision all the elements involved in the receipt of poor-law aid which applicants regard as degrading or inimical to their self-respect. Certain features of the older forms of public aid reflect the view that poverty is in general the fault of the individual. Consistently with this view, deliberate efforts have been made in the past to discourage application for relief or to make it available in a form which an applicant would be reluctant to accept.[1]

The changed view as to the nature and causes of economic insecurity to which attention has been directed in earlier chapters has been paralleled by a change in the formal conditions under which public aid is available. To an increasing degree financial assistance is available through the social insurances, which make payments as a right without a means test. An element of "right" has also been introduced into certain other programs by provision of appeals machinery.[2] Safeguards designed to protect the privacy of the recipient of public aid have also become more usual. To the extent that applicants find a minute investigation of resources distasteful, tendencies toward less frequent investigation or the replacement of detailed investigation by a more general income declaration or test must also be considered as advantageous to the insecure individual. Moreover, public policy has increasingly given recognition to the fact that the majority of applicants prefer payments in cash to receipt of grocery orders or direct receipt of assistance in kind. It will be the object of this section to enquire how widespread is this improvement in the conditions under which public aid is available.

[1] Cf. ch. III. For an illuminating account of the attitude of the relief applicant toward the processes involved in securing this type of public aid, see Bakke, E. Wight, *The Unemployed Worker: A Study of the Task of Making a Living Without a Job,* New Haven, Yale University Press, 1940, pp. 343–48.

[2] The Social Security Board has stated its belief "that careful observance of this fair-hearing requirement of the act will result in more general recognition of the fact that, within the limits of the State's legislative provisions, assistance to eligible applicants is a matter of legal right." (*Fifth Annual Report of the Social Security Board, 1940,* Washington, 1941, p. 99.)

Security as a Right Under the Social Insurances

From the recipient's point of view, the social insurances differ from other forms of public aid first and foremost because payments are available as a right to persons who are able to fulfill the formal eligibility requirements, especially those pertaining to employment in covered industries, without the necessity of demonstrating need. The beneficiary's private budgetary practices and spending habits and his other sources of income are not subject to investigation by any public official. The beneficiary is answerable to no one for the use he makes of his benefit. Not even the fact that he has received a benefit is a matter of general public knowledge.[3] Nor is the amount he receives subject to administrative discretion. The law specifies the benefit he can expect under certain conditions. If the amount granted is below what his own calculations have led him to expect, he has the right of appeal. The difference in status between social insurances and other public-aid programs is reflected in current terminology which distinguishes between "claimants" for insurance benefits and "applicants" for other forms of aid.

These characteristics are typical of the three broad groups of social-insurance measures which were operating in the United States in 1940; namely, the Federal old-age and survivors insurance and railroad retirement insurance programs, the railroad and State unemployment compensation laws, and the State workmen's compensation laws. However, public aid under these programs is far from being a right of all citizens. There are serious limitations both upon the number of persons who can participate in these programs and upon the number of participants who can secure benefits, even though they have made contributions. Furthermore, the programs do not always or completely protect the beneficiary from certain associations with less favored forms of public aid.

[3] As will be pointed out in ch. XIII, however, the Bureau of Old Age and Survivors Insurance and the unemployment compensation administrators, in many States, make available to administrators of other types of public aid certain information regarding the benefit status of insurance beneficiaries.

Restrictions on the Scope of Old-Age Insurance

Under the Federal old-age insurance plans as incorporated in the Social Security Act and railroad retirement legislation, payments are indeed available as a right to all eligible persons without violation of self-respect and privacy. But the number of individuals who can qualify for benefits is limited by the legal exclusion of certain types of employment, and of workers who have not earned enough wages in covered employment.

Types of employment excluded from coverage under old-age and survivors insurance.—While old-age and survivors insurance under the Social Security Act has today the widest actual and potential coverage of all social-insurance programs, many individuals are excluded from the benefits of this law. *Workers in certain industries and occupations are excluded specifically from participation because earnings from these occupations are not taxable under the law and therefore not creditable for the purposes of old-age and survivors insurance.* Most important of the groups thus excluded are agricultural laborers; domestic servants in private homes; employees of nonprofit organizations; and Government employees, not all of whom are covered by systems designed especially for them.

It has been estimated by the Social Security Board that during the year 1940 from 3.3 to 4.5 million farm laborers would thus be excluded from the insurance plan, and between 2.2 and 2.5 million domestic servants in private homes. The group of self-employed persons, also excluded from coverage, might represent some 4 to 4.5 million individuals in gainful occupations, and the excluded group of farm operators might account for another 6.8 to 7 million gainful workers. Unpaid family workers might add another 3.5 to 4.5 million persons to the excluded group.[4] *Altogether, some 28 to 35 million persons, or well over half the gainfully occupied population, may have been in part or in whole excluded from coverage under the old-age and survivors insurance law in 1940.*

Loss of coverage due to amount and distribution of earnings under old-age and survivors insurance.—At first sight the figures just given might appear to conflict with the fact that by the end of June 1940 there were almost 50 million persons possessing social-security account numbers.[5] *The mere fact of holding an account number, however, does not make an individual eligible for benefits under the old-age and survivors insurance scheme.* An employee account may be opened for any person who requests its establishment and applications for account numbers have at times been made for purposes not directly connected with old-age and survivors insurance.[6] In fact, such account holders may not have received and may never receive wages from covered employment.

More important is the fact that eligibility is determined by the amount of earnings in covered employment and their distribution over the various quarters of an individual's working life. As stated in Chapter IV,[7] a worker must have at least six quarters of coverage in order to be eligible, with the further requirement that he show at least half the number of calendar quarters elapsed after the end of 1936 or, in the case of young workers, since attaining the age of 21.[8] It will be recalled that a quarter of coverage is one in which the worker was paid at least $50 for work in employment not specifically excluded from coverage. In general, therefore, any person can qualify for old-age benefits who is paid taxable wages of $50 or more per calendar quarter in at least half the quarters between January 1, 1937 (or since attaining the age of 21) and the quarter in which he reaches the age of 65. For certain survivor's benefits, the requirement is six quarters with at least $50 wages in covered employment within 12 quarters immediately preceding that in which the worker died.

The significance of these earnings requirements may be seen from an examination of the amount and distribution of the earnings of the 47.7 million workers who held account numbers at the end of 1939.[9] In the first place it is noteworthy that *about 14 percent of the total, or 6.8 million workers, earned no wages in covered employment at any time during the 3 years 1937–39.* In the second place, a substantial number of the 40.9 millions who earned wage credits at some time or other during the 3-year period received credit-

[4] Figures taken from "Revised Estimates of Coverage under the Old-Age Insurance Program," *Social Security Bulletin*, II (December 1939), 83. Three other numerically important groups of workers excluded were: public employees, numbering from 2.5 to 2.7 million; casual workers, accounting for 1 to 3 million individuals; and persons employed on work-relief programs.

[5] *Social Security Bulletin*, III (August 1940), 65.

[6] The Social Security Board reported that when the original registration of employees was undertaken in November 1936, only covered workers were encouraged to apply for account numbers. Very soon it was discovered that some employers were reluctant to hire new workers unless they had already obtained social-security account numbers. Furthermore, State unemployment compensation agencies utilized the Federal social-security account numbers for their wage reports and records. For this reason the Social Security Board in May 1937 undertook a drive to extend registration by issuing account numbers to unemployed workers and to those aged 65 years and over who under the 1935 Social Security Act were not covered by old-age insurance. Thus account numbers were issued to WPA workers, to many other unemployed persons, and even to full-time workers in noncovered employment. (Woytinsky, W. S., *Fluctuations in Employment Covered by the Federal Old-Age Insurance Program*, Social Security Board, Bureau of Research and Statistics, Bureau Memorandum No. 40, Washington, 1939, pp. 8–9.)

[7] See also Appendix 7.

[8] Once a worker has accumulated 40 quarters of coverage, he is permanently insured and thus eligible for benefits.

[9] *Social Security Bulletin*, III (February 1940), 74.

able wages for only 1 or 2 of these years. It has been estimated that only approximately 24.7 million, or about 60.4 percent, received taxable wages in each of the 3 years. Almost 6.9 million, or about 16.8 percent, received taxable wages in 2 out of the 3 years; and over 9.3 million, or about 22.8 percent, received wages from covered employment in a single year only.[10]

The securing of wage credits in any given year contributes toward insured status only to the extent that at least $50 is earned in at least one quarter. The accumulation of quarters of coverage is thus directly affected by the distribution of earnings over the year.[11] An analysis of the distribution of earnings of workers between the ages 20 and 64 with taxable wages in the calendar year 1938 indicates that 10 percent secured no quarter of coverage; over 11.2 percent had one quarter; 9.1 had two; 10.2 percent had three; while some 59.5 percent had four quarters of coverage.[12] Thus over 21 percent of these workers would have required more than two quarters of coverage in subsequent years to compensate for their failure to secure two quarters of coverage in 1938, unless, of course, they had more than two quarters of coverage in the year 1937.

It is as yet too soon to forecast how many workers will, over their working lives, fail to secure coverage for this reason. An analysis of the insured status of some 48,000 workers with taxable wages at some time during the period 1937–39 suggests, however, that the number may be considerable.[13]

It is estimated that *by the end of the calendar year 1939, some 23.5 million, or about 57.5 percent, of the 40.9 million workers who had earned taxable wages at some time or other in the period 1937–39 had obtained insured status.* These workers or their survivors would have been eligible for benefits had the risk of old age or death of the worker then occurred. Some 17.4 million workers, or 42.5 percent, of all workers with taxable wages had not obtained the necessary six quarters of coverage by the end of 1939. In addition, as already stated, there were some 6.8 million account holders who had earned no taxable wages whatever during these 3 years.[14] The extent of insurance protection varied with the sexes as the following tabulation shows:[15]

	In millions		
	All persons	Men	Women
Estimated number of individuals with some wage credits	40.9	28.7	12.2
Estimated insured (6 or more quarters of coverage)	23.5	17.5	6.0
Estimated number not insured (less than 6 quarters of coverage)	17.4	11.2	6.2

Among men, about 61 percent had obtained insured status; among women only approximately 49 percent.[16]

Many of these workers by the time they reach age 65 will no doubt have secured sufficient earnings in the years after 1939 to enable them to show an average of two quarters of coverage for each year since 1936 or since age 21. Thus their rights to old-age benefits may be unimpaired by failure to earn sufficient wages (properly distributed over the year) in the period 1937–39. But the failure to attain insured status during this period severely restricts the protection afforded to the survivors of workers who die before they have accumulated sufficient earnings in subsequent years.

Reasons for loss of insured status under old-age and survivors insurance.—The failure of so substantial a proportion of workers to secure insured status in the period 1937–39 is probably due to several causes. Examination of the earnings reported by covered workers reveals that the earnings from covered employment of a substantial proportion of workers in these years were very small. Earnings of less than $200 were credited to about 22 percent of all workers in 1937, 25 percent in 1938, and 24 percent in 1939.[17] Obviously none of these workers could have secured four quarters of coverage in the year in question. In fact, most of

[10] Based on information obtained from an analysis of a sample of 48,000 workers with taxable wages in 1 or more years during the period 1937–39; cf. Wermel, Michael T., and Mandel, Benjamin, "Insured Status Under Old-Age and Survivors Insurance," *Social Security Bulletin*, IV (November 1941), 3–7.

[11] An example of disadvantageous distribution of earnings over the year would be the case of a worker who receives $120 during the year, $100 in one quarter, and $20 in another.

[12] These percentages are based on the analysis of 48,000 workers who had earned some wage credits during 1937–39. Among these, about 34,000 earned taxable wages in 1938. Cf. Wermel and Mandel, *op. cit.*)

[13] It is important to note several qualifications in regard to this sample. First, the sample was very small, covering only about one-tenth of 1 percent of all workers with account numbers. Second, it did not cover all the States; thus a number of States which are predominantly agricultural are not represented in the sample. Third, the period covered is relatively short and to some degree reflects peculiarities of the initial years of operation which will disappear in the future.

[14] Wermel and Mandel, *op. cit.*, pp. 3–7.

[15] *Ibid.*, pp. 4 and 5, tables 1 and 4.

