

be a notable step in the right direction. As the basic social security program is broadened and improved and as coordination with supplementary State and local systems proves feasible and desirable, workers and their employing governmental units will become increasingly aware that they

cannot afford to do without the basic social security system.

Almost fifty million workers in 1944 earned wage credits under Federal old-age and survivors insurance. That system already has more than a million persons on its benefit rolls. It can serve as a foundation on which

to build social insurance against other risks and for other groups of the population. Through the extension of the existing social insurance program, State and local government workers, too, can obtain maximum social security protection for themselves and their families at minimum cost.

Human Aspects of the Transition From War to Peace

By Ewan Clague*

THE PRODUCTIVITY OF the American economy in wartime has been astonishing. We have raised and equipped an immense army, built and manned the world's greatest navy, created an air corps which encompasses the earth; we have supplied munitions of war to the armed forces of our Allies in all parts of the globe; we have built a vast merchant marine to carry our goods to all countries in the world; and we have supplied industrial equipment, food, and other supplies to improve the war output of our Allies.

Yet, in spite of all these things, we have not, as a people, suffered severe hardships through a shortage of consumer goods. It is true that we cannot now buy new automobiles, new radios, new tires, and many other kinds of commodities; but we have maintained a reasonably satisfactory output of current consumer goods even at the peak of war production. The American people as a whole are eating more and better food than before the war, buying more clothes, and living better generally. This war has demonstrated as nothing else could how much idle and unused productive power there was in the American economy during the depression of the 1930's. The basic economic problem which faces the American people is whether we can capture for the post-war world the high productivity of the war.

How did we achieve our present high productivity? Spectacular industrial processes which have increased output with decreased time and effort have been brought to public attention. The creative genius of the inventor, the ingenuity of the

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businessman, and the skill and effort of the American worker have been combined as never before in the attainment of the maximum possible national output of goods and services. Yet these striking individual illustrations have served to obscure somewhat the more basic reasons for our success. It is the tried and established methods of the average business firm which have brought forth these spectacular results in wartime. We are producing what we are today because we have put capital and labor to work as we did not do before.

Mobilization of the Labor Force

At the time of the decennial census in April 1940, approximately 53 million persons in this country were recorded as "gainful workers." They constituted the Nation's labor force at that time. About 45 million of them were then at work or had jobs, including self-employment, and some 8 million were unemployed. The standard workweek was 40 hours, with some industries working less, and with much short-time and part-time work.

Exactly 4 years later, in April 1944, there were again, according to estimates of the Bureau of the Census, approximately 53 million persons in the civilian labor force, of whom less than a million were out of work. During this same period, however, a net total of about 11 million persons had been withdrawn for service in the armed forces, nearly all of whom would otherwise have held or been seeking jobs in the labor market.

The New Workers

In general, the withdrawals have been counterbalanced in two ways: first, by the natural growth in population, and, second, by the addition to the labor force of emergency workers who would not normally be workers

at all. At the present time, some 2¼ million children reach age 16 every year. Not all of them normally seek jobs; some continue in school and others—girls, primarily—remain in the home. Yet the number who enter the labor market each year far exceeds the number of persons who retire because of old age or drop out of the labor force for one reason or another in middle life. The normal labor force continues to grow. It is this factor which partly explains why, even after 7 years of recovery from the spring of 1933, there were still 8 million unemployed in the spring of 1940.

The Emergency Workers

The second source of labor has been the emergency workers who have been induced to enter the labor market during the war, or persuaded to stay there beyond their normal time. According to calculations of the Bureau of Labor Statistics, the number of emergency workers in the labor force in the spring of 1944 was about 6.7 million. These emergency workers may be broadly classified as follows:

<i>(In thousands)</i>	
Young workers, boys and girls, who normally would have been in school	3,270
Workers, aged 65 and over, who would have retired	450
Marginal workers	1,180
Married women, including service wives	1,800

Thus, almost half these workers are young people—about two-thirds of them boys—who would have been in ordinary times in high school or in college. A very large proportion of these youngsters would have eventually entered the labor market anyway; during the war they got in much earlier than usual, either by speeding up their education or by dropping out of school.

