

that the administration of coverage for the self-employed could be successful here. The Advisory Council on Social Security, the National Planning Association, and several organizations

representing self-employed persons such as dentists, musicians, and farmers have recommended that coverage be extended to the self-employed. With the cooperation of the self-em-

ployed, there are reasonable grounds for believing that extension of coverage to the self-employed is practicable and not too far from successful realization.

## Reconversion Unemployment Benefits for Seamen

by Olga S. Halsey\*

*Seamen who had been employed during and immediately after the war on American merchant vessels under Federal control were technically employees of the United States. As Federal employees, they would not have been eligible for unemployment benefits except for the temporary program of reconversion unemployment benefits for seamen, reported below.*

**T**HE personnel of the American merchant marine increased more than threefold during the war years to meet the extraordinary wartime shipping needs. For 2 years—July 1943 to July 1945—the War Shipping Administration controlled virtually all shipping in American vessels. The officers and members of the crews of these vessels were technically employees of the United States. As Federal employees, they were not covered by State unemployment insurance laws at a time when they were confronted by inevitable demobilization at the close of the war.

To meet this situation, Congress in July 1946 added title XIII to the Social Security Act. The provisions of the new title became effective, for practical purposes, in July 1947, when Congress first appropriated funds for the payment of benefits. The program was originally due to expire on June 30, 1949, but early in July 1949 Congress extended it for another year.

Title XIII authorized the payment of unemployment benefits from Federal funds to persons who had been employed in Federal maritime service. This was defined as service on or in connection with an American vessel by "an officer or member of the crew as an employee of the United States

employed through the War Shipping Administration," when the employment was under a contract entered into in the United States. The new title also authorized the Administrator of the Federal Security Agency to make agreements with State employment security agencies under which the States, as agents of the Federal Government, would pay unemployment benefits to these Federal workers under the provisions of the applicable State law.

Under this program the period of employment and the wages earned in Federal maritime service during the base period of each State are treated as if they had been covered by the law of the State in which the seaman first filed a claim for benefits. State employment security agencies, however, had no record of this Federal employment. Accordingly, since the services were covered under old-age and survivors insurance, arrangements were made with the Bureau of Old-Age and Survivors Insurance to furnish State agencies, on request, with a transcript for each claimant of the wages he earned in Federal maritime service. Through June 1949 the Bureau had handled nearly 100,000 requests for transcripts.

### Background

The Federal Government meets the entire cost of the benefits paid those

seamen whose wage credits were earned wholly in Federal employment and were sufficient to make them eligible under the State law. For claimants who had both Federal wage credits and also wage credits earned in State-covered employment, the combined wage credits are pooled to determine eligibility for benefit, weekly benefit amount, and duration. For claimants for whom the Federal wage credits, in addition to the credits in State-insured employment, result in an increase in the weekly benefit amount and/or potential duration, the Federal Government meets the cost of the additional amount paid the claimant on the basis of his Federal employment.

Before the accomplishments of the program are outlined, a sketch of the background against which it has operated is necessary to explain why it is properly called one of "reconversion unemployment benefits for seamen."

Before the war, in 1941, the personnel actually employed on privately operated American merchant vessels totaled 50,000. By July 1943 the personnel in the American merchant marine had increased to 89,000, but virtually all this employment was on vessels controlled by the War Shipping Administration. Two years later, employment under the control of this agency reached a peak of 168,000—more than three times the prewar number on privately operated American vessels. At that point the War Shipping Administration—and later, its successor, the Maritime Commission—began to return vessels to private control. A year later, the number of employees on vessels controlled by the War Shipping Administration had declined by more than

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half; by January 1947, it had contracted to one-fourth the wartime peak; and by February 1948, it had shrunk to some 8,000. As of April 1, 1949, employees on federally controlled vessels numbered something less than 2,000 and by June 30, 1949, the number had reached zero.