[16] It is obvious that the approximately 9.3 million workers who had taxable wages in 1 year only could not obtain six quarters of coverage. Of the 7 million workers who had wage credits in 2 out of the 3 years, only 22 percent, or about 1.5 million workers, accumulated six or more quarters of coverage, while 5.3 million failed to do so. This indicates that almost 2.6 million of those workers who had some taxable wages in each of the 3 years had not obtained six quarters of coverage. (Computed from *ibid.*, p. 6). This is equal to about 10 percent of all workers with taxable wages in each of the 3 years.

[17] Caskey, Wayne F., "Workers With Annual Taxable Wages of Less Than $200 in 1937–39," *Social Security Bulletin*, IV (October 1941), 17. Proportionately, almost twice as many Negro as white workers fell into this low-wage group. 22 percent of all white workers had wages of less than $200 in 1939 and 20 percent in 1937; among Negroes the proportions were 42 and 40 respectively. Women were in a much less favored position than men: 18 and 21 percent of all men earned less than $200 per year in 1937 and 1939, while among women the corresponding percentages were 30 and 32. (*Ibid.*, p. 20, table 4.)

them secured considerably less. Thus the workers with earnings of less than $100 (who accounted for 14.6 percent of all workers with earnings in 1937)[18] could obviously not hope to secure more than one quarter of coverage. Even among the workers earning between $100 and $199, there were many who were unable to secure two quarters of coverage. Sample data for 1938 indicate that, of all workers in this group, 3.8 percent did not earn the requisite $50 in a single calendar quarter; 72.3 percent earned the required $50 in one quarter only; 23.1 percent accumulated two quarters of coverage; and only 0.8 percent had three quarters of coverage.[19]

The group with covered earnings of less than $200, whose prospects of securing insured status were thus restricted, appears to be somewhat stable from year to year.[20] Relatively few of them, therefore, may expect to offset in later years the quarters of coverage lost in the period studied.

To some extent the failure on the part of substantial numbers of workers to secure eligibility is attributable to the presence of young workers who were not in the labor market for the entire 3-year period and who earned wages too low to provide coverage. In fact, about two-fifths of all the 4.6 million workers under 20 years of age with wage credits had their first taxable wages in 1939[21] and thus could not have accumulated 6 quarters of coverage under any circumstances. It is also true that an analysis of the wage records for the year 1937 showed that 89.7 percent of all workers under 15 and 38.7 percent of workers 15–19 years earned taxable wages of less than $100.[22] However, workers under 20 years of age constituted less than 22 percent of all those who had failed to obtain insured status by January 1, 1940.[23] The exclusion of workers under 20 years of age would raise the percentage of workers with insured status from 57.5 to not more than 62.5 percent of workers with taxable wages. The fact that 42 percent of those in the age group 20–29 and one-third of those in the age group 30–39 failed to obtain insured status[24] suggests that the presence of new entrants into the labor market can account for only part of the lack of insured status.

Uninsured women workers accounted for not less than 4.6 million or over 26 percent of all uninsured individuals in the age groups 20–64.[25] Nearly half of them received wage credits in only one of the three years 1937–39, and more than a third of them did not obtain a single quarter of coverage. Many of them worked only part time or as casual workers, and a large proportion of them did not return to covered employment after the year in which they had received wages in covered employment.[26]

Regular and more or less continuous employment in covered occupations at low wage rates is an even less significant cause of failure to attain insured status. With continuous employment, it would require wages of only a little under $4 per week to satisfy the $50 earnings requirement in all four quarters of the year. The Bureau of Old-Age and Survivors Insurance has estimated that during the period 1937–39 those workers who secured wage credits had earned at least $50 per quarter in more than 90 percent of all quarters in which they received any taxable wages.[27]

Apart from young new entrants to the labor market, married women retiring therefrom, and a small group with extremely low earnings, the main factors for the failure of workers to secure insured status would seem to be lack of continuity of covered employment on account of unemployment, ill health, or movement between covered and noncovered employment. In addition a certain proportion of those with credited earnings may be casual workers whose presence in the labor market is intermittent.

Lack of continuity of covered employment, which seriously affects the worker's chances of obtaining insured status, becomes especially apparent when the number of workers who earn taxable wages in a given year is compared with the total number of workers who received wage credits at some time during the

[18] Social Security Board, Bureau of Old-Age and Survivors Insurance, *Employment and Wage Statistics, Old-Age and Survivors Insurance*, Washington, 1939, table 10-A. Data for 1938 or 1939 are not available, but on the basis of the known percentages of workers with less than $200 in these 2 years and by applying the 1937 ratio of the group $1–99 to the 1938 and 1939 percentages, it may be estimated that in 1938 some 16.5 percent, and in 1939 some 15.8 percent, of all workers with wage credits earned less than $100.

[19] Computed from data obtained from the sample referred to above. (Figures relate to ages 20–64 only, and thus do not include many persons in the low-wage brackets.) Indeed, although no worker in the group earning $200–399 in 1938 failed to secure at least one quarter of coverage, there were not less than 20.3 percent with only one quarter of coverage. Some 44.7 percent had two quarters, 23.8 percent had three quarters, and 11.2 percent obtained four quarters of coverage.

[20] For example, of the workers earning less than $200 in 1938, some 38 percent had had no taxable wages in 1937, and 32 percent had been in the wage group under $200. Similarly, of the workers with low wages in 1939, some 47 percent had received no taxable wages in 1938, and another 36 percent had been in the wage group under $200 in that year. In other words, less than one-third of the workers in the less-than-$200 group in 1938 had been in a higher wage category in 1937, and only about one-sixth of such workers in 1939 had been in a higher wage group in 1938. Moreover, of all the workers with taxable wages of less than $200 in 1937, less than one-fifth received higher wages in 1938; and of the workers in the less-than-$200 group in 1938, less than one-third received higher wages in 1939. (Caskey, *op. cit.*, p. 18, table 1.)

[21] Wermel and Mandel, *op. cit.*, p. 4.

[22] Social Security Board, Bureau of Old-Age and Survivors Insurance, *op. cit.*, table 71.

[23] Wermel and Mandel, *op. cit.*, p. 5, table 3.

[24] Computed from *ibid.*, pp. 3 and 4, tables 3 and 5.

[25] If all age groups are taken into account, uninsured women workers accounted for 6.2 million or over 35 percent of all persons without insured status on January 1, 1940.

[26] Wermel and Mandel, *op. cit.*, p. 5.

[27] *Ibid.*, p. 4.

period 1937–39. Of the 40.9 million account holders with taxable wages at some time during 1937–39, only some 32.8 million individuals earned wages in covered employment in 1937, some 31.2 million in 1938, and about 33.1 million in 1939.[28] This indicates that, while the total number of individual workers who received wage credits in a given year differed only little from year to year, there was in fact a considerable turnover during the 3-year period. About 5.5 million out of the 32.8 million workers who had received wages from covered employment in 1937 had no taxable wages in 1938, while on the other hand some 4 million out of the 31.2 million workers with wage credits in 1938 had received no taxable wages in 1937. This resulted in a net decrease of some 1.5 million workers with taxable wages in 1938 as against 1937.[29]

Long periods of unemployment may remove the worker from covered employment for not only many months at a time but even for one or more complete calendar years. *It should be noted too that the same situation will exist in the case of prolonged military service.* Seasonal unemployment is particularly significant with regard to the accumulation of quarters of coverage. In the construction and general contracting trades, for example, it was found that only about one-half of the workers who received taxable wages in the fourth quarter of 1938 had received wage credits in all three of the previous quarters of the year in any covered occupation whatsoever. In the cases where the worker receives taxable wages in fewer than four quarters of the year, it frequently happens that the extent of his employment even in a quarter in which he receives wages for covered employment is not sufficient to constitute a quarter of coverage.[30]

It is as yet not possible definitely to indicate the extent to which workers with taxable wages are adversely affected by movement between covered and noncovered employment. That this movement may be a significant element in restricting eligibility is suggested by the fact that low earnings from covered employment bulk particularly large in those States in which agricultural and related employments are especially important.[31]

The influence of unemployment or of employment in noncovered industries is likely to prove more damaging to benefit status in that the groups affected appear to consist in large measure of workers whose earnings from employment are normally relatively low. Temporary absence from the labor market or intermittent employment in noncovered occupations does not appear to prejudice the insured status of any substantial proportion of workers in the group earning above $1,000.[32] And many of the workers who show interrupted or irregular earnings in covered employment appear to display a low rate of earnings when in covered employment.[33] This might well be expected, inasmuch as wage rates for persons who have just entered the labor market, either as new members or after a period of unemployment, or of persons who shift from one job to another (as do those who shift back and forth between covered and noncovered jobs) are frequently lower than normal rates. It seems reasonable, too, to assume that workers entering covered employment from agriculture and domestic service, for instance, will show relatively low wages, similar to those they customarily receive in their low-paid noncovered jobs.

Summary of restrictions on scope under old-age and survivors insurance.—It is obvious that only limited conclusions can be drawn regarding a system which has been in operation for a relatively short period of time. The findings regarding the amount and distribution of earnings of those who had some taxable

[28] The number of individual workers earning taxable wages in a given quarter is smaller yet. For example, it varied from 25.1 to 26.5 million in 1938, and from 25.4 to 28.4 million in 1939. (*Social Security Bulletin*, IV (November 1941), 67.)

[29] A similar turnover, but resulting in a net increase, occurred between 1938 and 1939. Some of the workers who had accumulated wage credits in 1937 but had failed to earn taxable wages in 1938 again received taxable wages in 1939. In addition, some 4 million workers received their first wages from covered employment in 1939. (Derived from periodic employment and wage tabulations of the Bureau of Old-Age and Survivors Insurance, Social Security Board.)

[30] Information supplied by the Analysis Division, Bureau of Old-Age and Survivors Insurance, Social Security Board.

[31] Of all employees earning taxable wages in 1937 in Mississippi, as many as 37.2 percent earned less than $100; and the corresponding percentage in Florida was 29.8. Among male employees the proportion earning $1 to $99 was also highest in Mississippi, 37.5 percent; in Florida it was 27.5 percent. The percentage of all female employees in Arkansas earning $1 to $99 in 1937 was 41.2. In Mississippi, 32.2 percent of all white employees were in this wage group; in Arkansas, North Dakota, and South Dakota the proportions were 27.6, 27.3, and 27.2 percent, respectively. Especially high was the proportion of Negroes earning $1 to $99 in Delaware, 45.3 percent; Mississippi, 44.7 percent; South Carolina, 43.5 percent. (Social Security Board, Bureau of Old-Age and Survivors Insurance, *op. cit.*, tables 61–65.)

The highest proportion of persons in jurisdictions exclusive of the territories, who earned $100–$199, was in Florida and Mississippi, 12.7 percent in each. Among male employees the proportion was 6.4 percent for the United States as a whole, with the highest proportion again in Florida and Mississippi (12.3 and 11.7 percent, respectively). Among female employees for the United States as a whole the proportion was 10.3 percent, with the highest proportion in Idaho and New Mexico, 14.8 percent in each. For white employees the proportion was 7.0 percent for the country as a whole, with a high of 11.4 percent in Florida. Among Negro employees the United States percentage was 12.8, with State percentages of 16 or over in 10 States: Maine, New Hampshire, Vermont, North Carolina, South Carolina, Georgia, Florida, Montana, Idaho, New Mexico.

[32] The sample of 48,000 workers indicates that of the workers in the wage intervals $1,000–$1,999 and over-$2,000, 95.4 percent and 97.3 percent of whom respectively secured 4 quarters of coverage during the year 1938, only 2.1 percent and 1.1 percent respectively earned no wages in the following year. Moreover, 85.0 percent and 87.1 percent respectively were in the same or a higher wage class in 1939.

[33] About two-thirds of the workers who failed to accumulate 6 quarters of coverage had cumulative taxable wages of less than $300 in the 3-year period. (From information supplied by the Analysis Division, Bureau of Old-Age and Survivors Insurance, Social Security Board.) About three-fourths of the uninsured men between 20 and 64 had obtained less than 2 quarters of coverage during the whole period 1937–39. (Wermel and Mandel, *op. cit.*, p. 6.)

wages in the first 3 years of the system are, however, disturbing. So long as the insurance plan retains the present relatively modest requirement of minimum earnings of $50 in roughly half of the years elapsed since the end of 1936 (except for young persons) or 40 quarters of coverage altogether, the number of qualified claimants to retirement payments may be seriously restricted. The requirement of 6 out of the 12 quarters immediately preceding the quarter in which the worker died which must be fulfilled as an alternate eligibility requirement by claimants of widow's current and orphan's benefits may even be more restrictive. In fact, *the present earnings requirements bear with particular harshness on the workers in the lower wage brackets, on those who suffer unemployment, and on those workers who move into and out of covered employment.* Workers in the higher wage brackets appear to be little affected by the earnings requirements.