Most of the aged workers (nearly 95 percent) are men. Some of them have returned to the labor market after a period of retirement, but most have simply stayed on beyond the normal retirement age.

The marginal workers include some three-quarters of a million men from

25 to 54 years of age, most of the men 55-64 years of age who have postponed retirement, and about 100,000 women workers. Undoubtedly this group includes a small proportion of able and competent workers who had previously retired but who have now returned to work, but their number is small. The common characteristic of this whole group is that they could not meet the standard requirements of employability before the war but found work when these requirements were lowered. They are the limited and handicapped workers, many of whom were classified in the 1930's as "unemployables." For some of them the war has represented the only opportunity in years for paid work.

Finally, more than 1 in 4 of the emergency workers is a married woman. Some 600,000 of these women are the wives of servicemen and are working for patriotic or financial reasons while their husbands are at war. Most of these are young women in their twenties. On the other hand, about 1.2 million of the married women are between 35 and 64 years of age and have been brought into the labor market because of wartime labor shortages. Few of them have children under 18 years of age; normally they have maintained homes for their husbands. Perhaps in a good many instances their financial need has not been especially great. More than any other group, perhaps, they are the patriotic war workers who have responded to the Nation's war need.

Hours of Work

Another factor in the mobilization of labor has been the lengthening of the workweek and the shift from a great deal of short-time and part-time to a large amount of overtime work. Factory workers, who averaged 37½ hours a week in 1939, now average 45 hours; shipyards are now working 49 hours instead of the pre-war 38 hours. The workweek for the machine-tool industry has increased from 43 to 50 hours, and bituminous-coal mining, from 27 to 43. Agriculture, service, and trade as well as manufacturing have shared in the general increase, which probably amounted to about 20 percent for the economy as a whole. Although the rise in output of goods and services per worker has been somewhat less, the increase in volume of production, despite the use of many inexperienced

workers, has been equivalent to adding several million persons to the labor force.

Migration

One important aspect of this civilian mobilization does not show up in the over-all Nation-wide figures. This is the migration from one part of the country to another which has occurred in the process of achieving our vast war production. The Department of Commerce, using data compiled from the OPA ration-book registration, has estimated the shifts in population since the national defense program began. A recent compilation provides estimates of the net interstate migration of population in the 3½ years between the decennial census in April 1940 and the fourth war-ration-book registration in October 1943. The most striking fact is that the greatest migration has been to the Pacific Coast—California, Oregon, and Washington. In California alone there has been an increase in population of more than a million persons since the 1940 census. A lesser but equally significant migration has been to the Middle Atlantic Coast, particularly to Maryland, Virginia, and the District of Columbia, but also including Florida in the far Southeast, and New Jersey and the lower New England States further up the coast. Finally, there has been a big migration to the four States bordering on the Great Lakes—Michigan, Ohio, Indiana, and Illinois.

The interior sections of the country, on the other hand, have been drained to meet these coastal needs. Practically every State in the Great Mississippi Basin, from the Gulf of Mexico to Canada and from Wisconsin westward through the Rocky Mountain States, has lost population. There were likewise net losses in New York, Pennsylvania, and a number of the Appalachian States.

None of these data take into account the intrastate migrations, which have also been spectacular during the war. In Texas, Louisiana, Mississippi, Alabama, and North Carolina, for example, there have been marked shifts in population to the coastal areas even though each State as a whole showed a net decline in population. Thus tremendous numbers of American workers and their families have moved from the country to the towns, from city to city,

or from State to State during the war.

If we go back through the census data for the 1930's and the 1920's, we can see these recent wartime migrations in a new light. Briefly, what this analysis shows is that the shift in population to the Pacific Coast, and to the Middle and South Atlantic Coast, is a long-time trend which has been going on for decades. Thus California, Oregon, and Washington had gains in population during the depression years of the 1930's, and, preceding that, during the prosperous 1920's. The western frontier has not been closed. People are still "going west." They are also going southeast to the Atlantic Coast line.

This longer look backward also brings to light the fact that these migrations include a heavy business-cycle feature. The Great Lakes States, for example, have gained in population in the 1940's. However, they lost heavily during the depression of the 1930's when the automobile and other industries in that section of the country closed down. Conversely, in the prosperity of the 1920's these same States gained greatly in population.