Because of this rapid decline, as each new base period becomes applicable there are fewer seamen who have had Federal maritime employment within that base period. The relatively small number of seamen who were employed on federally controlled vessels during 1948 and 1949, many of whom had been employed almost wholly on these vessels, posed a special problem. The extension of title XIII to June 30, 1950, or a year after the original expiration date, was authorized by Congress in July 1949 to protect the benefit rights of this group.

As the War Shipping Administration and its successor returned vessels to private operation, the number of employees on privately operated vessels increased from some 500 in July 1945 to 55,000 in January 1947 and to roughly 78,000 in April 1949. These workers are insured under the laws of the principal maritime States.

### *Postwar Maritime Employment*

The contraction of Federal maritime employment and the expansion of that on privately operated American vessels, however, have not balanced. Instead, there has been a net decline in employment in the entire American merchant marine, from 162,000 in July 1945 to 100,000 in October 1947 and to roughly 80,000 in April 1949. The result has been a surplus of seamen in the chief port cities.

Large numbers of the younger men, many of whom were especially recruited for the war emergency, appear to have left the industry. In New York City, for example, it was estimated in May 1948 that most of the maritime claimants were from 38 to 54 years old, whereas in 1946 it was estimated that about three-fifths of those in the entire maritime labor force were less than 30 years old. The work experience of the older men who were claiming benefits in New York City was confined to the shipping in-

dustry; their skills were not readily transferable to other industries. Many, moreover, were highly skilled aliens, whose maritime employment is subject to certain legal restrictions.

Aside from this deflation, the maritime shipping industry presents peculiar employment problems. Personnel on deep-sea vessels ordinarily sign up for a voyage that may last a few weeks or months. At the end of the voyage, a seaman is without a job unless he re-signs on the same ship. Although passenger ships have relatively stable crews, on other vessels most of the crew often change from voyage to voyage.

To get another job the union seaman in this highly organized industry ordinarily reports to the hiring hall of his union. There he is assigned a number, based on the date of his registration. Men who have been "on the beach" (without a job) longest and are at the top of the register are given the first opportunity to apply for a job within their occupational category for which the hiring hall is asked to submit candidates. A man is free to reject a referral to a specific job or refuse an offer, but two job refusals usually place him at the bottom of the register again to await his turn for a referral. As a result, it is estimated that at any one time there are approximately one-third as many seamen "on the beach" as are actually employed.

The high turn-over and rotation in hiring tend to shorten the periods of unemployment. The New York agency was able to report in March 1948 that the average duration of benefit payments for Federal seamen was only 8.1 weeks, as compared with 11.5 weeks for all State claimants, and that the exhaustion ratio for seamen was less than one-sixth of that for all State-insured claimants.

The rapid contraction in employment under the jurisdiction of the War Shipping Administration and its successor from the peak of July 1945 explains why the proportion of claimants eligible for benefit solely on the basis of their Federal maritime wage credits has gradually declined. As vessels formerly under Federal control have been returned to private operation, the proportion of claimants who have had sufficient State-insured em-

ployment to make them eligible for maximum State benefits has been gradually increasing. The decrease in employment in the entire American merchant marine, coupled with the special hiring practices, partly explains why unemployment in the industry has not conformed to the general pattern of State-insured unemployment, which reflected the generally expanding employment through December 1948.

### *Benefit Determinations*

State agencies made approximately 69,000 determinations as to eligibility for benefits of claimants under this program in the 21 months between July 1947 and March 1949. For workers whose only wage credits had been earned with the War Shipping Administration, the determinations were based entirely on those wages. For claimants who had both Federal and State wage credits, two separate determinations were made—one on the basis of State wages alone and one on the basis of combined State and Federal wages, so that the effect of the Federal wages on the amount and duration of the claimant's benefits was known. New York and California jointly accounted for 65 percent of these determinations; New York alone for 39 percent.