Extension of coverage to occupations at present excluded from the scope of the program has frequently been held to be the best method by which the major difficulties of those not yet insured could be overcome. But many of the occupations still to be covered are those in which wages are low and employment frequently intermittent, such as agricultural labor and domestic service.[34]

Railroad retirement coverage.—In contrast to the 50 million account holders under old-age and survivors insurance, railroad workers who are contributing to the special railroad workers' retirement system enjoy more certain coverage. The railroad retirement system does not require a specific amount of contributions or any particular sequence of earnings from covered employment. Hence, the 2.25 million railroad workers who had accumulated some wage credits from railroad employment by June 30, 1940, were fully "covered" and could look forward to an annuity, subject, of course, to certain formal eligibility conditions, such as retirement from employment, even though not more than about 1.5 million railroad workers are contributing to the insurance scheme at any given time. As already pointed out, low earnings or unemployment affect only the amount of the benefits which eligible workers can claim.[35]

Restrictions on the Scope of Unemployment Compensation

Coverage of State unemployment compensation laws is considerably more restricted than that of the Federal old-age and survivors insurance.

Nature of employment.—Many of the occupational groups excluded by law from eligibility for old-age and survivors' benefits are also excluded from unemployment compensation,[36] but there is a further exclusion from unemployment compensation coverage in the vast majority of State laws, based upon the number of employees in the firm by which a given worker is employed. Only six State laws cover employees regardless of size of firm. Twenty-five laws exclude workers whose employers have less than eight employees; two exclude those in firms of less than six; one excludes those with less than five; seven exclude those with less than four; and two exclude those whose employers employ less than three workers.[37] It is not surprising therefore to find that the average monthly number of persons in covered employment under State unemployment compensation laws in 1940 was 22.3 million, [38] whereas the annual number of individuals who received taxable wages in any one of the

[34] See, for example, Magnus, Erna, "Negro Domestic Workers in Private Homes in Baltimore," *Social Security Bulletin,* IV (October 1941), 10–16. 85 percent of the women interviewed had earned $4 or more per week, and at full-time employment would have been able to accumulate enough quarters of coverage for eligibility. But there was observed a "tendency to shift from full-time to part-time or day work." (*Ibid.,* p. 14.)

With regard to agricultural workers, recent studies found that their chances of obtaining insurance protection by working intermittently in covered employment are very limited. In a group of migratory farm workers surveyed by the Farm Security Administration in selected areas in 6 States, it was found that almost half (46 percent) had earned wages in covered employment during the 3-year period 1937–39. 85 percent of these had not attained insured status. For the period 1938–39, during which a rate of 4 quarters of coverage would have been necessary to insured status, 58 percent had covered employment (regardless of actual earnings) in less than 4 quarters. In fact, the majority failed to accumulate even a single quarter of coverage, because of their low wages in these periods. Of the remaining 42 percent who had some covered employment during 4 or more quarters, less than half received as much as $50 in each of 4 quarters, and about 15 percent had no quarter of coverage.

In a group of local farm workers surveyed by the Bureau of Old-Age and Survivors Insurance in 10 counties of Virginia, 20 percent had some covered employment during 1937–39. 89 percent had not attained insured status. "The adverse effect of insufficient and poorly distributed wage earnings" on the extent of insurance protection becomes even more significant when it is remembered that total earnings of $300 in the 3-year period, if properly distributed on a quarterly basis, would have given a worker insured status. For details of these surveys, see Safier, Fred, Quinn, Walter, and Fitzgerald, Edward J., "The Agricultural Wage Worker in Employment Covered by Federal Old-Age and Survivors Insurance," *Social Security Bulletin,* IV (July 1941), 11–14.

[35] Whenever the benefit formula would result in an annuity of less than $2.50 per month (there is no minimum benefit amount in contrast to old-age insurance under the Social Security Act), the Railroad Retirement Board may choose to pay the annuity in quarterly installments or in a single lump sum equal to the computed value of the annuity.

[36] Social Security Board, Bureau of Employment Security, *Comparison of State Unemployment Compensation Laws as of October 1, 1940,* Employment Security Memorandum No. 8, Washington, 1940, p. 10–17. In addition to governmental and maritime employment, employment with nonprofit organizations, and service covered under any national unemployment compensation act, the most important occupational exclusions are: agricultural labor, in all States except the District of Columbia; domestic service in private homes, in all except New York; service for relatives, in all except three States. Other exclusions are: casual labor not in course of employer's business, in 14 States; service by insurance agents on commission basis, in 14 States; and students under certain conditions, in 18 States.

[37] *Ibid.,* pp. 3–5. In five States, coverage is based on the number of workers and the size of the payroll; in the remaining three States, it is based on the size of the pay roll alone.

[38] *Social Security Bulletin,* IV (July 1941), 3–10.

years 1937–39 under old-age and survivors insurance provisions of the Social Security Act has been as high as 33.1 million.[39] Actual coverage however, is further restricted by the existence of minimum earnings or employment requirements. In addition to these exclusions, the probability that unemployed workers will be entitled to benefits as a right is further reduced by the existence of disqualifications for voluntary leaving, misconduct, and certain other reasons, and by the limited duration of benefit rights.

Earnings and employment requirements.—All the laws embody provisions aiming to limit payments to those persons who have earned minimum sums or have had a minimum amount of employment in a defined period preceding benefit application. Generally speaking, these provisions are of three types:[40] (1) The so-called "multiple" type, found in 34 laws, under which the claimant must earn a given multiple of his weekly benefit amount in a given period preceding his unemployment;[41] (2) the so-called "flat-earnings" type, found in 15 laws, requiring that a fixed uniform amount have been earned in a specified period preceding unemployment;[42] (3) the original type, removed through amendment from most laws in 1936, requiring a certain number of weeks of employment in a specified period preceding unemployment (now in force in Ohio and Wisconsin).[43]

Complete information concerning the extent to which these requirements restrict the number of persons qualifying for benefits is unfortunately not available. Nevertheless, it is possible, with the aid of information concerning earnings under the old-age and survivors insurance system, to make a minimum estimate for a considerable number of States; namely, those having the flat-earnings requirement and those having fixed minimum benefits and requiring earnings equal to a given multiple of the benefit rate.[44] Such an estimate is shown in Table 44.

This table suggests that *for the country as a whole, the minimum-earnings requirements may restrict the eligibility of about 17 percent of all "covered" workers.*[45] It should be noted that these figures are probably conservative, since in those States where a worker is required to have earned at least a given multiple of his benefit rate, some workers with high earnings concentrated in one quarter may fail to satisfy the requirement, and such persons can not be taken into account in the estimates made above.[46]

It is evident that there is considerable variation as between States in regard to the extent to which the earnings requirement denies "covered" workers the protection of the law. As against an average of about 17 percent probably excluded in the States covered by the estimate, there are 5 States[47] in the industrial Northeast where the percentage is 12 or less, and 13 States[48] where the percentage is 25 or more.

The mere fact that a certain number of workers in employments covered by the unemployment compensation laws are excluded by the minimum-earnings requirement is in itself no serious shortcoming in the present scope of these laws. Doubts arise, however, when the numbers excluded exceed 20 or 25 percent of those nominally covered, both in view of the impairment of the protection offered and the unnecessary amount of taxpaying and administrative work involved in keeping records for so large a proportion who prove to be ineligible. The question may be asked whether

[39] Corson, John J., "Employees and their Wages under Old-Age and Survivors Insurance, 1937–39," *Social Security Bulletin*, IV (April 1941), 4.

[40] Social Security Board, Bureau of Employment Security, *op. cit.*, pp. 84–90.

[41] The most common provision, requiring earnings of 30 times the weekly benefit amount in the first 4 of the last 5 calendar quarters is found in 9 States—Alabama, Colorado, Minnesota, Mississippi, Montana, Nebraska, New Mexico, North Dakota, and Tennessee. Three jurisdictions—Alaska, District of Columbia, and Vermont—require 25 times the weekly benefit in the first 4 of the last 5 quarters. Five States—Kansas, Missouri, New Jersey, Oklahoma, Texas—require 16 times the weekly benefit in the same period. Connecticut and Hawaii require 24 times the weekly benefit, also in the same period. Of the remaining States, each makes provisions in almost every instance distinct from every other State in some detail affecting either the multiple or the calendar quarters in which the minimum sum must have been earned. For further details, see appendix 6.

[42] Only Nevada and Washington have identical provisions—$200 in the first 4 of the last 5 quarters. The others differ either in the amount of earnings or in the period during which the earnings are to be accumulated.

[43] Ohio requires 20 weeks of employment in the year preceding application for benefits. Wisconsin requires 4 weeks (including 12 working days) or 1 month of employment, with the employer against whose fund benefits will be charged.

[44] Where a State requires earnings equal to 30 times the minimum benefit rate, and there is a fixed minimum benefit of $5, at least those workers who earn less than $150 in the base year are automatically ineligible. The method employed consists in determining these required minimum earnings for each State in 1938 and utilizing the reported earnings under the old-age and survivors insurance system in 1937 as an indication of the probable percentage of workers who earned less than this sum. It involves the assumption that the distribution of earnings in $100 intervals under unemployment compensation laws would not differ greatly from that under old-age and survivors insurance.

[45] Little information is available from the States which would permit this estimate to be checked with experience. However, in Florida an analysis of determinations in May 1940 indicated that 44 percent of the total were disallowed because of inadequate earnings; zero earnings accounted for another 9 percent. (Florida Industrial Commission, *Monthly Statistical Bulletin, June 1940*, p. 5.) The estimate in table 44 for Florida is 40 percent.

[46] Thus in a State with a $5 fixed minimum benefit and an eligibility requirement of 30 times the benefit rate, a worker who earned $30 a week throughout 1 quarter would have a benefit rate of $15 and would not be entitled to any benefit unless his earnings in the year were at least $450. Such a worker is excluded from the above table since for technical reasons account can be taken only of those workers in such a State who did not earn 30 times the minimum benefit rate ($150).

[47] New Jersey, 8 percent; Rhode Island, 9 percent; Connecticut and Pennsylvania, 10 percent; New York, 12 percent.

[48] Tennessee and Colorado, 25 percent; South Carolina and Oregon, 26 percent; Nebraska, 28 percent; Idaho, 29 percent; California, South Dakota, and Kentucky, 30 percent; North Dakota and Hawaii, 33 percent; Mississippi, 34 percent; and Florida, 40 percent.

some other method of excluding these workers might not be preferable.

More important, however, is the question whether the persons excluded by the minimum-earnings provisions are those for whom there is a *prima facie* case for assuming that benefits granted as a right are an inappropriate form of public aid. The general case in favor of excluding certain groups can be briefly stated. In the first place, it is argued, it is not desirable to assure payments that are an attractive alternative to income from employment. Since payments are made as a right and irrespective of demonstrated need, all social-insurance systems have sought some method of limiting the right to such payments to those whose past record in the labor market indicates that they are persons who normally seek and obtain wage-earning employment. Secondly, the case in favor of excluding certain workers may rest upon the argument that the group in question consists of persons for whom a payment that is admittedly unrelated to need will serve no significant purpose.

So far as the first of these considerations is concerned, it could be argued that as long as the amount and duration of benefits were precisely proportioned to the applicant's previous working experience, either in terms of weeks of employment or weekly earnings, no additional safeguards against misuse of the system, such as a minimum-earnings requirement, would be necessary. For the casual worker or work-shy person would then draw from the fund only an amount proportional to his earnings or work record.

While both the requirements of certain earnings and weeks of employment still characterize American unemployment compensation laws in some measure, a number of amendments have tended and are tending to remove these safeguards and thus to increase the importance of devising alternative eligibility criteria which will protect the system from abuse. In the first place, public criticism of the low benefits payable during the first years has increasingly led to the introduction of fixed minimum amounts. Forty-three laws had such minimums in July 1940. While the most usual amount was $5 (in 18 States), the minimum was $6 in four States, $7 in four States, $7.50 in one State, and $10 in one State.[49] The number of workers for whom the unemployment compensation payment might compare not unfavorably with wages has thus been increased. In the second place, while the duration of benefit is still related to the past earnings as in most States, or to the period of employment of the claimant (as in one State), 11 States paid all qualified claimants

[49] See Appendix 6.