The evidence is that there are two distinct population movements in the United States. One is the trend which occurs from decade to decade both in goods times and bad. This trend has been accentuated by the wartime demands for labor. On the other hand, there is a cyclical movement from the agricultural States to the big industrial States during prosperity and then back again into the agricultural States in a depression. The net result has been a tremendous shifting of the civilian population of the United States during the war, a shifting which will complicate the post-war readjustment and which will have serious consequences for our post-war economy.

Contribution of Labor Toward War Production

To summarize briefly, the picture of the wartime labor force is as follows. The loss of 11 million servicemen and servicewomen from the labor force has been made up by the normal growth of population and the recruiting of additional workers from among the nonworking population. The unemployed have been almost entirely absorbed; the number of unemployed at the present time constitutes the almost irreducible minimum of turn-

over in a working population of this size. At the same time the workweek has been lengthened. Moreover, the war has accelerated certain population shifts and altered others in the interest of concentrating workers in the areas where they could serve most effectively on the labor front. Labor has mobilized for production.

Phases of the Post-War Economy

Discussions of the economic readjustments following the war have often been clouded by the lack of any clean-cut definition as to what period of time is meant. Sometimes it is implied that the war will end abruptly on a given date (like November 11, 1918) and that the peacetime readjustment is something which will follow within the next year or so and then be completed. As a matter of fact, precise thinking demands a recognition that the war is unlikely to really "end" on some one single day. Economic readjustments will constitute a series of stages which may encompass two or three decades. For the purpose of this paper, I should like to define four periods.

The First Stage

The first is the relatively minor economic readjustment which is expected to occur when the war in Europe is over, even though war is still going on against Japan. This may involve a large-scale cancellation of war contracts and a partial reconversion to peacetime production. Hundreds of thousands, perhaps several millions, of war workers may be laid off, and there will undoubtedly be some temporary unemployment pending such reconversion as is then permitted under wartime conditions. This first readjustment period, which may begin some time in 1945, might bring serious business and economic problems, but it should not be too difficult a period so far as labor is concerned. Despite the numbers of workers laid off, unemployment should not reach very great heights at any one time, and for individual workers it should not be of long duration.

Second Stage

The second readjustment period will follow the end of the Japanese war. It will involve the final major job of shifting to peacetime production following the cut-backs in war

contracts to peacetime levels. Almost inevitably this will mean temporary interruptions in business and employment. No matter how many preparations are made or how fast the reconversion is achieved, there is likely to be a period of a year or more during which production will fall sharply from wartime heights.

For labor this may mean a severe shock. Millions of lay-offs will occur in munitions industries as well as in the subsidiary industries. In certain sections of the country which have been devoted almost entirely to munitions production, new "depressed areas" may develop in which business becomes practically nonexistent and unemployment almost complete. The returning war veterans, nearly all of them seeking jobs, will add more labor to a wartime-inflated labor force.

From the point of view of the workers, there will be one outstanding characteristic of the post-war labor force, namely, a surplus supply of workers in relation to the demand for them. Allowing for the men who will remain in the armed forces, some 9 million ex-servicemen will return to civilian life and will find themselves part of a labor force which has been expanded during the war by some 6 or 7 million emergency workers and perhaps 3 or 4 million new workers added through the growth in population. The net result might well be that the labor force, including persons in the peacetime naval and military establishments, may average some 60 million in 1950 and perhaps 63 million in 1955. It is noteworthy that President Roosevelt, speaking in Chicago on October 28, emphasized a post-war program of providing close to 60 million jobs.

Of course, many wartime emergency workers will retire from the labor market after the war. At least half a million persons beyond age 65 can reasonably be expected to drop out of the labor market after the strenuous years of war production. Most of the 600,000 servicemen's wives will undoubtedly become homemakers exclusively, although they may stay in the labor market temporarily until their soldier husbands find satisfactory peacetime jobs. Many of the younger workers under age 20 may decide to return to school in order to complete their training or education.