Twenty-seven percent of all determinations in the 21 months showed that the claimants' only wage credits were earned in Federal maritime employment and were sufficient to make the claimants eligible for benefit under the program. In the first 3 months of operation, however, 40 percent of all claimants came in this category; the proportion has gradually declined as Federal maritime employment progressively shrank and ceased to be included in the current base period and as claimants obtained more State-insured employment. As a result of these changes, in the first 3 months of 1949, only 12 percent of all determinations showed that the claimants had had only Federal maritime employment sufficient to establish eligibility.

The effect of the decreasing volume of Federal maritime employment and of changes in base periods is most marked in New York, which has a uniform base period—that is, the base period for all claimants is the calendar

year preceding the uniform benefit year that begins the first week in June for all claimants. When the eligibility of New York claimants was based on wages earned in 1946, from 34 to 39 percent had only Federal maritime wages sufficient for benefit. When the base period changed and only wages earned in 1947 came within the new base period, only 10 percent of the claimants were eligible for benefits based wholly on their Federal employment.

Another group of claimants had earned wage credits both in Federal maritime service and in State-insured employment. During the first 21 months, 27 percent of all claimants were eligible for an increase in weekly benefit amount and/or potential duration as the result of adding Federal wage credits to those earned in State-insured employment. This proportion, however, declined somewhat between the first 3 months of the program and the first 3 months of 1949.

As the relative size of the group decreased, the proportion who were found eligible for the maximum weekly benefit provided in the State law, based wholly on State-insured employment, increased from 11 percent of all determinations in the first 3 months of the program to 48 percent in the first 3 months of 1949. In California the relative size of this group in January-March 1949 was nearly five times that in the opening 3 months of the program; in New York, the group almost doubled. In January-March 1949, 61 percent of New York's claimants under the program were eligible for the maximum weekly benefit amount—wholly on the basis of their State-insured employment.

The increase in the proportion of claimants eligible for maximum State benefits based wholly on their State-insured employment indicates that the program has been bridging the transition for this group from Federal maritime employment to State-insured employment.

### **Benefits Paid**

State agencies compensated a little more than a quarter of a million weeks of unemployment under this program between July 1947 and December 1948; about 67 percent of these were weeks of unemployment of claimants

who had only Federal wage credits and who would not have been entitled to any benefit except for this program. California and New York together accounted for 57 percent of all weeks compensated.

The Federal share of benefits in the first 18 months was approximately \$4,320,000—57 percent of it in California and New York. For the first 15 months, 84 percent of the Federal funds went to claimants whose only wage credits had been earned in Federal maritime employment.

### **Major Administrative Problems—Federal**

This temporary program has presented several problems, both to the Bureau of Employment Security and to the State agencies. For the Bureau, one of the major problems has been that of estimating probable future expenditures as a basis for obtaining the necessary congressional appropriations.

Estimating future needs has presented special difficulties because, as indicated earlier, the course of unemployment in this industry has not conformed to the pattern of State-insured unemployment. The maritime industry, moreover, presents a unique type of unemployment—the periods “on the beach” between voyages. In the fall of 1948, weeks compensated and expenditures did not decline as anticipated because all shipping on the west coast and in New York City was tied up for several weeks by strikes of longshoremen. As a result, seamen were unable to ship and claimed benefit for unemployment that did not come within the labor-dispute disqualification. The financial repercussions of this unemployment, which could not have been foreseen, were intensified since the benefits of former Federal seamen are paid from a single fund, derived from congressional appropriations, with no reserve to draw on.

Almost from the outset the program has required deficiency appropriations. The initial appropriation in July 1947 of \$900,000 was based on an estimate prepared more than a year in advance without any experience. The amount proved such an underestimate that it was necessary to request two supplemental appro-

priations during the balance of the fiscal year 1947-48. For the fiscal year 1948-49, Congress appropriated \$1,920,000—\$360,000 less than had been requested. Only \$1,809,600, however, was actually available because of the deficit carried over from the fiscal year 1947-48. The tie-up of shipping in the fall of 1948, and heavier unemployment than had been anticipated, combined to make a deficiency appropriation of \$500,000 necessary for the balance of the fiscal year 1948-49.