TABLE 44.—*Minimum earnings in base period required to qualify for unemployment compensation benefits under State provisions, and number and percent of workers earning below minimum qualifying amount, by socio-economic region, 1940*

Region and State	Qualifying amount in base period		Unemployment compensation coverage in June 1939 (number of persons)	Percent earning less than minimum qualifying amount [1]	Number earning less than minimum qualifying amount [2]
	Flat sum requirement	Multiple of minimum earnings requirement			
Northeast:					
Connecticut		$120	485,000	10	48,500
District of Columbia		150	180,000	19	34,200
Delaware	$125		65,000	21	13,650
Maine		144	190,000	23	43,700
Maryland		150	475,000	19	90,250
Massachusetts		150	1,450,000	13	188,500
New Hampshire	200		125,000	22	27,500
New Jersey		80	1,000,000	8	80,000
New York		175	4,000,000	12	480,000
Pennsylvania		98	3,100,000	10	310,000
Rhode Island	100		300,000	9	27,000
Vermont					
West Virginia	150		350,000	16	56,000
Middle States:					
Illinois	225		1,620,000	18	291,600
Indiana	[3] 250		838,000	23	192,740
Iowa					
Michigan	[4] 200		1,300,000	15	195,000
Minnesota		[5] 150	525,000	20	105,000
Missouri					
Ohio					
Wisconsin					
Northwest:					
Colorado		150	200,000	25	50,000
Idaho		[6] 124	110,000	29	31,900
Kansas		[7] 80	245,000	19	46,550
Montana		150	105,000	22	23,100
Nebraska		150	145,000	28	40,600
North Dakota		150	42,000	33	13,860
South Dakota	126		45,000	30	13,500
Utah		75	90,000	15	13,500
Wyoming		[8] 140	49,000	24	11,760
Southeast:					
Alabama		60	325,000	13	42,250
Arkansas		[9] 48	190,000	14	26,600
Florida		180	255,000	40	102,000
Georgia					
Kentucky	200		380,000	30	114,000
Louisiana		60	425,000	15	63,750
Mississippi		90	150,000	34	51,000
North Carolina	130		700,000	23	161,000
South Carolina		120	292,000	26	75,920
Tennessee		120	450,000	25	112,500
Virginia		75	450,000	15	67,500
Southwest:					
Arizona					
New Mexico		90	70,000	22	15,400
Oklahoma					
Texas		80	800,000	21	168,000
Far West:					
California	300		1,700,000	30	510,000
Nevada	200		30,000	22	6,600
Oregon	200		225,000	26	58,500
Washington	200		300,000	24	72,000
Territories:					
Alaska		125	23,000	16	3,680
Hawaii		120	119,000	33	39,270
All laws included in estimate			23,918,000	[10] 17.2	4,118,380

[1] These employees had some earnings in employment. For derivation of percentages, see *Social Security Bulletin*, III (January 1940), 6-9.
[2] Computed.
[3] At least $50 must be earned in each of 3 of the 4 completed calendar quarters preceding claim.
[4] $50 must be earned in each of 2 of the 4 completed calendar quarters preceding claim.
[5] $75 must be earned in high calendar quarters of base period.
[6] $78 must be earned in at least one calendar quarter of base period.
[7] Must be earned in first 3 of last 4 completed calendar quarters. Although the law provides for a minimum benefit of $5 or 6% of the highest quarterly wage whichever is less, the benefit is paid at the rate of $5 if the computed amounts would be less than this sum.
[8] $50 must be earned in one calendar quarter.
[9] Must be earned in first 3 of last 5 completed calendar quarters.
[10] Computed on the basis of the numbers in columns 3 and 5.

Sources: Qualifying amounts in base period from Appendix 6 below. Coverage from *Fourth Annual Report of the Social Security Board, Fiscal Year Ended June 30, 1939*, Washington, 1940, p. 237, table C-1, not including States where qualifying amount in base period cannot be expressed in money figures.

in July 1940 benefits for a fixed period ranging from 13 to 16 weeks.[50]

There is, moreover, some indication that these developments will continue. The large size of the accumulated unemployment compensation reserves is a powerful popular, though not necessarily valid, argument in support of further liberalization of the laws. From the administrative point of view, both flat duration and an increasing proportion of payments at a flat minimum rate are likely to command support.

If, therefore, the levels of benefits and the duration of payment of benefits continue to be liberalized, it becomes increasingly important to know whether the present method of excluding persons by use of a minimum-earnings requirement results in eliminating from access to the program those for whom this type of public aid is inappropriate. Relatively high minimum benefits suggest the desirability of excluding persons in low-wage employments. Relatively high benefits, coupled with relatively long duration, suggest the desirability of eliminating persons whose past record indicates only a tenuous attachment to the labor market. It seems difficult to justify the present eligibility requirements in the States in either of these terms.

It might be expected that in those States in which there is no fixed minimum benefit, there would be no minimum-earnings requirement, since there would be no risk that workers would receive benefits dangerously approximating their previous wages. This is in fact the case in six of the seven States in which there is no fixed minimum, because it is expressed as the lesser of a fixed sum or a proportion of previous earnings.[51] It is interesting to note, however, that the absence of an effective earnings requirement results not from intent but as a by-product of the manner in which the benefit rate is calculated.[52] In Vermont, however, an effective minimum-earnings requirement exists;[53] and Ohio, with no minimum benefit, nevertheless requires all applicants to have had 20 weeks of work to qualify.

Conversely it might have been expected that, if the purpose of the minimum-earnings requirement is to serve as a method of preventing the payment of benefits as a right to persons who are not normally and continuously members of the labor market, the earnings requirement would be most stringent in those States which provide not only minimum benefits but also pay them for a flat period, regardless of the applicant's past employment record. Yet examination of the present eligibility requirements shows that no such relationship exists. Of the 11 States which provide flat duration of benefit, only Ohio, Kentucky, and South Carolina require minimum earnings or weeks of employment that are high in relation to those required in the laws which do not have flat benefit duration. Four of these States have flat minimum annual-earnings requirements which are among the lowest in all States formulating eligibility requirements in this manner, while in New York the earnings requirement is even lower than that in 15 of the 34 States requiring earnings equal to some multiple of the weekly benefit.[54]

Insofar as a minimum-earnings requirement serves to protect the unemployment compensation systems with fixed minimum benefits from the danger of paying benefits that closely approximate wages, it might also have been expected that, in the States with low minimum benefits, the earnings requirement would be less severe than in those with higher fixed minimums. In fact, however, six of the nine States[55] with fixed minimum benefits of $4 or under which base eligibility on a multiple of the benefit rate (Alabama, Florida, Mississippi, New Mexico, South Carolina, Tennessee), require a higher multiple of the benefit rate than do the four States with minimum benefits of $6 or over which also base eligibility on a multiple of the benefit

[50] See footnote 54 below.

[51] See ch. VII.

[52] In five of these States, in the absence of information concerning weekly wages, the full-time weekly wage is derived as a fraction of quarterly earnings. Thus if a worker earns $x in his highest quarter his effective minimum benefit amount is $\frac{3x}{4\times 13}=\frac{3x}{52}$. All seven States except Vermont require an applicant to have earned a sum equal to a stated multiple (varying between 14 and 16) of their benefit amount. But 16 times $\frac{3x}{52}$ is less than x, *i. e.*, the sum earned in the highest quarter. Hence, however low a worker's earnings in his highest quarter, he will always have earned more than the minimum qualifying sum. The same situation arises in the two States where the effective minimum is 6 percent of wages in the highest quarter, and which requires an applicant to have earned 16 times his benefit rate. For example, if x represents the highest quarter earnings, they will always be larger than $16\times\frac{6x}{100}=\frac{96x}{100}$.

[53] In this State while the flat minimum benefit may be replaced by three-quarters of a worker's full-time weekly wage, the high multiple of earnings required (25) means that a worker will not automatically secure earnings in his highest quarter which exceed this amount.

[54] The following tabulation shows the minimum-earnings requirement and the average earnings (in employment covered by old-age and survivors' insurance) in those States which had fixed duration of benefit in July 1940:

State	Minimum earnings requirement	Duration benefit in weeks	Minimum benefit amt.	Average earnings from employment		
				1937	1938	1939
Kentucky	$200	16	$4.00	$684	$643	$692
West Virginia	$150	14	3.00	907	826	841
Maine	$144	16	3.00	676	630	653
North Carolina	$130	16	1.50	582	552	578
South Dakota	$126	14	3.00	618	639	634
South Carolina	40 times benefit rate	16	3.00	536	483	523
Tennessee	30 times benefit rate	16	4.00	643	584	630
Mississippi	30 times benefit rate	14	3.00	424	421	435
Montana	30 times benefit rate	16	5.00	816	784	819
New York	25 times benefit rate	13	7.00	1,060	1,028	1,048
Ohio	20 weeks of work	16	None	1,037	924	1,007

Source: *Social Security Bulletin*, IV (April 1941), 8, table 5; and Appendix 6.

[55] Alabama, Arkansas, Florida, Louisiana, Mississippi, New Mexico, South Carolina, Tennessee, and Virginia.

rate.[56] And among the States requiring a uniform fixed minimum amount of earnings in a given year, its range appears to reflect neither the level of the minimum benefit nor the general level of earnings in the State.[57]

Furthermore, if the object of the earnings requirement is to protect the system against claims from persons who are not normally dependent upon continuous employment, it might have been supposed that it would so far as possible have been devised so as to disqualify those who had had a small amount of employment in their base year, or those who were irregularly employed.

In fact this is not the case, largely because of the abandonment after 1936, in all except two States, of the criterion of weeks of work as the basis of eligibility and the substitution of a criterion of earnings. In the first place, the minimum amount of earnings necessary to satisfy the requirement is relatively low in most States.[58] Workers, therefore, can qualify despite relatively short periods of employment. In the second place, since the requirements in all States except Ohio and Wisconsin run in terms of amounts of earnings rather than weeks of employment, the extent to which irregularly employed workers will be excluded depends upon the wage rates of the individual worker in all States having a uniform minimum annual-earnings requirement. In those States with a real fixed minimum benefit it will depend upon the wage rates of workers earning less than twice the minimum benefit. In those States where workers are required to earn a given multiple of their benefit rate, the extent of exclusion will depend upon the distribution of earnings among the four quarters for all workers earning more than twice the fixed minimum benefit.[59]

Finally, in those States where workers are required to earn a given multiple of their benefit rate and where the rate is determined by reference to the earnings in the highest quarter, a person whose earnings are highly concentrated in one quarter will find it harder to qualify than a person with the same or a smaller amount of earnings and weeks of employment spread out over two or more quarters. Irregularly employed workers may thus qualify if their scattered earnings are distributed fairly evenly over the four quarters of the year.[60]

It should also be noted that the present earnings requirements allow benefits to workers who are unlikely to possess substantial resources at the onset of unemployment because of previous low earnings or irregular employment.

It is evident from the foregoing discussion that *it is difficult to justify the present scope of unemployment compensation laws.* But it is also clear that the desirability of expanding or contracting the scope of the system must very largely depend upon the outcome of current developments in regard to the benefit formulas. If the present liberalizing tendencies continue in the form of raising minimum and average benefits and the grant of benefit for a fixed period, the necessity for restricting benefit rights to those who can be presumed to possess substantial resources to supplement the benefit will be less. But the importance of restricting access to these benefits to those who are bona fide members of the labor market will be correspondingly increased. The alternative forms of public aid available to those who are at any time excluded from the unemployment compensation systems must also be taken into account. *The presence of an adequate and continuously available alternative system, either general relief or work relief, would do much to remove pressure to extend the insurance system to workers for whom it is clearly inappropriate on*

[56] District of Columbia, Massachusetts, New York, and Pennsylvania.

[57] It is true that States with minimum benefits of not over $3 have in general the lowest minimum-earnings requirement:

State	Minimum weekly benefit	Minimum earnings requirement
North Carolina	$1.50	$130
Maine	3.00	144
South Dakota	3.00	126
West Virginia	3.00	150

Also, California, with a high minimum benefit ($10), has the highest earnings requirement of any State ($300).