On the other hand, a very large proportion of the handicapped and mar-

ginal workers will cling tenaciously to their newly won status of self-support. It will be a bitter experience for many of them if they find themselves pushed out of the labor market by a shortage of jobs. Comparable with this group may be some hundreds of thousands of veterans who have suffered war injuries of one kind or another and who will require special placement and employment opportunities after the war. Probably many of the older married women will also want to remain in the labor market indefinitely. These women are available for work; many have proved highly satisfactory employees in wartime; and most of them do not have a full-time job in the home.

This is why reconversion unemployment occurring soon after the end of the Pacific war may cause such a shock to the economy. If business should fall to the level of April 1940, with only 45 million jobs at pre-war weekly hours, but with 60 million job seekers, the resulting insecurity and unemployment can best be left to the imagination. There would be such a scramble for jobs and such cutthroat competition on the part of veterans, war workers, young workers, old workers, men workers and women workers, white workers and colored workers, that the general safety and stability of the Nation might be endangered. If there is one thing certain after this war, it is that we cannot go back to pre-war employment, wages, earnings, and incomes. The first and most vital post-war problem which faces us is how to ensure that we do not fall back to that level.

The prevailing opinion among economists and students of business conditions is that a major depression is not likely to occur immediately after the war. There is an enormous volume of deferred purchasing power in the hands of the people in the form of war bonds and other savings. There is a great potential demand for types of consumer goods of which we have been deprived all during the years of the war. It is an axiom of economic history that, when a great demand exists and there is purchasing power to make that demand effective, production and prosperity will result. We could make so many mistakes of policy and planning as to bring about a serious depression after the war, but the chances of a successful reconversion are all in our favor.

Third Stage

This leads naturally to the third stage of development—a post-war business boom. This is the period which Professor Sumner Slichter of Harvard has called the “catching-up economy.” By the end of the war, our stock of automobiles may fall to 17 or 18 million cars. After the war the American people are likely to want about twice that many. After conversion the automobile industry should have little trouble selling at least 6 or 7 million cars a year, which is a greater output than the automobile industry has ever yet produced. For 4 or 5 years the industry could run at this level. Then our stock of automobiles would be built up to normal levels, and we would need only the annual replacement, which might be only 3 or 4 million cars a year. So too with refrigerators, radios, furniture, and many other durable consumer goods. This period of catching up can be a period of feverish prosperity. If the population insists on having its demands met quickly, there can be spectacular increases in prices and a marked peacetime inflation. After such a long period of total war as this Nation and as the world has endured, there is some danger that people may not want to wait and take their time in acquiring new goods. On the employment side, the labor surplus mentioned previously may provide an incentive to “whoop it up” for post-war expansion in order to lessen the problem of unemployment.

Fourth Stage

Finally, there will come a time when the economy has been built up to normal peacetime levels and when the excess production of the catching-up economy must be cut back. By this time much of the more liquid savings of the people will have been converted into goods, and families in general will depend on current earnings for their normal purchases. At that time, reductions in wage earners' incomes due to unemployment or short-time employment will bring about sharper declines in spending. There will be no large backlog of deferred purchasing power in the form of savings. The stage is then set for a real depression; each successive cut in employment brings a further cut in spending, and the vicious spiral rapidly gets under way. The greater the excesses of the preceding boom, the

worse the deflation in this readjustment. Not only that, but such a depression is likely to be deep and prolonged.

This pattern of alternating prosperity and depression is a familiar picture after major wars. We find clearly outlined after the Civil War a short depression (1866-67), a period of wild prosperity (1868-72), and a period of deep depression (1873-79). Again, with minor differences in timing, we saw it after World War I: a shake-out depression involving primarily the collapse of wartime prices (1921-22), a period of prosperity (1923-29), and a period of depression (1930-39). After this present greatest of all wars, what assurance is there that this pattern will not be repeated? Certainly, those who argue that all that is necessary is to give business its head and let things alone have the burden of proof on their side. There were no Government controls after the Civil War and not many after World War I, but the result was not uninterrupted prosperity.