This series of requests for deficiency appropriations led the Bureau of the Budget to question why the claims load was so much heavier than had been anticipated, whether the claims of Federal maritime workers were subjected to the same scrutiny as those of State-insured claimants, and whether Federal maritime workers were possibly abusing unemployment insurance.

To answer these questions, the Bureau of Employment Security made two investigations. In the first study, nine States were asked to submit answers to a questionnaire as to conditions in the chief seaports on the Atlantic, Pacific, and Gulf coasts and in scattered inland cities where there had been an appreciable volume of claims. The study, made in December 1947, showed that claimants in the selected cities filed claims for an average of 4 weeks. The survey disclosed a surplus of maritime workers, especially in the larger port cities.

The second survey, in which representatives of the Bureau of the Budget and of the Bureau of Employment Security participated, was made in the field during the spring of 1948 in the four port cities having the largest volume of claims. The study revealed that only two-fifths of the seamen “on the beach” and registered at union hiring halls had actually filed claims. Approximately half the claimants had deferred filing claims for 2 or more weeks, and almost one-fourth for a month or more, after the termination of the voyage. According to the study the procedures applied to the review of these claims were identical with those used for State-insured maritime workers. The survey disclosed, however, that employers

were protesting a larger proportion of maritime than of other claims. Maritime employers often claimed that a seaman who failed to re-sign at the end of a voyage had left his job voluntarily or had refused suitable work. The State agencies differed in their application of a disqualification under these conditions.

### Major Administrative Problems—State

For State agencies, the hiring of almost all maritime workers through the union hiring halls has presented the problem of testing their availability and of their placement. In the chief port cities covered by the surveys, State agencies have developed interesting plans for cooperation with the union hiring halls. The details vary. In New York, for instance, the union furnishes the State agency each month with a list of all registration

numbers that have shipped out in each rating, together with the date of registration. This information is screened against the claim record cards of active claimants. All claimants who are found to have registered with the union earlier than those who shipped out in the same rating are assumed to have had an opportunity to get work. Such claimants are carefully questioned on their next visit as to whether they have refused suitable work and if they are, in fact, really available for work.

State agencies have had difficulty in placing maritime workers in shore jobs. Although the basic problems vary from city to city, they include the higher wage paid for maritime service, a surplus of workers in those shore occupations for which maritime workers qualify, the fact that seamen often are not the best-qualified candidates for available jobs, the hesi-

tancy of employers to hire workers who may be temporary, the policy of one large maritime union to defer registration at the hiring hall for the duration of any shore employment, and, finally, the fact that seamen are obtaining maritime work, even though the period between jobs may be longer.

Although this program had largely accomplished its purpose as of June 30, 1949—tiding seamen over their shift between Federal maritime service and State-insured employment—there remained a small group with recent employment on federally controlled vessels and relatively little State-insured employment. The extension of title XIII for another year, as authorized by Congress in July 1949, will assure these seamen the same protection as that afforded those who left Federal maritime service at an earlier period.

## Notes and Brief Reports

### Social Insurance and Related Payments in 1948

Payments under social insurance and related programs in 1948 amounted to \$5.4 billion, 4 percent below the \$5.6 billion disbursed in 1947 and 10 percent less than the 1946 total of \$6.0 billion. The decline reflects a marked decrease in readjustment allowances paid to unemployed and self-employed veterans, partially offset by the steady growth of retirement, disability, and survivor payments.

Of the total expended in 1948, half went to veterans and their survivors under programs administered by the Veterans Administration. In 1947, when veterans' readjustment allowances were almost double the 1948 amount, disbursements under the veterans' programs had accounted for a somewhat larger share of the total—54 percent. Programs operating under the Social Security Act—old-age and survivors insurance and State unemployment insurance—accounted for one-fourth of all 1948 payments,

a slightly higher proportion than in 1947.