The lowest earnings requirements in the entire group, $100 and $125, are found in Rhode Island and Delaware respectively, despite the fact that both the minimum benefits and the average levels of earnings in these States are considerably higher than those in North Carolina, Maine, South Dakota, and Kentucky. On the other hand, Kentucky with a low minimum of benefits and relatively low average earnings, requires $200 minimum earnings, which is exceeded only by the earnings required in Indiana, Illinois, and California. Similarly, New Hampshire, with relatively low levels of earnings and a $5 minimum of benefits, requires minimum earnings as high as those in Nevada, Michigan, Washington, and Oregon, where the level of earnings is considerably higher and where (in all except Nevada) the minimum benefit is higher.

[58] The highest flat-earnings requirement is $300, which, with a $10 minimum of benefits, means only 10 weeks of full-time employment or less, for those earning $30 a week or over. Only four States (Florida, Idaho, South Carolina, and Utah) require earnings equal to more than 30 times the benefit rate (*i. e.*, workers could be eligible if they had roughly 15 weeks of full-time employment in the previous year). In 10 States the earnings requirement is 16 times the weekly benefit, or less.

[59] Thus, in New Hampshire with a uniform minimum-earnings requirement of $200, the worker earning $10 a week must work 20 weeks to qualify, but the man earning $30 or more a week could satisfy the requirement by working only 6⅔ weeks. Similarly, in a State such as Montana, which has a fixed minimum benefit of $5, although all workers earning over $10 are required to work at least 15 weeks to satisfy the minimum earnings requirement, a man earning $5 a week would have to work twice that time to earn 30 times his benefit rate.

[60] Thus in Maryland, where workers are required to earn 30 times their benefit rate (defined as one twenty-sixth of the highest quarterly earnings), a worker earning $30 a week who had only 6 weeks of full-time work could qualify if he had worked 5 weeks in one quarter and the other week in some other quarter during the year, but not if his earnings had been distributed more equally over the quarters of the year.

the grounds that, however unsatisfactory the insurance payment, it is today preferable to the inadequate alternative.

Limited duration of benefits.—For unemployed workers public aid as a matter of right is available for only the first few weeks of unemployment. As of July 15, 1940, the maximum period for which unemployment compensation benefits were payable in a 52-week period was 16 weeks in 29 State laws. In the other States the maximum ranged from 13 to 26. These, however, were only "potential" maximums. In the majority of the States the duration of benefits in a given year was further restricted by provisions which limited the total sum which could be drawn in benefits to a specified fraction of the wages earned in a given base period. Although in the typical State law the maximum duration was 16 weeks, the total amount that a worker might draw in a year was usually limited to one-fourth or one-third of his earnings in the previous year. It was thus possible for workers in some States to exhaust benefit rights in a single week. Eleven State laws, however, had more liberal terms by providing for a uniform flat duration for all beneficiaries, regardless of previous earnings; the period ranged from 13 to 16 weeks.[61]

Table 45 is a summary of the actual benefit duration experience in 11 States for varying periods in 1938, 1939, and 1940. Eight of these States had variable duration provisions, and three provided for uniform duration. The average "potential duration" [62] of all claimants in States with variable duration ranged from a low of 8.6 weeks in Oklahoma to a high of 15 weeks in Michigan, whereas the legal maximums ranged from 13 to 20 weeks. Because some workers found reemployment prior to the exhaustion of their benefit rights, the average actual duration was lower, ranging from 7.7 weeks in Oklahoma to 12.2 weeks in Kentucky. Between 36.5 and 80.4 percent of all claimants exhausted their benefit rights before they found a new job. *It is significant that a larger proportion of claimants with small benefit amounts tended to exhaust their benefit rights than did those with higher weekly benefit. With the exception of States with uniform duration provisions, the benefit formulas thus appear to provide more security to relatively highly paid employees.*

The States with uniform flat duration compensated for more weeks of claimants' unemployment than did the States with variable benefit duration. As shown in Table 45, in West Virginia and North Carolina, with a flat uniform duration of 14 and 16 weeks respectively, the proportion of claimants exhausting their benefit rights before becoming reemployed was 36.5 and 39 percent, as compared with percentages ranging from 45.8 to 80.4 in States with variable benefit duration. But even in Ohio, whose 16-week uniform duration provision is among the most liberal in the country, 58 percent exhausted their benefits before they found new jobs.[63]

The gap which frequently occurs between the exhaustion of benefit rights and the end of the benefit year (usually 52 weeks after registration of unemployment) is indicative of the amount of uncompensated unemployment that workers have to face. If claimants in 1940 had exhausted their benefit rights near the end of the year, the stringency of the benefit provisions would not appear so serious, because many workers might soon again become eligible for benefits in a new benefit year.[64] However, such a distribution of unemployment over the benefit year does not appear to be general. For example, in Minnesota, a State with stringent benefit duration provisions, nearly half (48.6 percent) of the claimants who exhausted their benefits in the first quarter of 1940 had done so by the end of the third month of their benefit year. By the end of the fifth month, 79.0 percent of all exhaustions had occurred. "Thus, about four out of every five claimants were faced with from seven to almost 12 months during which any unemployment would go uncompensated." [65] Even in West Virginia, which provides for a flat duration of 14 weeks, 47.4 percent of the claimants who had exhausted their benefit rights were confronted with at least six months during which any weeks of unemployment would not be compensated.[66]

The weight of evidence on benefit duration suggests that the periods of unemployment normally experienced by eligible workers are longer than those now provided for in the legislation.[67]

[61] See Appendix 6, and footnote 54 above.

[62] That is, duration based on previous earnings.

[63] Another study in Ohio showed that 44 percent of all claimants in 1940 exhausted their benefit rights before the end of the year. (Social Security Board, Bureau of Employment Security, *Duration of Benefit Payments in Ohio, Benefit Years Ending January–December, 1940,* Series of 1941, No. 7, Washington, 1941, p. 1.)

[64] There are two types of "benefit year." In some States the benefit year is the 52-week period beginning either with the first week in which a worker files a claim or the first day of the first compensable week. In other States the benefit year is not related to an individual's claim but begins and ends for all workers at dates specified in the law. Benefits may be exhausted before the end of either the "individual" or the "fixed" benefit year.

[65] Social Security Board, Bureau of Employment Security, *Duration of Benefit Payments in Minnesota, Benefit Years Ending January–March, 1940,* Series of 1941, No. 6, Washington, 1941, p. 13.

[66] Social Security Board, Bureau of Employment Security, *Duration of Benefit Payments in West Virginia, Uniform Benefit Year Ending March 31, 1940,* Series of 1941, No. 2, Washington 1941, p. 9.

[67] Cf. *Social Security Bulletin,* IV (January 1941), 41. "Not only have the weekly benefits been small, but the period for which those benefits were received has been short—certainly in terms of the total amount of unemployment experienced by some workers." See also Creamer,

TABLE 45.—*Duration of unemployment benefits in selected States for specified periods*

State	Benefits first payable	Benefit year ended	Minimum weekly benefit amount	Eligibility requirement	Duration provisions	Average potential duration (in full weeks)			Percent of claimants with potential duration—		Average actual duration (in full weeks)	Exhaustion ratio [1]				
						All claimants	Claimants with weekly benefits amount—		Less than maximum number of weeks	At maximum number of weeks		All claimants	Claimants with potential duration—		Claimants with weekly benefit amount—	
							Within or below dollar interval which includes flat minimum	At maximum ($15.00)					Less than 7 full weeks	At maximum number of weeks	Within or below dollar interval which includes flat minimum	At maximum ($15.00)
Idaho	September 1938	Jan. 1–Mar. 31, 1940.	$5.00 or ¾ of full-time weekly wage.	16 times weekly benefit amount in 3 quarters.	20 weeks or 1/6 of earnings in 8-quarter base period.	(2)	(2)	(2)	(2)	(2)	10.6	49.4	(2)	(2)	58.2	42.3
Iowa	July 1938	July 1–Sept. 30, 1940.	$5.00 or full-time weekly wage.	15 times weekly benefit amount in 4 quarters.	15 weeks or 1/6 of earnings in 8-quarter base period.	11.8	9.7	13.8	58.2	41.8	10.1	69.0	71.3	62.1	75.6	67.0
Kentucky	January 1939	Jan. 1–Mar. 31, 1940.	$4.00	$200 in 4 quarters	15 weeks or 1/6 of earnings in 8- to 12-quarter base periods.	(2)	(2)	(4)	(2)	(2)	12.2	72.3	(2)	(2)	76.0	54.6
Michigan [3]	July 1938	June 30, 1939	$7.00 or 6% of total earnings in high quarter.	$50 in each of 3 of last 5 quarters or total of $250.	16 weeks or 12% of earnings in 8-quarter base period.	15.0	12.5	15.7	37.7	62.3	10.9	45.8	95.6	29.8	73.4	[4]32.1
Minnesota [3]	January 1938	Jan. 1–Mar. 31, 1940.	$6.00 or ¾ of full-time weekly wage.	16 times weekly benefit amount in 4 quarters.	16 weeks or 1/6 of earnings in 8-quarter base period. [5]	10.7	9.4	11.7	71.3	28.7	8.5	63.0	88.7	40.0	73.3	53.1
New Hampshire [3]	January 1938	Jan. 1–June 30, 1939.	$5.00 or 3½ of total earnings in high quarter.	$175 in 3 quarters	16 weeks or 1/4 of earnings in 4-quarter base period.	12.1	10.6	12.4	88.3	11.7	9.4	55.3	80.0	38.6	62.3	42.2
North Carolina	January 1938	Feb. 15–Aug. 30, 1940.	$1.50	$130 in 4 quarters	16 weeks uniform	16	16	16	----	100.0	10.0	39.0	----	----	50.8	27.8
Ohio	January 1939	Apr. 1–30, 1940	No minimum	20 weeks' employment in year preceding application for benefit.	16 weeks uniform [6]	16	16	16	----	100.0	12.1	58.0	----	----	63.1	46.2
Oklahoma	December 1938	Sept. 30, 1939–Mar. 31, 1940.	$8.00 or ¾ of full-time weekly wage.	16 times weekly benefit amount in 4 quarters.	16 weeks or 1/6 of earnings in 4-quarter base period.	8.6	6.6	11.0	88.5	11.5	7.7	80.4	89.6	56.0	85.7	71.0
Pennsylvania	January 1938	Jan. 1–June 30, 1940.	$7.50	13 times weekly benefit amount in 4 quarters.	13 weeks or 1/4 of earnings in 8-quarter base period.	11.8	9.5	12.8	28.3	71.7	8.8	50.9	81.1	42.2	70.9	39.2
West Virginia	January 1938	Mar. 31, 1940	$3.00	$150 in 4 quarters	14 weeks uniform	14	14	14	----	100.0	9.7	36.5	----	----	41.5	25.3

[1] Exhaustion ratio is proportion of all claimants or any selected group of claimants who draw all of benefits to which they are entitled. Actual benefits paid to a claimant who exhausts his right are equal to the potential benefits payable.

[2] Data not available.

[3] Present benefit provisions affecting duration of benefits differ in minor respects from those affecting claimants studied.

[4] Maximum weekly benefit amount is $16.

[5] Duration now limited to 16 times weekly benefit amount or ¼ of earnings in 4-quarter base period. Although only 7 quarters of wage credits were available when these claimants filed initial claims, their rights were redetermined so that a full 8-quarter base period became effective.

[6] Through the operation of disqualification clause of Ohio Unemployment Compensation Act, 6.7 percent of Ohio claimants were entitled to 13 rather than 16 weeks of benefits. Those in this group who drew 13 weeks are considered as exhausting benefit rights.

Source: *Social Security Bulletin*, IV (January 1941), 42, table 1.

Restrictions on the Scope of Workmen's Compensation

Although workmen's compensation legislation is the oldest form of social insurance in America, its benefits are still limited to only a portion of the working population. As pointed out in Chapter IV, it has been estimated that *in December 1938 not more than 17 million persons, or about 40 percent of the gainfully employed population, were protected by workmen's compensation.*

The failure of the laws to afford wider insurance protection is in part due to specific exclusions of types of industry or employment, or of firms of less than a certain size. Exclusions of specific employments cannot in general be explained by the absence of serious risks in these industries. This is notably true of agriculture and domestic service, the two most commonly excluded employments.[68] More effective reasons for the exclusion of specific occupations appear to have been

Daniel, and Bloom, Marvin, "Notes on Adequacy of Unemployment Compensation," *Social Security Bulletin*, III (January 1940), 6–9; and Creamer, Daniel, and Wellman, Arthur C., "Adequacy of Unemployment Benefits in the Detroit Area, during the 1938 Recession," *Social Security Bulletin*, III (November 1940), 3–11.