There is a great problem of planning for the next 10 or 15 years. If the problems of readjustment are to be met, a set of policies must be devised to meet them. The significant point is that no one single policy will do the job. At times it will be necessary to cushion the shock of unemployment; at other times, equally necessary to knock the top off the boom. At times Government and the community must provide support to business enterprise; at other times it may be necessary to hold back. For the short conversion crisis immediately after the war, the most appropriate policies may be those designed to hold the labor force in readiness for reemployment when business recovery gets under way. Ten years later, if there is a major depression, a gigantic program of public works and Government expenditures may be imperative. Since this longer-run problem lies some distance ahead, we may leave it for the time being. The first problem we face is the economic readjustment of the reconversion immediately following the war. At present we should bend all our energies toward the solution of that problem.

Unemployment Compensation in the Post-War Period

The years immediately following the war will hold great insecurity and

uncertainty for many millions of wage earners and their families. Counting the ex-servicemen, as many as 25 million workers may change jobs within 2 years after the end of the Japanese war. Some of these changes will involve shifts from industry to industry and from State to State. The job changes will be made more difficult because many may involve losses in wages, in skills, and in industrial status of the workers. Many of the emergency workers who want to remain in the labor market will be disturbed by the fear that they will lose out completely.

This is exactly the type of situation for which social security, particularly unemployment compensation, is especially designed. Should these workers be obliged to use up their wartime savings to finance the costs of their own readjustment? Such a course would be unfair to these people as individuals and might also be literally disastrous for the Nation. The vast amount of savings which the war has induced all classes of people to make augurs well for the future economic intelligence of the American people. If each family is both a saver and a spender, its members will be much more intelligent citizens and will urge on their government sounder community measures. If, however, millions of wage earners and their families are forced back into the situations they were in prior to the war, their outlook both as workers and as citizens will be embittered, with consequences which are not easy to calculate.

The basic protection required by all types and classes of workers during a violent transition period of the type we are describing is unemployment benefits, adequate both in duration and amount to tide the workers over their readjustment. Those benefits should be paid promptly, after a short waiting period, to persons who are unemployed. In this way all workers, whether unemployed or not, will have a sense of security and consciousness of a resource which will support the family's income while necessary industrial changes are taking place.

The amount now in reserve in the combined unemployment trust funds of all 51 States is more than \$6 billion and is likely to increase as long as the war lasts. Benefit payments at present are less than the interest which the Treasury pays on the fund.

Consequently, every dollar collected in current contributions is in effect added to the reserve for benefit payments in the difficult times ahead.

As it now stands, however, this system is by no means adequate to do the job that will be required after the war. One difficulty, which is associated with the financing of the program, is that, since the unemployment trust funds of the States are not pooled but are maintained as separate funds for each State, one State may in the future be out of funds while another has more than is needed. During recent years this factor of possible insolvency has operated to prevent the liberalization of benefit payments because of the risks involved. In the summer of 1944, however, Congress passed the "George Bill,"¹ which established a Federal unemployment account in the United States Treasury from which advances of funds can be made to States under certain conditions, namely, when their own trust funds are nearing exhaustion. This Federal loan fund therefore assures, temporarily at least, the solvency of the State trust funds. This in turn should make possible more confident State action in improving the benefits.

A second limitation is the lack of protection afforded to millions of workers. Among the classes now without unemployment insurance are the 3 million employees of the Federal Government, including employees in army arsenals and navy yards. The majority of these Federal employees have only war-duration appointments, and, like employees of private industrial establishments, many of them will be laid off at the end of the war. Another large group, numbering perhaps another 3 million persons, is made up of employees in small establishments. Some States have extended coverage to all workers employed by employers having one or more employees at any time, which is equivalent to the coverage in Federal old-age and survivors insurance. Other States, however, have set the limit at a higher level, and in a good many States the coverage is identical with the Federal definition of employer in the Federal Unemployment Tax Act, which is 8 or more employees in each of 20 weeks in a given calendar year.

Agricultural employees are not covered, although these too may experi-

ence a great deal of unemployment after the end of the war. In fact, because of a widening of the definition of agricultural labor by the Federal Congress in 1939, many employees of agricultural processing plants and other large-scale business enterprises are not now covered, although they were during the early years of the system. Finally, employees of non-profit agencies and of State and local governments have at present no protection; nor are domestic servants covered, except to a very small degree in one State.