Approximately 40 cents out of every dollar expended during the year was

in payment of disability benefits. Veterans received 77 percent of the disability payments, and 15 percent was paid under the workmen's compensation programs to individuals disabled as a result of work-connected injuries. Payments to sick or disabled

### Payments under social insurance and related programs, 1948<sup>1</sup>

[In thousands; corrected to Aug. 3, 1949]

| Program   | Total       | Retirement payments | Disability payments | Survivor payments |                  | Unemployment insurance payments | Re-funds  |
|---|-------------|---------------------|---------------------|-------------------|------------------|---------------------------------|-----------|
|   |             |                     |                     | Monthly           | Lump-sum         |                                 |           |
| All programs.....                                       | \$5,390,722 | \$1,048,311         | \$2,120,005         | \$710,558         | \$81,796         | \$1,244,904                     | \$107,680 |
| Old-age and survivors insurance.....                    | 575,938     | 366,887             | —                   | 176,736           | 32,315           | —                               | —         |
| Railroad retirement.....                                | 253,548     | 150,148             | 58,494              | 35,992            | 8,914            | —                               | —         |
| Federal retirement.....                                 | 393,290     | 277,055             | 31,428              | 918               | 11,209           | —                               | 72,680    |
| Civil-service systems.....                              | 217,337     | 103,458             | 31,428              | 918               | 10,869           | —                               | 70,664    |
| Other contributory.....                                 | 4,316       | \$ 1,960            | ( <sup>2</sup> )    | ( <sup>2</sup> )  | 340              | —                               | 2,016     |
| Noncontributory.....                                    | 171,637     | \$ 171,637          | ( <sup>3</sup> )    | —                 | —                | —                               | —         |
| State and local government <sup>4</sup> .....           | 285,000     | 190,000             | 20,000              | 23,000            | 17,000           | —                               | 35,000    |
| Veterans' pensions.....                                 | 2,133,452   | \$ 64,221           | 1,642,961           | 413,912           | 12,358           | —                               | —         |
| Workmen's compensation <sup>5</sup> .....               | 370,000     | —                   | 310,000             | \$ 60,000         | ( <sup>6</sup> ) | —                               | —         |
| State unemployment insurance.....                       | 789,736     | —                   | —                   | —                 | —                | 789,736                         | —         |
| State temporary disability insurance <sup>7</sup> ..... | 26,279      | —                   | 26,279              | —                 | —                | —                               | —         |
| Railroad unemployment insurance.....                    | 28,599      | —                   | —                   | —                 | —                | 28,599                          | —         |
| Railroad temporary disability insurance.....            | 30,843      | —                   | 30,843              | —                 | —                | —                               | —         |
| Servicemen's readjustment allowances <sup>8</sup> ..... | \$ 504,037  | —                   | —                   | —                 | —                | 426,569                         | —         |

<sup>1</sup> Data partly estimated; total differs from total in table 1 on p. 24, which excludes some programs reported here.

<sup>2</sup> Includes allowances of \$77,468,000 to self-employed veterans.

<sup>3</sup> Retirement payments include a small but unknown amount of disability payments under non-contributory systems and disability and survivor payments under contributory systems.

<sup>4</sup> Preliminary. For fiscal year, which usually ends in June.

<sup>5</sup> Payments to veterans of Spanish-American War, Philippine Insurrection, and Boxer Rebellion retired for age.

<sup>6</sup> Preliminary. A small but unknown amount of lump-sum survivor payments included with monthly survivor payments.

<sup>7</sup> Temporary disability insurance programs in California and Rhode Island.

<sup>8</sup> Allowances to unemployed and self-employed veterans under provisions of title V of the Servicemen's Readjustment Act.