[68] Agricultural employees are excluded expressly or by implication in all jurisdictions except California (if the employer's pay roll exceeded $500 in the preceding year), Connecticut, Hawaii, Illinois, New Jersey, Ohio, Puerto Rico, and Vermont. Domestic servants are excluded in all States except Connecticut, and New Jersey. In California, domestic servants working over 52 hours a week are covered, and in New York private or domestic chauffeurs in cities of over 2,000,000 population are covered. For a discussion of the risks in these two employments see Dawson, Marshall, *Problems of Workmen's Compensation Administration in the United States and Canada*, U. S. Department of Labor, Bureau of Labor Statistics, Bulletin No. 672, Washington 1940, pp. 37–41.

the opposition of employers in the industries concerned and the belief that coverage would present serious administrative difficulties or burden employers with excessive costs.

A second type of exclusion has been the system of exempting employers with less than a specified number of employees, which operated in 28 States in 1940. In many States the size of firm excluded varied from industry to industry and here, too, the variations do not always reflect the differing hazards of the industries concerned.[69]

In many States, too, the laws apply only to "hazardous" or "extra hazardous" employments.[70] Coverage restrictions of this type not only involve administrative difficulties in the interpretation and application of the lists of hazardous industries but also severely limit the rights of workers to insurance both because of administrative uncertainties and because new industries may not be added to the lists until after injuries have been caused.[71] Originally inserted into the laws of many States as an expedient to avoid constitutional challenge, the limitations to hazardous employments appear to have outlived the conditions which perhaps justified them in the early stages of the development of the legislation.

In fact, however, *the benefits of workmen's compensation legislation may be even more restricted than consideration of the coverage provisions would suggest.* Not all of the State laws are compulsory. As of January 1, 1940, 32 State laws were elective, permitting employees and employers either to accept or reject the act.[72] Under elective acts, however, the customary common-law defenses in personal-injury litigation are usually removed if the employer rejects coverage, while if the employee rejects, the workmen's compensation principle of liability of the employer for work injuries without regard to fault is not applicable to an action for damages. During the depression years following 1930, there was a sharp increase in the number of employers withdrawing from coverage.[73] This situation was met in various ways. "In some jurisdictions it was ignored; some compensation commissions mentioned it in reports, without recommendation; and in rare instances a change in the law was advocated."[74] Although in certain States, the employer is presumed to have accepted the act unless it has been specifically rejected and the noncovered employer is required to insure or to qualify for carrying his own risk, the extent of the worker's protection obviously depends upon the degree to which such employers do in fact insure or are financially able to meet claims against them. Real difficulties have been experienced in ensuring compliance especially among the smaller employers and in depressed industries. A study made by the Bureau of Labor Statistics of the Department of Labor concluded that "no State, under such circumstances, has ever had an inspection staff large enough to handle the situation. A planned compliance program is seldom found; too often it is taken for granted that the compensation laws are self-enforcing * * * As a rule, compensation commissioners have little security of tenure, and their personnel is often deficient both in number and training. Under the circumstances, most of the commissions have been tolerant of noncompliance up to the point where it becomes acute, and few commissions can do more than guess at the extent of the neglect of employers to insure their industrial-injury risks."[75]

The problem of enforcement has also been serious in the States which have compulsory coverage. Not all employers have been aware of their obligations. Some have deliberately neglected to insure, while yet others have evaded responsibility by camouflaging the employer-employee relationship.[76] Especial difficulties have been experienced with small employers in States in which self-insurance is permitted, and more generally, in periods of depression.[77]

Finally, the scope of workmen's compensation protection has been affected by limitations upon the types of injuries and diseases for which compensation is payable. These limitations may take the form of specific

[69] Thus in Florida the act exempted employers with fewer than 3 workers but exempted sawmills employing less than 10 persons. In North Carolina employers with less than 5 employees were exempt, but the limit was raised to 15 employees for sawmills.

[70] As of July 1, 1940, in nine States the laws applied only to hazardous employments, although in all save two States workers and employers in other occupations were permitted to come under the act. In addition, in Illinois and New York the laws were compulsory as to hazardous industries and elective as to others. (The lists of hazardous employments in New York were, however, very comprehensive.) In most of these States the industries covered were enumerated, but the list was for from comprehensive in several States.

[71] In any case the process of broadening coverage by adding new industries to the list is a cumbersome and uncertain. Moreover, it is reported that "Items in the list sometimes represent political rather than engineering judgment." (Dawson, *op. cit.*, p. 35.)

[72] Many of the elective laws are, however, compulsory as to some employments, such as public or hazardous employments.

[73] Dawson, *op. cit.*, p. 12.

[74] *Ibid.* One authority has expressed the view that the elective feature of workmen's compensation laws probably leaves even more workers unprotected in a majority of the States than the numerical-exception and the industry-exemption devices. (Zimmer, Verne, "Has Workmen's Compensation Attained Its Objectives?", in *Proceedings of the Twenty-sixth Meeting of the National Conference of Catholic Charities, 1940*, Washington, National Conference of Catholic Charities, 1941, p. 169.)

[75] Dawson, *op. cit.*, p. 13–14.

[76] *Ibid.*, pp. 16–24.

[77] "In the face of the demands for economy made during the depression, safety inspection and also the compliance activities of labor departments and compensation boards sank to a low ebb. In consequence, many of the small employers within the scope of compensation laws neglected to report or insure their operations, leaving a considerable gap between the legal and the actual coverage of their workmen." (*Ibid.*, p. 37.)

legal exclusions of certain types of injury, or, more usually occupational diseases, or may arise from administrative interpretations and procedures.[78]

Other Safeguards for Self-Respect

Social-insurance beneficiaries are today the only group who receive public aid as a legal right and who are relieved of any "relief stigma" unless supplementation by means-test programs is necessary. But to an increasing degree provisions have been introduced into other legislation with the object of making receipt of public aid less destructive to self-respect and of safeguarding the rights of the applicant. Among these the most important are the conferring of the right to appeal against administrative decisions, the protection of the privacy of the applicant, and the removal of the requirement to submit to reinvestigation.[79] These provisions vary considerably among programs, both in statute and in administrative practice.

Special Public Assistances

The right of the applicant for special public assistance to appeal was deemed of sufficient importance to be required of State plans qualifying for grants under the Social Security Act. Little is known concerning the operation of these appeal provisions within the States, although by November 1940 *all of the approved State plans of public assistance contained some kind of provision for a fair hearing to individuals whose applications for aid had been denied.*[80] Appeals for fair hearings are granted on several possible grounds: delay of the local unit in acting upon an application within a reasonable time (usually stipulated, if at all, as 30 days, 60 days, or 90 days); denial of assistance; revocation or modification of an existing amount of assistance; and, less usually, the inadequacy of the grants and dissatisfaction with any order or determination of the agency. The majority (28) of the State agencies.[81] indicate that they will entertain an appeal for any one of the following: delayed action, denial, revocation, or modification. The remainder of the States accept appeals for one or more of these or other grievances.

Methods of notifying applicants of appeal rights vary from State to State. In general, however, it appears that applicants are advised of their right to appeal. Some of the State plans stipulate vaguely that the applicant is "notified in writing" or is "notified by the county department" of his opportunity for a fair hearing if he finds cause at any time to seek adjustment of his aid through other than the normal channels available.[82] Several States issue a statement of appeal rights at the time of decision or on the form used to advise the applicant of action taken on his application.[83] In other States the applicant is told of his right to appeal at the time of application, on the application blank itself, or at the time action is being taken on the application.[84] A large number of State plans indicate that the person with a grievance is informed at the time of making a complaint or after a complaint cannot be settled satisfactorily by the county office.[85]

With a few exceptions the hearings are held in the county in which the applicant resides or at some other place convenient to him.[86] In the majority of States the applicant can represent himself or be represented by an attorney or other interested person.

In many States, the hearing is conducted by or before a single individual,[87] the referee being designated by the State department; in others, an appeals body conducts the hearing and hears the testimony. If a staff member is designated as the referee, it is usually the director of the department or some other senior administrative official.

If the hearing is not conducted by an administrative official of the State department, a field representative is usually in charge, as in the States of Kansas, Kentucky, North Carolina, South Dakota, Tennessee, Virginia, and West Virginia. In Utah and Alabama, the fair hearing is conducted by an appeals committee;

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[78] For a discussion of the restrictions upon injuries and diseases covered, see *ibid.*, chs. IV and VII.

[79] For background of these developments, see ch. III.

[80] The following discussion of provisions in State plans for appeals and fair hearings is based mainly on information obtained from the Bureau of Public Assistance, Social Security Board.

[81] Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Indiana, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Mexico, New York, North Carolina, Oregon, Rhode Island, South Dakota, Utah, Virginia, West Virginia, and Wyoming.

[82] In Arizona and Kansas a notice is posted in the county office explaining appeal rights. The New Hampshire and the New Jersey old-age assistance plans indicate that an explanation of appeal rights is given as a matter of routine to all applicants and clients. In Alabama and Arkansas, the county officials or county workers explain the applicant's right to appeal, while in Alaska he is notified in writing and in Texas "the applicant should be informed of his right to appeal."

[83] Delaware (old-age assistance), District of Columbia, Idaho, Minnesota, New Jersey (aid to dependent children), Oklahoma, South Dakota, and Vermont.

[84] California, Connecticut, Iowa, Kentucky, Louisiana, Maine, Massachusetts, Rhode Island, and South Carolina.

[85] Delaware (aid to dependent children), Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey (aid to the blind), Oregon, Tennessee, West Virginia.

[86] In California, Delaware, Indiana (aid to the blind), Maryland, and Vermont, they are held in the office of the State board or commission.

[87] Those States which have a single referee include Alaska, Arizona, California, Connecticut, Florida, Georgia, Idaho, Illinois, Iowa, Louisiana, Maine, Massachusetts, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey (old-age assistance), New York, North Dakota, Oklahoma, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Washington, and Wyoming. Wisconsin provides for hearings before a single referee or the whole State Pension Board.

in Maryland the entire State board hears the appeal; in New Mexico, the chairman of the county complaint committee conducts the hearing; while in New Jersey's aid-to-dependent children program a committee of the Department of Institutions and Agencies conducts hearings.

In most States the decision rendered by the administrative agency is final.[88] Not all of the State plans specify that an appeal from the decision of the administrative agency may or may not be taken to the courts. In at least three States (Arkansas, Mississippi, and Texas) such appeal is specifically forbidden. In certain States such appeals may be made under specified conditions.[89]

The recipient of the special public assistances is in a preferential position as compared with the recipient of general relief in most parts of the country because as from 1941 the States must provide safeguards restricting the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of these types of aid. Moreover, there is some evidence to suggest that recipients of the special public assistances are submitted to reinvestigation less frequently than general relief recipients and insofar as the mere process of investigation is distasteful, this development too must be regarded as an improvement in the conditions under which this type of aid is available.

A review of State plans indicates that for the most part State agencies require reinvestigation of old-age assistance and aid-to-the-blind cases semiannually or annually and that aid-to-dependent-children cases are reinvestigated more frequently, either quarterly or semiannually. However, it should be noted that, since many States have indicated that more frequent reinvestigation is desirable or even that it should be on a continuing basis, the position of the recipient may change.

Finally, it should be noted that, at least in some of the earlier assistance legislation, specific efforts have been made to remove from the recipient any stigma at that time attached to the receipt of public aid.[90]

Work Projects Administration

Although one of the objects of the WPA program is to provide a form of aid less degrading than the "dole," certain features attached to project employment raise some doubt as to whether this objective has been completely attained. *The fact that WPA project workers usually go through the normal relief machinery before they can obtain employment is not calculated to maintain the self-respect of the workers.* The original referral from the relief agency, and since 1936 the further reinvestigations of need,[91] remove WPA workers only a little from general-relief recipients in this regard and place them at a distinct disadvantage as compared with the recipients of the insurance programs. They are, however, less frequently subjected to reinvestigation than the former, since each individual is subject only to an annual review of need, coupled with the necessity for demonstrating need for reinstatement after separation because of 18 months of continuous WPA employment.

However, the WPA provides certain safeguards designed to improve the status of the project employee.