The urgency of extending coverage is not necessarily uniform for all these excluded groups; some will face greater risks in the post-war period than others. For some of them, however, the need is urgent that coverage should be established before the war is over.

A third factor of inadequacy lies in the amount and duration of benefits. The benefit schedules now in effect in most States were established in the later 1930's, when we were just emerging from the great depression. They were adapted to the wage scales of pre-war days. Furthermore, they were highly tentative; considerable emphasis was placed on caution until experience should demonstrate what amounts of benefits could be paid under the contributions schedule adopted. With some years of benefit-payment experience now behind us, it has become clear that the costs of unemployment compensation are not as great as had been anticipated and that the program can finance more nearly adequate benefits at lower costs.

The result is that now is the time for extending and improving benefits. In almost half the States, the maximum benefits payable are still only \$15 per week. In a great many States, also, the maximum benefits are paid for only 16 weeks or less. These amounts and these durations will not see the workers through the post-war readjustment. The Social Security Board, in a letter to the Governors of the States in November 1944, has recommended that benefits be paid up to a maximum of \$25 per week and that duration should be uniform at 26 weeks for all eligible workers. It was hoped that the State legislatures in the coming 1945 legislative sessions would generally adopt a scale of benefits approximating those amounts.

A further limitation to unemployment compensation is the inequities arising from strict disqualification provisions in State laws. A disqualification arises when workers are *not* involuntarily unemployed, that is, when their unemployment arises because of a discharge for misconduct, a voluntary quit, or a refusal of suitable work. In these cases, benefits are not paid, because it is either the worker's choice or his own actions which have led to his being out of work. Ordinarily, such workers are deprived of benefits for a period of time until it becomes clear that their continuing unemployment is due to the condition of the labor market rather than to their own actions. This means the postponement of benefits for, say, 4-6 weeks.

Unfortunately, in recent years State laws have developed a trend toward the imposition of much more severe penalties in these cases. The period of postponement has been prolonged to 8, 12, and even 16 weeks in some States; and in addition the practice has arisen of canceling the wage credits of the worker, so that he is no longer eligible for benefits even though later in the year he may experience obviously involuntary unemployment. In some States the penalties go even further. A worker who voluntarily quits one employer but immediately goes to work for another, and therefore is not disqualified at the time because he has not asked for benefits, finds his voluntary quit carried forward as a black mark to a future period. Then, when he is laid off and suffers genuine unemployment, this voluntary quit from the past is brought up against him and he finds himself disqualified.

This whole development has arisen out of the system of experience rating which has now spread to all but six States. Most systems of experience rating charge the benefits paid to a worker directly to some previous employer. The result is that the employer's contribution rate is driven up or down by the benefits paid to his former workers. This in turn results in efforts by employers to disqualify workers from benefits, not so much to deprive the worker of his rights as to avoid a charge to the employer's account. It is obvious that, from an employer's point of view, he should not be charged for the benefits paid to a worker who left him voluntarily.

¹ See the *Bulletin*, October 1944, pp. 10-15.

The Social Security Board has recommended to the States that cancellation of wage credits in the case of disqualifications should be eliminated, and that postponements should not be so severe as to deprive the worker of benefits in true cases of involuntary unemployment.

One indirect effect of this new trend is to tie the worker to one employer and to prevent him from moving to better jobs, to other industries, or to other parts of the country under penalty of losing his unemployment compensation. One solution for this problem, of course, would be to eliminate experience rating from unemployment compensation. Another is to devise systems of experience rating which will not have these effects.

Unemployment compensation can be at least the first line of defense for the Nation and for millions of individual workers in the coming transition period from war to peace. It is a flexible system in that benefits can be paid immediately and with the regularity of the normal pay envelope. It

measures the need with reasonable precision because it goes to those workers who actually experience unemployment and not to those who do succeed in finding work without loss of time. It does not pay benefits high enough to discourage reemployment (except possibly in isolated instances), and yet it should, with some improvement in benefits, provide enough money to carry the families through the unemployment period. It gives the worker a deep sense of security, because the conditions of eligibility are known and every worker can determine the conditions under which he will receive benefits. Furthermore, the funds are set aside in advance so there is assurance that in any circumstances the money will be paid. Again, as business recovery takes place, and the need declines, the benefit payments fall off. Finally, the machinery of administration is already established throughout the country and can go into full operation upon call.