[88] In Connecticut and Washington (aid to the blind) the decision cannot be appealed to any other administrative agency, but it may be appealed to the courts. Aggrieved persons may appeal to the Commission again the Delaware old-age assistance plan, and on the District of Columbia the Commissioners of the District may grant further review of a case. In Kentucky the decision is final except that it is always subject to review by the Commission; likewise in Maine the decision of the Old Age Assistance Commission is subject to review by the Commission of Health and Welfare. In North Dakota, where the decision is made by a selected commission of the board (in old-age assistance, aid to the blind, and aid to dependent children), the decision is final if no appeal is taken to the total board within 45 days. Decisions rendered by the Oklahoma State Department are final unless the Commission wishes to review them. The Virginia aid to the blind plan indicates that decisions of the Commission for the Blind are final unless the Commission wishes to review its own decision. Decisions rendered by the Department of Social Security in the State of Washington (for old-age assistance) are final after 10 days.

[89] In Connecticut an appeal from the decisions may be taken to the superior court in which the applicant resides. In Iowa an appeal to the district court is permitted. The Minnesota plan indicates that the local agency or appellant may appeal to the district court of the county. The court shall determine the appeal on the record of the State agency; the determination is limited to whether action was arbitrary or unreasonable. No new or additional evidence may be introduced unless in the opinion of the courts it is necessary to a more equitable disposition of the appeal. Missouri and Rhode Island permit an appeal to the circuit court of the district in which the applicant resides. In Nevada the applicant has recourse to the courts to enforce his rights under the Act, while in New Jersey the applicant may by writ of certiorari appeal a decision of the administrative agency. The South Dakota plans indicate that, after having exhausted his administrative remedies, the aggrieved shall have the right to appeal to the circuit court of the county in which he resides. In turn, an appeal from the decision of the circuit court to the Supreme Court may also be taken by either party. The Washington aid-to-the-blind plan provides that an appellant may appeal to a superior court within 30 days of the time in which he is advised of the decision of the administrative agency.

[90] Thus the Massachusetts old-age assistance law of 1930 stated that—"no person is to be deemed a pauper because of receiving assistance under the law." In 1925 the Nevada legislature inserted in its old-age assistance statute a statement that the pension was established "in recognition of the just claims of the inhabitants mentioned upon the aid of society without thereby annexing the stigma of pauperism by legal definition." The New Jersey old-age assistance law of 1931 provided that "a person receiving relief under the act shall not be considered or classed as a pauper." (U. S. Department of Labor, Bureau of Labor Statistics, *Public Old-Age Pensions and Insurance in the United States and in Foreign Countries*, Bulletin No. 561, Washington, 1932, pp. 17, 18, and 20.)

[91] The first general review of need was instituted during November and December 1936. The practice has been legally required beginning with February 1939. (See ch. VII.) "Information regarding the person reviewed is obtained by means of personal interview, home visits when considered necessary, checking Work Projects Administration and public welfare records, and consultation with collateral sources of information." (Statement submitted by Commissioner Harrington in *Work Relief and Relief for Fiscal year 1941*, Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 76th Cong., 3d sess., Washington, 1940, p. 629.)

These include the recognition of the right to organize and to bargain collectively, the establishment of an appeals mechanism including hearings for the settlement of grievances, and the provision by law of accident and disability compensation.[92]

Youth Programs

Since both youth programs began as measures instituted to relieve unemployment, the question arises as to whether they have lost the relief stigma in the years since their establishment. The National Youth Administration was originally a part of the program of the Works Progress Administration and hence began with a definite relief association; for, even though the beneficiaries of this program were to work for wages instead of receiving relief checks, there was nevertheless the feeling that the payments were coming from the same source and were in reality relief. Moreover, both adult and youth workers had to be selected from families who were receiving relief or were eligible for it. CCC enrollees were selected at first by the State relief agencies and later by public-welfare departments, which naturally gave the program a close association with the idea of relief-giving.

The test applied by the NYA in those States where it directly certifies to its out-of-school work program is, however, much less exhaustive than the investigation of relief recipients carried out by the public-welfare agencies. It approximates rather to a general income test, and no investigation is made of the family except in the rare instances where incorrect replies are suspected. Although the NYA manual calls for a review of eligibility every six months, this review appears to be cursory, owing to the lack of investigating staff. On the student program only a general income test is required, and in general no further investigation appears to be made during the school year.

There is difference of opinion as to whether employment by the NYA and the CCC has lost the relief stigma. Certainly the avowed purpose of neither program is "relief" in the customary sense. The educational features of the CCC which were embodied in the 1937 law have helped to give this work program a nonrelief status.[93] The attitude of the general public toward NYA and CCC workers does not throw much light on this question.[94] The NYA has reported that young people who have had NYA and CCC experience are welcomed by employers,[95] but there is some evidence that this view is not shared by the young people themselves. The extent to which the stigma of relief has been removed no doubt varies from locality to locality.

Payment in Cash

It is generally considered that payment in kind is a contributing factor in the loss of self-respect associated with the receipt of relief and is thus distasteful to the recipient. Furthermore, administrators and social workers have pointed out that the practice can not even be defended on grounds of economy.[96] As stated in Chapter III, prior to 1930 a number of the better-organized and more adequately financed general-relief agencies were giving aid in cash, and in many States the special assistances to mothers with dependent children, the aged, and the blind were usually paid in cash. But the great increase in dependency and the inadequacy of funds for this purpose led to a reversion to payment in kind to recipients of general relief as an emergency measure during the early years of the thirties. The Federal Emergency Relief Administration gave definite encouragement to the granting of public aid in cash and indeed required remuneration of persons engaged on work-relief projects be paid in cash or by check. This practice was continued in regard to persons employed on the Federal work programs after 1935. After 1935, the great expansion of special public assistance, under which payment in cash was a condition for receipt of Federal aid, and the inauguration of the social insurances greatly increased the proportion of recipients of public aid who received allowances in cash. *By June 1940, all but two public-aid programs were making all payments in cash. The exceptions were general relief and surplus commodities.*[97]

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[92] See *Report on Progress of the WPA Program, June 30, 1939,* Washington, 1939, pp. 99–101 for a discussion of the safety and compensation provisions. Appeals machinery and labor relations provisions have been established by rules and regulations of the WPA. (See chs. IV and IX.)

[93] The first War Department Regulations bore the title *Relief of Unemployment: Civilian Conservation Corps,* which indicates clearly what the Army considered the CCC's function to be. The President's message to Congress on the relief of unemployment clearly stated the dual objectives of this program: giving relief through employment and conserving national resources. (See *Congressional Record,* LXXVII, pt. 1: March 4, 1933, to March 6, 1933, Washington, 1933, p. 650.)

[94] Unless the results of the Gallup Poll, which reported popular sentiment overwhelmingly in favor of the two Federal youth programs, indicate that these programs have lost their relief stigma. (See "The Gallup Poll," *Baltimore Sun,* August 24, 1940.) Publicizing these agencies as furthering national defense may serve incidentally to distract public attention from the relief origin of both programs.

[95] *Work Relief and Relief for Fiscal Year 1940,* Hearings before the Sub-Committee of the Committee on Appropriations, 76th Cong., 1st sess., Washington, 1939, p. 125. A good deal of publicity emanating from both the CCC and the NYA stresses the esteem in which their respective programs are held.

[96] See Colcord, Joanna C., *Cash Relief,* Russell Sage Foundation, New York, 1936, pp. 201–18.

[97] It will be recalled that payment in kind was the only form of public aid available to persons who received surplus commodities only. In October 1940 their number was estimated to be 673,000 cases. (See ch. VI and appendix 14.)

General Relief

The use of cash for general-relief payments varies in different parts of the country and even within States. Of 31 States for which information concerning methods of payment was available for the period January–June 1940, seven were making no cash payments, while only two were making 100 percent of payments in cash. Nine States made over 75 percent and less than 100 percent of payments in this manner; and another five, over 50 percent and less than 75 percent. By and large, cash payments appear to be more common in urban than in rural areas. But practices were far from uniform in 56 of the 59 cities whose relief policies were analyzed in Chapter VII.[98] Fifteen of these cities reported that general relief was provided in cash; 26 cities reported that such assistance was extended in kind; while in 15 cities general relief was issued both in cash and in kind.[99]

Direct Distribution of Surplus Commodities to Beneficiaries of Special Programs

All payments under the special public assistances are required to be made in cash. Yet recipients who are forced to seek supplementary public aid must frequently receive it in kind. For, as Table 46 indicates, recipients of special assistance do receive surplus commodities through direct distribution.[1]

In the case of aid to dependent children, 46.8 percent of the recipients in October 1940 received surplus commodities through direct distribution, while the old-age assistance recipients averaged 25.3 percent and the aid-to-the-blind cases averaged only 19.1 percent.

The possibility that some States have included in their reports to the Surplus Marketing Administration some cases that are on waiting lists [2] indicates further that some cases apparently eligible for one of the special assistances are receiving surplus commodities rather than cash assistance.

Although recipients of the special public assistances are nominally free to decide whether they wish to secure surplus commodities, examination of Table 46 gives reason for believing that the availability of surplus commodities has been at least to some extent taken into account in determining the size of the cash payments. For it is significant that the largest percentage of the case-load receiving surplus commodities in each of the three special assistances is found in the Southeast region where, as shown in Chapter VII, the cash payments are lowest and probably least adequate. In other words, *the objective of assuring adequate cash payments through the special assistances has been to some extent nullified by direct distribution of surplus commodities.*

TABLE 46.—*Proportion of old-age assistance, aid-to-dependent-children, and aid-to-the-blind cases receiving surplus commodities through direct distribution, by socio-economic region, October 1940*

Region [1]	Cases receiving assistance, October 1940	Cases receiving surplus commodities, October 1940	Percent of caseload receiving surplus commodities
	Old-age assistance		
United States	2,034,107	514,383	25.3
Northeast	429,232	82,176	19.1
Middle States	689,429	141,198	20.5
Northwest	159,433	55,440	34.8
Southeast	340,221	170,925	50.2
Southwest	206,237	45,448	22.0
Far West	209,555	19,196	9.2
	Aid to dependent children		
United States	359,656	168,147	46.8
Northeast	124,265	59,655	48.0
Middle States	92,221	37,128	40.3
Northwest	32,068	17,473	54.5
Southeast	64,812	40,168	62.0
Southwest	23,776	8,645	36.4
Far West	22,514	5,078	22.6
	Aid to the blind		
United States	72,949	13,929	19.1
Northeast	21,785	1,680	7.7
Middle States	22,926	3,507	15.3
Northwest	3,966	1,565	39.5
Southeast	12,624	5,950	47.1
Southwest	2,813	673	23.9
Far West	8,835	554	6.3

[1] For States included in these regions, see footnote 10, p. 57 above.

Sources: Data on cases from Works Projects Administration, *Federal Work Programs and Public Assistance, October 1940*, Washington, 1940, p. 7, table 3. Data on surplus commodities from Appendix 14. (Data on surplus commodities may include some cases on waiting lists or not yet needing assistance.)

[98] Data obtained from the answers to the questionnaire sent to relief authorities in 59 cities. See ch. VII and Appendix 16. No information on this point was available from 2 cities, while 1 did not grant general relief at all.

[99] Seven of the cities granting relief in cash occurred in the group of 14 cities of 500,000 population and over, while only 8 of the 42 cities under 500,000 population reported exclusively cash payments.

[1] In Table 46 the number of cases receiving surplus commodities through direct distribution, as reported to the Surplus Marketing Administration, is given as a proportion of the number of recipients of the special-assistance programs, as reported to the Social Security Board. Differences in reporting to the two agencies raise certain questions regarding the validity of such a procedure. Some duplication is present in both series. In the case of the Social Security Board reports, for example, a case transferred from old-age assistance to aid to the blind during a given month may appear in both the old-age assistance and aid-to-the-blind totals. In the case of reports to the SMA, it is evident that some States include persons on waiting lists as actually receiving such assistance. Consequently it is difficult to determine to what extent the cases certified from special-assistance programs as receiving surplus commodities through direct distribution are also receiving cash assistance under the special categories.

[2] For example, in Arkansas, the Social Security Board reports an aid-to-dependent-children caseload of 5,710 for October 1940, while the Surplus Marketing Administration reports 6,524 cases certified from the aid-to-dependent-children rolls as receiving surplus commodities during the same month.