An adequate system of unemployment compensation would constitute one of the best methods of helping to

effect a speedy and successful post-war transition. There has been much talk recently about free enterprise and its prospects in the post-war period. It is surprising to hear the argument that social security is a form of regimentation and therefore the enemy of free enterprise. In my opinion the situation is exactly the opposite. Progress and change are an essential feature of modern industrial society. Not only that, but the process is constantly being speeded up. Temporary unemployment is inevitable; in fact, it is an inherent part of any progressive society. The problem is how to provide reasonable protection for the workers, many of whom may be called upon to bear the chief burden of these changes. The cost of progress is a cost which should be shared by others than those directly affected. There is no simpler way of assessing that cost than paying unemployment benefits to workers laid off because of lack of work. Social security is a necessity for the successful operation of a free enterprise system.

Why Beneficiaries Returned to Work

By Edna C. Wentworth*

OF 2,380 male primary beneficiaries studied in 1941 and 1942 by the Bureau of Old-Age and Survivors Insurance,¹ about 5 percent retired from work voluntarily in order to enjoy an old age of leisure, and another 5 percent quit for other personal reasons. More than half the men had lost their jobs before entitlement, and about a third had quit working because of illness or failing health. Yet, neither ill health nor lay-offs kept some of the men out of the labor market permanently. From a sixth to a third of the men in the four surveys² who had filed for benefits because of ill health reported employment during the sur-

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¹For discussion of the purpose of the surveys, methods of selecting the sample, definitions, concepts, and general analyses, see the *Bulletin*, July 1943, pp. 3-20 and September 1943, pp. 3-17. For a discussion of the reasons why beneficiaries retired, see the January 1945 issue, pp. 16-20.

²The first survey was made in Philadelphia and Baltimore in May-July 1941; the second in St. Louis, November-December 1941; the third in Birmingham, Memphis, and Atlanta, February-April 1942; and the fourth in Los Angeles, March-July 1942.

vey year—that is, the year ending with the month preceding the interview; from a third to a half of the beneficiaries who had been laid off by their employers, and a slightly larger proportion who had quit their jobs because of other personal reasons, returned to work in the year studied. Even one-third of those who voluntarily retired found it necessary to return to work to increase their income.

Whether or not a beneficiary worked or sought work depended on several different factors, such as the available opportunities, ability to hold a job, adequacy of income without earnings, and psychological adjustments to retirement or to work at a lower skill or with less prestige.

Factors Affecting Return to Work

Twenty-five percent of the 508 male primary beneficiaries interviewed in Philadelphia and Baltimore were employed at some time during the survey year (table 1). This proportion was less than in the surveys conducted 6 months to a year later. Opportunities for employment of aged workers were undoubtedly greater with each suc-

cessive survey. Between the survey in Philadelphia and Baltimore and that in Los Angeles, this country had entered World War II and the demand for labor was steadily increasing. For example, unemployment for the United States as a whole decreased from 9.3 percent of the labor force at the end of the Philadelphia and Baltimore survey to 6.4 percent at the end of the St. Louis survey, 6.0 percent at the end of the Birmingham, Memphis, and Atlanta survey, and 4.5 at the end of the Los Angeles survey.³

The war industries drew on workers ordinarily attached to less essential

³U. S. Department of Commerce, Bureau of the Census, *Monthly Report on the Labor Force*, Mar. 9, 1945.

Table 1.—Percentage distribution of male primary beneficiaries reporting employment during survey year, four surveys

Employment status	Philadelphia and Baltimore	St. Louis	Birmingham, Memphis, and Atlanta	Los Angeles
Total number.	508	550	564	758
Total percent..	100.0	100.0	100.0	100.0
No employment....	74.6	62.4	54.4	61.9
Employment ¹	25.4	37.6	45.6	38.1
Covered.....	16.3	24.0	19.5	22.7
Noncovered.....	9.8	16.7	31.6	19.8

¹Based on an unduplicated count of beneficiaries. Total percent is less than sum of percents in covered and noncovered employment, since some beneficiaries reported earnings in both covered and noncovered employment.