Some WPA project workers also receive surplus commodities in bulk, although the proportion doing so cannot be determined. WPA cases receiving surplus commodities are not reported by State agencies to the Surplus Marketing Administration as such but as part of the entire group employed on Federal work programs. *For this group, it is estimated for the United States as a whole that about 12 percent were receiving surplus commodities through direct distribution in October 1940.*

Effect of the Food-Stamp Plan

At first sight it might appear that the widespread development of the stamp plan in no way runs counter to the policy of providing payments in cash as embodied in the Social Security Act and other Federal or federally aided measures.[3] For all surplus commodities thus distributed are purchased through the normal channels of trade, the only difference being that payment is made by stamps instead of with cash. Moreover, if the recipient of public aid wishes to forego the additional food consumption made possible by the purchase of blue stamps, he can refrain from participating in the scheme.

The stamp plan undoubtedly provides less opportunity than direct distribution for the substitution of payments in kind for payments in cash. Nevertheless, modifications of the stamp plan appear to permit its use in connection with relief systems in some areas where payments are made wholly in kind,[4] while in other areas the blue stamps serve merely to compensate partially for the payment of allowances which are admittedly too low.[5] Where funds for public assistance are limited or meager, arrangements may be made for issuing blue stamps without purchase of orange stamps, or for providing more blue stamps than the 2 to 1 ratio would permit.[6] Furthermore there is evidence that in some areas the availability of the stamp plan has resulted in a reduction of the amount which relief agencies would otherwise allow for the food item in the family's budget.[7]

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[3] It will be recalled from ch. IV that, since the purpose of the plan is to create a demand for surplus farm products and increase the food consumption of recipients, it provides that orange stamps be purchased from relief payments and/or other cash resources; with each purchase of orange stamps the purchaser receives a certain number of free blue stamps. Orange stamps are exchangeable for any food products. Blue stamps are exchangeable for only those foods designated as surplus.

The usual ratio of orange stamps to blue is two to one; or for each $1 of orange stamps 50 cents worth of blue stamps. However, this arrangement has not proved suitable in all areas and there are numerous variations in the ratios used. Thus in the California Bay region, experience indicated that, with respect to families receiving aid under the special-assistance programs, in families of one or two persons the ratio was 3 to 1 or 4 to 1; in families of more than two persons, the ratio decreased until it reached 2 to 1 in a family of six persons. In larger families the ratio decreased still further. In Massachusetts, on the basis of food consumption studies, a reduction of the 2 to 1 ratio is being made for cases of three or less receiving old-age assistance and aid to the blind. Other categories where grants are less adequate are not affected by this change. (From U. S. Department of Agriculture, Bureau of Agricultural and Surplus Marketing Administration, *Economic Analysis of the Food Stamp Plan,* Washington, 1940, pp. 1, 40; and data supplied by the Surplus Marketing Administration.)

[4] In 11 of the 42 cities included in the 59-city study (see Appendix 16 for an account of this study) which had stamp plans in operation, the entire food allowance was given in orange stamps or in the form of an order on the stamp-plan office. In 3 additional cities the food allowance was given in orange stamps plus a small cash allowance representing the difference between the total food allowance and the amount of orange stamps issued to the family.

[5] "As of January 1940, 60 percent of the participants were required to buy orange stamps; 18 percent were receiving their relief in the form of grocery vouchers rather than cash, so no requirement was necessary; and 22 percent (mostly in the South) were simply given the blue stamps because their cash-relief payments were so low they could not buy the orange stamps." (U. S. Department of Agriculture, Bureau of Agricultural Economics and Surplus Marketing Administration, *op. cit.,* p. 3.)

[6] The issuance of the blue stamps without the accompanying requirement for purchase of orange stamps is handled in various ways, as indicated by the following information from the Surplus Marketing Administration:

"In Memphis, Tennessee, Little Rock, Arkansas, and Shawnee, Oklahoma, Social Security families may receive free blue stamps without regard to the purchase of orange stamps at the rate of $2 per month for each member of the family. In Shawnee, Social Security cases receiving less than $1 per person per week for food are eligible to receive free blue only food order stamps at the rate of $2 per month for each member of the family."

"In the Dayton, Ohio, Sioux Falls, South Dakota, and Des Moines, Iowa, areas recipients of Direct Relief receive food order vouchers in small amounts on an 'as needed' basis, issued by the local welfare agencies. These cases are eligible to receive from the Surplus Marketing Administration free blue only stamps at the rate of $2 per person per month."

"In all Pennsylvania areas, Pennsylvania Veterans' Commission cases receive free blue only stamps at the rate of $2 per person per month. This amount is given in addition to their rather limited food voucher."

"In Birmingham, Alabama * * * WPA-Awaiting Assignment cases are required to purchase orange stamps to the limit of their ability and receive in addition free blue only stamps at the rate of $2 per person per month. Clients possessing no resources whatsoever are issued free blue only stamps at the rate of $2 per person per month. * * * Social Security cases are required to purchase at the rate of $4 per person per month except that no family is required to purchase in an amount exceeding 50 percent of its monthly grant. After the case has purchased on this basis for as many members of the family as possible, additional members are issued free blue only stamps at the rate of $2 per person per month. * * * This formula is primarily the formula in use in all of our older Southern areas. * * * In Southern areas having the Commodity Only category these cases participate on the basis of the requirements for WPA-awaiting Assignment."

"In Hall and Wichita Counties, Texas, General Relief cash grant cases and Emergency Relief cases receive free blue only stamps at the rate of $2 per person per month. In Houston (Harris County) and Austin (Travis County), Texas, General Relief cases receive orange stamp authorizations in lieu of their former food orders, and receive in addition free blue only stamps at the rate of $2 per person per month. General Relief cases receiving all-purpose cash grants, purchase orange stamps at the rate of $4 per person per month up to 50 percent of the grant and receive additional free blue only stamps at the rate of $2 per month for additional members of the family. General Relief cases in these counties having no funds available for food may be certified to receive free blue only stamps on the basis of the provisions for Commodity Only cases (see above)."

[7] "In the Cleveland area the minimum purchase requirement is computed from the food budget after a deduction has been made for household necessities. The food order is then exchanged for an orange stamp voucher in the amount of the minimum purchase requirement. A separate voucher is issued for household necessities. Deduction from the food budget to provide for household needs is necessitated by the fact that prior to inauguration of the food stamp plan, no provision was made for household necessities. Clients purchased household necessities with a portion of the money allotted to them for food.

To the extent that even the stamp plan is thus utilized as a method of relieving local relief agencies of responsibilities in regard to the economically insecure population, certain of the objectives of Federal policy are clearly being circumvented. For in the field of public aid this development opens the door to a reversion, at least in part, to payment in kind. And it tends to defeat the major objective of the surplus commodity scheme, namely, to ensure that there is a net increase in the consumption of food commodities.[8]

The Surplus Marketing Administration is well aware of the restrictive results in those areas where blue stamps only are issued and is exploring the feasibility of revising procedures which have tended to limit, rather than expand, the consumption of surplus foods.[9]

Differences in Access to Preferable Forms of Public Aid

The change in the conditions under which public aid is available has not affected all sections of the needy population to an equal degree. *By and large it seems probable that the needy or presumptively needy populations in the Southeast and Southwest regions have benefited less than those in other parts of the country from the improved status accorded the recipient of public aid.* Because these States are largely agricultural, a smaller proportion of the working population is covered by social-insurance law which provide aid in a form generally regarded as preferable. This situation does not appear to have been entirely corrected by the availability of NYA and WPA employment.

The unequal participation in the improved status afforded the recipient of public aid has also a racial aspect. For it is undeniable that *Negroes have had more restricted access than whites to the programs which give aid under relatively favorable conditions.* Two employments in which a large proportion of Negroes are engaged, agriculture and domestic service, are specifically excluded from the social-insurance laws. Moreover, the operation of the earnings requirements of the insurances discriminates particularly against Negroes, who are predominantly a low-income group. While there is some difference of opinion as to whether or not Negroes are discriminated against in the public assistances, it is undeniable that a large proportion of the Negro population is concentrated in the Southeast and Southwest, where payments for public assistance are low.

This situation has serious social implications. For it means that Negroes may come to form an increasing proportion of the needy population provided for by general relief. Already in some Northern cities their representation on general-relief rolls is extremely high and appears to be increasing, in part because other groups have been drawn off by receipt of the preferable forms of aid. For example, a study of the entire caseload in Philadelphia in October 1940 found that Negroes constituted more than one-half (54.3 percent) of all persons on the general-relief rolls,[10]

Hutchinson, Kansas, is also an area in which grocery orders are exchanged for orange stamp vouchers and the amount of the household necessity voucher is deducted from the food budget." (Memorandum from the Surplus Marketing Administration.) The SMA points out, however, that by the nature of the agreement made with the relief agency in Cleveland, the amount of the monthly food item under the stamp plan remains constant, whereas in the past the fact that money allotted for food was often diverted for other needs resulted in great variation in the actual amount of food purchased each month.

[8] "When relief is given in the form of cash and when so little cash is given that participants cannot be required to buy orange stamps, there is no assurance that the Federal subsidy will represent a net increase in the food consumption of the participants. In such cases the effect of the program on food consumption is perhaps not greatly different from what it would be if the participants were simply given cash, although it is certain that at least some considerable part of the subsidy will go for additional food * * *." (U. S. Department of Agriculture, Bureau of Agricultural Economics and Surplus Marketing Administration, *op. cit.*, p. 44.)

"There is a greater likelihood of substitution of blue-stamp purchases for usual purchases when relief is given in the form of cash. Before exempting persons receiving such aid from the orange stamp requirement, the Surplus Marketing Administration obtains a promise from local relief agencies not to decrease the amount of cash relief. But even with this amount maintained there is the possibility that relief people may divert part of their former food expenditures to nonfood items as a result of receiving the blue stamps. There is, in fact, little more inducement to increase food purchases in such cases than there would be if additional cash were given instead of blue stamps * * *." (*Ibid.*, p. 39.)

"In the judgment of the writers, based on first-hand observation of the operation of the plan as well as on the available statistical evidence, a conservative estimate would be that about 75 percent of the value of the blue stamps has represented a net increase of the food expenditures of the participants. In other words, only about 25 percent of the blue-stamp subsidy has been substituted for regular food purchases and hence has been without effect either on farm income or the quantity of food consumed by relief people, though it obviously must increase their total welfare." (*Ibid.*, p. 44.)

[9] "* * * in all the areas in which the stamp plan has been inaugurated, a complete review of the formula for the issuance of stamps is being undertaken. It is believed that this will greatly reduce, and in the long run completely eliminate, the issue of blue stamps alone where no precautions are taken to safeguard regular purchases." (*Ibid.*, p. 45.)

[10] While former studies have shown that for a number of years (1934–39) this proportion in Philadelphia has ranged from 38 percent to 45 percent, the increase in 1940, according to the study, is partially to be explained by the changing composition of the general-relief rolls. Their proportion on old-age assistance and aid-to-the-blind rolls was less than on general relief (20.6 and 22.6 percent, respectively), but their proportion on aid-to-dependent-children rolls was 63.1 percent. (Information obtained from the Philadelphia County Board of Assistance.)

In Cook County, Illinois, 19.6 percent of the persons receiving relief in 1935 were Negroes; in 1939 the Negro percentage was 39.7. (Calculated from Hughes, Elizabeth A., *Illinois Persons on Relief in 1935*, Illinois Emergency Relief Commission and Illinois Works Progress Administration, Chicago, 1937, p. 64; and Illinois Emergency Relief Commission, *Illinois Persons on Relief—1939*, Release No. 1, Chicago, 1940, p. 3 and tables 1–g, 1–k, and 1–l.)

In New York City the proportion increased from 13.1 percent in October 1933 to 21.7 in 1936. (Federal Emergency Relief Administration, *Unemployment Relief Census*, Report Number 1, Washington, 1934, p. 78, table 9a; and "Citizenship and Race Study Made by Caseload," *E. R. B. News* [Emergency Relief Bureau, New York City], II (October 1936), p. 2.)

In Buffalo, New York, the proportion increased from less than 8 percent in October 1933 to over 11 percent in 1937. (Federal Emergency

although they constituted only 13 percent of the total population of the city.

When a specific minority group comes to constitute so high a proportion of the caseload of a program that is subject to a certain amount of popular disfavor there is every likelihood that no great amount of social pressure will be exerted to improve or even maintain the standards of aid for this group. The inequity of such a situation, when considered in connection with the disadvantages suffered by Negroes in access to public aid in regions where they are chiefly concentrated, is a failure of our governmental processes which must be remedied if they are to be considered truly democratic.

Relief Administration, *op. cit.*, p. 78; and Emergency Relief Bureau of Buffalo, *Thirty-Three Thousand on Relief*, Buffalo, p. 10.)